

Tilney Smith & Williamson Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Registered number: 08741768

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“Despite the challenging backdrop, 2020 was a year of achievement for the business with a record year for organic growth, strong underlying financial performance and the completion of the landmark merger of Tilney and Smith & Williamson”

“One of the core benefits of our scale has been our ability to invest significantly in new technologies to enhance client experience and improve productivity. We see this as a strategic imperative to achieving our growth ambitions”

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Governance

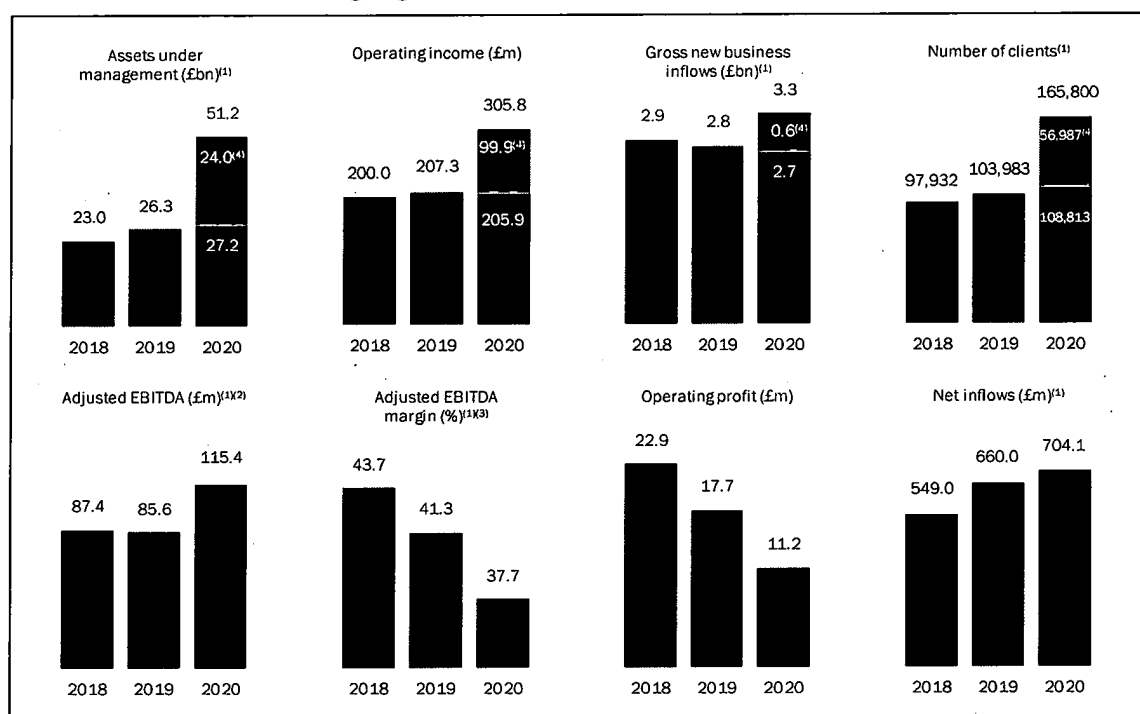
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Strategic Report

Financial and Business Highlights



1. This measure is considered an Alternative Performance Measure (APM). APMs are defined on page 22.

2. Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation is defined as operating profit of £11.2 million (2019: £17.7 million), adding back exceptional costs of £38.2 million (2019: £10.0 million), other non-recurring costs of £1.3 million (2019: £5.7 million) and amortisation and depreciation totalling £64.7 million (2019: £52.2 million) (page 24).

3. Adjusted EBITDA as a percentage of operating income.

4. Contribution from Smith & Williamson which was acquired on 1 September 2020.

Completed the transformational merger of Tilney and Smith & Williamson

We completed the merger on 1 September to create a leading integrated wealth management and professional services group. The merged business ranks as a top five UK wealth manager by assets under management (AUM) and the eighth largest UK accountancy firm when measured by fee income.

We successfully adapted to the challenges of COVID-19

With the spread of the COVID-19 pandemic, we migrated the business to a primarily remote-working model in mid-March. Our robust technology platform enabled our teams to have secure access to our systems and support our clients whilst working from their homes.

Strong new business generation

We continued to demonstrate strong organic growth with £3.3 billion of gross inflows, representing 12.5% of opening assets. Net flows were also positive, increasing 6.7% to £704.1 million.

Implemented a major new technology platform

In September, we implemented a major new technology platform that supports investment managers, trading and provides an in-house custody and settlement platform which is scalable and will support future growth.

We invested in new talent

We strengthened the Executive leadership team with three external hires: a Chief Commercial Director, a Chief Technology Officer and a Chief Marketing Officer. We continued selectively to recruit additional client-facing colleagues during the pandemic.

Strategic Report

Introducing Tilney Smith & Williamson

We are a leading financial services and professional services group, focused on helping our clients navigate an uncertain world to achieve their long-term goals. With a depth of expertise in financial planning, investment management and professional services, we offer an unrivalled range of services to support our clients with the management of both their personal wealth and their business interests.

We are a team of over

3,000

people

We operate from

24

towns and cities

We manage

£51.2bn

of assets under management for our clients



Our Brands


TILNEY

 **Smith & Williamson**
Accountancy • Investment Management • Tax

Bestinvest
powered by TILNEY

Strategic Report

Our Market

We are one of the largest firms operating in what is a very sizeable but highly fragmented market. This represents a significant growth opportunity for us. UK households have a combined wealth of £14.6 trillion of which liquid savings and investments, our directly addressable market, is approximately £2.4 trillion in size.

Our combination of scale and ability to support clients with both their personal wealth and their business interests places us in an excellent position to capitalise from both the growth of private wealth and consolidation opportunities arising from changes in the industry landscape.

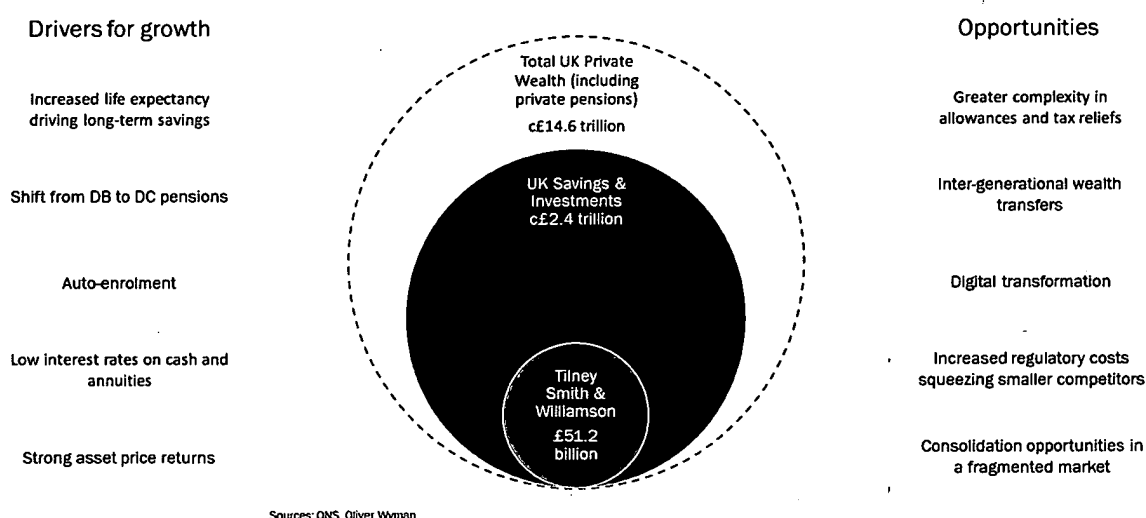
UK wealth has been growing faster than GDP or inflation in recent decades, supported by the tailwind of low interest rates, strong asset price returns on both property and investments and structural changes in the pensions' landscape. The latter has seen pension risk significantly shift away from the shoulders of employers to their employees, a major widening of pension membership through auto-enrolment and the introduction of much greater flexibility over how pensions can be accessed at retirement.

Alongside the growth in financial and private pension assets, the UK has a strong record of new business creation. It is one of the highest ranked countries globally for entrepreneurship according to the Global Entrepreneurs Index and ranks third globally for the number of unicorns – start-ups valued at over \$1 billion.

The Department of Business, Energy & Industrial Strategy, estimate that the number of UK private sector businesses had expanded from 3.5 million in 2000 to 6.0 million in 2020. Over 20,000 of these businesses have over 100 employees and whose professional services needs are varied, including audit, tax advisory, pensions and employee benefits, restructuring and turnarounds, as well as advice on mergers and acquisitions (M&A) transactions, disposals and raising capital.

While our addressable market is very sizeable, it is also highly fragmented in terms of the participants operating within it. Private clients are serviced by a plethora of local financial advisers, national advice firms, independent wealth managers, private banks, high street banks and professional services firms, as well as digital platforms. According to data released by the FCA last year, as at the end of 2019 there were more than 5,200 financial advice firms in the UK, of which 89% had five or fewer advisers and only forty-five firms had over fifty advisers.

Therefore, although we are a top five UK wealth manager when ranked by assets under management, as well as one of the largest UK professional services firms outside of the Big Four accountancy firms, our market share is still small in what remains a huge but highly fragmented, growth market.



Strategic Report

Market Trends

Demographic change

The UK has an ageing population, reflecting both a sharp decline in birth rates since the 1960s and significant increases in life expectancy. This has created a powerful impulse for making long-term savings and investments in order to achieve financial security in retirement and is contributing to rising wealth among older generations. At the other end of the spectrum, stagnant wage growth, high property costs and graduate debts mean many younger people are struggling to start building personal wealth.

How we are responding

We have developed a broad range of services to enable us to support clients at each stage of their lives and seek to build multi-generational relationships with families. Through our expertise in estate planning and tax, we advise families on inter-generational wealth transfers to enable wealth to cascade between the generations.

Our online service, Bestinvest, enables us to support a much younger cohort of clients than most traditional wealth management businesses and to evolve the way we support them as their needs and circumstances change. We are seeking to further augment our range of services with the planned launch of a new proposition that will combine a digital service with personalised advice at low cost. This will extend our reach to a wider segment of the population, including early accumulators.

The evolving pensions landscape

Private sector defined benefit (DB) pensions have been in steady decline for decades. Instead, most workplace pensions are now defined contribution schemes where the employee accumulates assets through an investment fund. This shift in the burden of risk to the individual and less predictability in outcomes has increased the need for financial advice.

The growth of private pensions has been further boosted by auto-enrolment into workplace pensions. Since 2012, when auto-enrolment began, the proportion of UK employees participating in workplace pensions has grown from 42% to over 77%. By mid-2020, there were 23 million members of defined contribution schemes.

The 'Pension Freedoms' reforms introduced in 2015 have provided retirees with more choice and flexibility in how they access their benefits. Against the backdrop of very low annuity rates, many savers are choosing income drawdown on their pensions in retirement and are therefore remaining invested rather than making the one-off purchase of an annuity. This trend extends the ongoing relationship between clients and their wealth managers, potentially for decades.

How we are responding

We have developed a comprehensive range of services to help both businesses and individuals with their pension needs. Through our employee benefits practice, we support businesses with their group pension arrangements. Alongside this, we can also provide personalised financial planning advice to business owners and senior managers.

A more fluid employment landscape means that the typical individual will now change jobs multiple times over their working lives, accumulating a number of pension arrangements over time. We have therefore created a broad range of advice and guidance services to support people with both the consolidation and management of pension assets, whether they wish to self-manage their pension, take advice or have their pension managed for them – we offer services in each area. The breadth of our service offering means we can support clients from across the UK wealth spectrum with the consolidation and management of their pension assets.

Strategic Report

Increasing complexity

Both businesses and wealthier individuals are facing increased complexity in their financial affairs. For example, high earners have been heavily restricted in their access to pension tax reliefs through the Lifetime Allowance and tapered annual allowance, while entrepreneurs have seen a sharp reduction in the tax reliefs available to them when they sell a business. With the potential for further changes to taxation as the Government seeks to reduce the public sector debts built up during the COVID-19 pandemic, further change and complexity in the tax environment is to be expected.

How we are responding

We have embedded a collaborative approach across our wealth management and professional services teams to support clients with a holistic, tailored and joined-up service that caters to their needs. Our comprehensive range of expertise in tax advisory, financial planning and investing enables us to help entrepreneurs, senior professionals and wealthy families navigate a world of increasing complexity.

Regulation and risk

The regulatory environment in which we operate is continually evolving. In particular, regulators have focused on consumer protection and greater transparency on costs and fees. Alongside this is the need to implement robust controls over data security, as well as vigilance to protect against the risks of cyber-crime and money laundering. For financial services firms, more stringent regulations and the pace of change have demanded that robust risk frameworks are in place, high standards of conduct are embedded in business culture, and increased resources are committed to compliance and risk functions. In the professional services sector, there is an increasing focus on the independence of auditors and the potential for conflicts of interest. As a result of this trend and evolving ethical standards, there are greater opportunities to provide advisory services to clients of the Big Four firms.

How we are responding

We welcome regulatory developments that improve client outcomes, strengthen accountability and reinforce consumer trust. We have proactively embedded high standards of conduct into our culture, including in our approach to appraisals and remuneration. As the regulatory environment has evolved and we have grown in scale, this has required appropriate investment in resources and training. We have invested in compliance, risk management, cyber-security and systems and processes. All of our staff are required to undertake regular, mandatory training to ensure they are familiar with developments in the regulatory and legal environment and are acutely aware of the risks and responsibilities incumbent in a regulated financial services business.

Consolidation and scale

The market in which we operate is highly fragmented with a proliferation of firms, most of which are small in size. The rising costs of regulation and the imperative to invest in new technology is creating cost and competitive pressures for medium-sized and smaller firms, which in turn is driving further consolidation.

How we are responding

We have been at the forefront of consolidation within the sector in recent years and continue to explore selective M&A opportunities where the cultural and strategic fit is right. Since 2014, we have successfully integrated ten high quality businesses of varying sizes. These range from local bolt-ons of high-quality financial planning and investment advisory businesses, business transfer agreements where teams and clients have joined us from larger organisations and three significant mergers, including the combination with Smith & Williamson in 2020. We have developed both an in-house corporate finance capability and a strategic programmes team experienced in managing integrations. Our scalable platform and breadth of service offering makes us an attractive acquirer of adviser-led businesses, who recognise the benefits that an enhanced proposition and infrastructure will bring, enabling them to continue to focus on their client relationships.

Strategic Report

Digital transformation

Across many sectors, new technology has disrupted traditional business models. It represents both a major opportunity for those who harness it, yet also a threat for those who fail to invest and adapt. In our market, digitalisation creates opportunities to transform the way clients are supported and reach a much wider segment of the population to help plug the advice gap. It also offers opportunities to empower practitioners with real-time insights and improve productivity.

How we are responding

We have invested heavily in our IT infrastructure in recent years and have now created a Digital Technology Solutions function to drive further innovation. Building on our programme of implementing new financial planning and investment management systems, we have commenced a key strategic programme to deliver an integrated financial services platform. This will provide us with a front-to-back solution including reporting, execution, settlement and in-house custody. This will be completely tailored to our needs and will be able to support both financial planners and investment managers. We are also embarking on a programme of reinvigorating Bestinvest, our online business, which will improve client experience and add new functionality. This will be followed by the launch of a new digital hybrid service later in the year, offering personalised advice alongside digital engagement.

Changing client needs

The needs of clients are constantly evolving in both the way they prefer to interact with businesses but also in their investment preferences. The COVID-19 pandemic has accelerated the pace of change.

There is also a growing interest in investment strategies that apply non-financial criteria relating to Environmental, Social and Governance (ESG) in the investment selection and portfolio construction process. This is expected to gather pace with proposed amendments to MiFID 2 regulations that are due to be implemented in 2021, requiring advisers to clarify clients' ESG preferences as a routine component of the advice process.

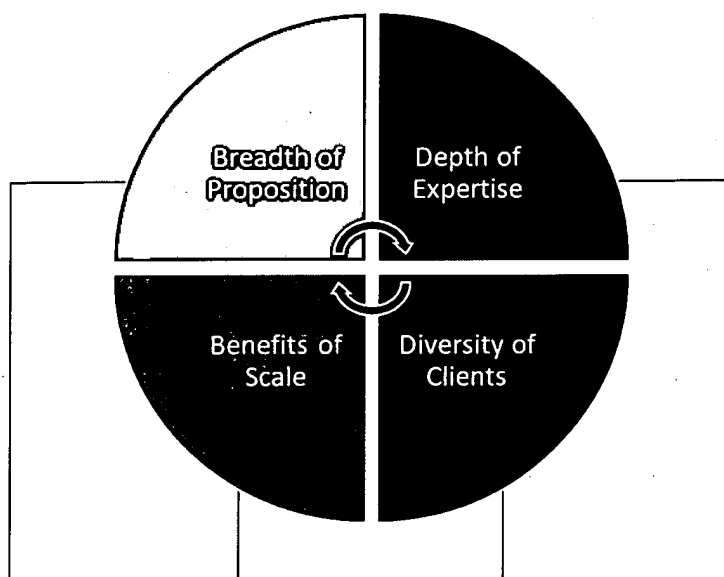
How we are responding

We have developed an online portal and mobile app (MyTilney) which has seen a significant increase in user numbers over the year, driven by the lockdowns and reduced use of postal services. With our teams based from their homes, we have embraced the use of virtual meetings and webinars and will continue to make use of these channels for engaging with clients once the pandemic ends. We are planning to launch a digital hybrid advice offering, recognising that a service that combines personal advice with digital tools meets the needs and preferences of many clients.

To meet growing client demand for ESG screened investments, we offer a suite of sustainable investment solutions. These include bespoke investment management where both positive and negative screening is applied, a pooled fund (the Tilney Sustainable Portfolio) and we have recently introduced a new Sustainable Managed Portfolio Service range to the IFA market which is available across multiple platforms.

Strategic Report

Our Business Model



We have two core businesses: financial services and professional services.

Our proposition is unrivalled in our market, enabling us to support clients with both the management of their personal wealth and business interests.

Our services for individuals include financial planning, investment management and private client tax advice. Through our online business Bestinvest, we support self-directed investors.

We provide a wide range of services for businesses, including accounting and assurance, business tax advice, pensions and employee benefits, corporate finance, recovery & restructuring and forensic services.

Through Smith & Williamson Fund Administration Limited, we provide a full-service fund administration and custody solution for UK collective investment schemes.

With over £51 billion of assets under management, we are a top five UK wealth manager ranked by AUM and also the eighth largest UK accountancy firm when measured by fee income. While benefitting from our scale, the services we deliver to clients are highly tailored and personalised.

We have used our scale to build a robust, future-fit operational infrastructure and to invest in digital innovation, risk and compliance and research. We are also able to use our institutional buying power to drive down the costs of the funds in which we invest our clients' assets, to their direct benefit.

We support clients from an extensive range of locations, including 24 towns and cities across the UK, as well as the Republic of Ireland and Channel Islands.

We have a diverse client base comprising over 165,000 private clients, family-owned businesses, entrepreneurs, corporates, trusts and charities. We often work in close partnership with external financial advisers and other professional connections, who value our specialist expertise.

The breadth of our service proposition means that we are able to support a diverse client base both in terms of age groups and levels of wealth. Our private clients range from younger savers and those investing more modest amounts via Bestinvest, our online service, through to Ultra High Net Worth (UHNW) individuals for whom we provide a private office service.

Our core business clients are family-owned firms and entrepreneur-led high-growth companies. As client needs and circumstances evolve at each stage in their lives, we can tailor the services we provide to them.

Our strength is rooted in the depth of our expertise across multiple disciplines and our ability to assemble a team of experts to support our clients.

In our financial services business, our teams comprise 289 Investment Management professionals and 255 Financial Planners, many of whom are qualified to Certified or Chartered status.

Alongside our core services, our specialisms include advising accountants, lawyers, C-suite executives, family estates, senior NHS professionals, sports and entertainment personalities, recipients of Court of Protection & personal injury awards and US connected persons.

Our professional services business comprises over 370 qualified accountants and Certified Tax Advisers with an extensive range of expertise advising private clients, family-owned businesses and entrepreneurs.

Strategic Report

Our Core Services

Financial Services

Financial planning	Our financial planners advise on a wide range of areas. These include pensions and retirement planning; inheritance tax mitigation and estate planning; tax efficient investing; gifting and philanthropy; the financial impact of life changing events (e.g. divorce, serious illness) and protection.
Investment management	We provide discretionary investment management services to private clients, trusts, businesses and charities. Our clients' dedicated investment manager will construct and manage a bespoke portfolio to meet the specific objectives of our client. Environmental, social and governance (ESG) factors are integrated alongside traditional financial metrics; a choice of negative or positive criteria can be applied if desired.
Investment advisory service	Our investment advisory services are designed for our clients who want to retain control over investment decisions but who would like the support and recommendations of a dedicated investment adviser.
Multi-asset funds	We offer an extensive range of multi-asset funds to suit our clients' different risk and goal profiles, including a sustainable investment strategy.
Managed portfolio service (MPS)	Our range of MPS strategies, which includes a sustainable range, provide financial advisers with outsourced, investment management solutions for clients at low minimum asset thresholds.
Execution-only (Bestinvest)	Bestinvest is an award-winning online service providing tools and analysis to support our clients who self-manage their investments. An extensive range of funds, UK shares, ETFs and investment trusts are available, including ready-made portfolios, through a variety of account-types including ISAs, SIPP and Junior ISAs.
Pensions and employee benefits	We provide advice to businesses to help them ensure the relevant pensions and benefits are in place to attract and retain staff.
Fund administration	Smith & Williamson Fund Administration Limited offers a full-service fund administration solution for UK collective investment schemes (such as OEICs/Unit Trusts) taking regulatory responsibility for the establishment and ongoing servicing of the funds for which it acts as the Authorised Corporate Director (ACD) or equivalent.

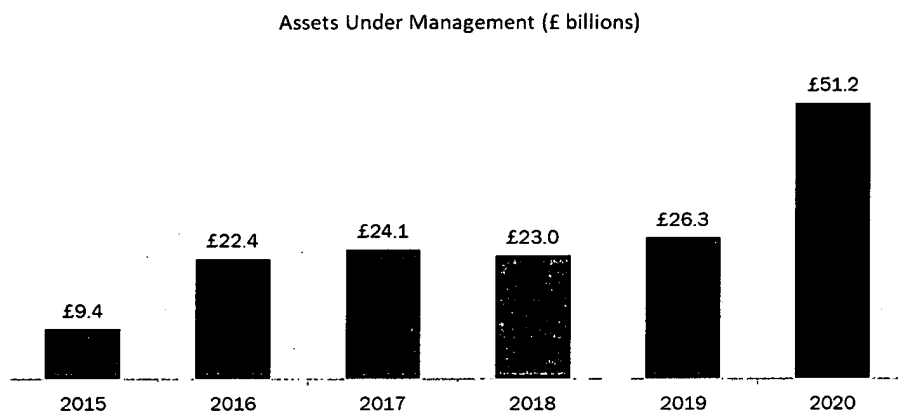
Professional Services

Assurance and business services	We provide assurance and business services to entrepreneurial companies, professional practices and non-profit organisations.
Tax	We provide expert tax advice to both private clients and businesses to help them manage their tax exposure and ensure their tax affairs are in order in an environment of constant change and increasing complexity.
Advisory	We provide an extensive range of business advisory services, including corporate finance and transaction advice, restructuring and recovery services, forensic services, financial due diligence, valuations and financial modelling.

Strategic Report

Our Growth Track Record

Tilney Smith & Williamson is one of the fastest-growing firms in our market. Since the end of 2015, our assets under management have grown from £9.4 billion to £51.2 billion at the end of 2020, an increase of 445% in five years.

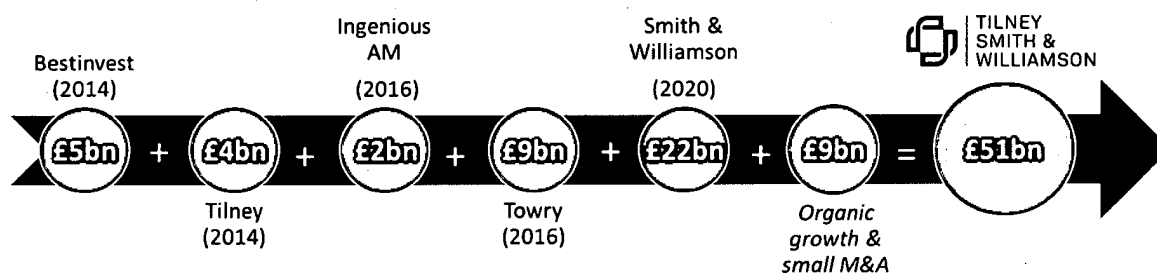


As the business has grown, we have developed a vertically-integrated model comprising financial planning, investment management and professional services. This approach allows us to provide a truly holistic and comprehensive service to our clients that can adapt through each stage of their lives and as their circumstances change. It is a model that has also deepened our participation across the advice and value chain, and one which has the potential to lead to longer relationships, including across multiple generations.

Our growth has been achieved through both consistently positive net new business generation and mergers and acquisitions. Organic growth has been delivered through referrals from existing clients and relationships with professional connections (including UK and international firms of financial advisers, lawyers and accountants). Our marketing and new lead generation activities include digital marketing, seminars and webinars, as well as working with affiliate introducers and partnerships with trade associations and professional bodies.

In an industry that remains fragmented and is ripe for consolidation, we have been active in mergers and acquisitions. In recent years, we have successfully completed a variety of transactions, ranging from bolt-on acquisitions of high-quality small firms to business asset transfer agreements and large-scale mergers. We have developed strong in-house expertise in both structuring and executing transactions and successfully managing complex business integrations. We will continue to explore and evaluate mergers and acquisition opportunities, where we believe the strategic and culture fit is compelling.

Timeline of recent major M&A



Strategic Report

Transformational merger of Tilney and Smith & Williamson

On 1 September 2020, we successfully completed the merger of Tilney and Smith & Williamson to create a leading, integrated wealth management and professional services group. The transaction has been transformational for the business in terms of our scale, breadth of expertise and proposition.

The table below represents what the Consolidated Income Statement would have looked like had the transaction taken place on 1 January 2020. The unaudited pro forma Consolidated Income Statement is compiled based on financial data extracted from the books and records of Tilney and Smith & Williamson over the 12-month period to December 2020.

The transaction has created an organisation with historic annual pro forma operating income of £505.6 million. Adjusted EBITDA, which is defined as operating profit of £28.3 million, adding back exceptional costs of £64.2 million, and amortisation and depreciation of £72.7 million, on a pro forma basis would have been £165.2 million.

Unaudited Pro Forma Income Statement	Tilney £m	Smith & Williamson £m	Tilney Smith & Williamson £m
Fee and commission income	227.6	382.7	610.3
Fee and commission expenses	(19.0)	(92.2)	(111.2)
Net Fee and commission income	208.6	290.5	499.1
Net trading income	-	6.3	6.3
Share of profit of associates	-	0.2	0.2
Operating income	208.6	297.0	505.6
Adjusted operating expenses	(121.1)	(219.3)	(340.4)
Adjusted EBITDA	87.5	77.7	165.2
Exceptional items	(36.5)	(27.7)	(64.2)
Depreciation and amortisation	(62.2)	(10.5)	(72.7)
Operating (loss)/profit	(11.2)	39.5	28.3

Strategic Report

Chairman's Statement

A year of both challenges and achievements

At the start of 2020, few of us would have predicted what an extraordinarily challenging year lay ahead in the shape of the COVID-19 global pandemic. This has had a profound impact on all our lives and prompted the most severe shock to the UK economy in three hundred years. In the face of such disruption and uncertainty, clients have looked to us to help navigate them through the impact of the crisis on their financial affairs, with trusted expert advice and the sound management of their investments.

I would like to pay tribute to our colleagues for their unwavering commitment to our clients during this unprecedented period. They have demonstrated great personal resilience and embraced new ways of working. Importantly, they have supported each other throughout. On behalf of the Board, I would like to thank them for their hard work and dedication.

Likewise, clients and professional intermediaries have also had to adapt to new ways of interacting with us during this period of change. I would like to thank them for their continued support and for placing their trust in us.

Financial performance

Operating income increased by 47.5% to £305.8 million (2019: £207.3 million), driven by organic growth and the completion of our merger with Smith & Williamson in September 2020, which contributed £99.9 million of operating income during its four months as part of the Group. Total AUM increased 94.7% to £51.2 billion (2019: £26.3 billion), benefitting from the £22.3 billion of AUM added by the Smith & Williamson transaction.

Adjusted EBITDA, calculated on the basis set out in the highlights on page 4, was £115.4 million, an increase of 34.8% for the year (2019: £85.6 million). Our loss after tax for the year was £14.6 million (2019: £8.9 million) and is attributable to exceptional costs of £38.2 million, other non-recurring costs of £1.3 million (page 27) and finance costs of £19.5 million (note 12). Our finance costs principally relate to debt issued to fund historic acquisitions.

Financial performance is discussed further in the Chief Executive's Review on page 17 and in the Financial Review on pages 23 to 30.

Completion of a transformational merger

While the pandemic has overshadowed 2020, this was nevertheless a year of remarkable achievement for the business. In the midst of a major global health crisis and economic recession, we successfully completed the transformational merger of Tilney and Smith & Williamson on 1 September. This was one of the largest UK financial services transactions in recent times. It has created a major financial services and professional services group, with an unrivalled array of expertise to support clients with both their personal wealth management needs and business interests. I would like to thank all those involved in the transaction and integration process for turning the vision into reality.

Board changes

The year has seen a number of changes to the Board of Directors. Following completion of the merger, Elizabeth Chambers, David Cobb, Keith Jones, Carla Stent and Kevin Stopps joined as Directors, all of whom were previously members of the Board of Smith & Williamson Holdings Limited. Peter Deming joined the Board as a Warburg Pincus representative and Chris Pell as a new representative of Permira, our largest shareholder.

Breon Corcoran and James Fraser resigned as Directors following completion of the merger. I would like to thank them both for their years of service.

On 19 January 2021, we were pleased to announce the appointment to the Board of Bill McNabb as a Non-Executive Independent Director. Bill was formerly the Chairman and CEO of The Vanguard Group, the world's largest mutual fund manager. He served as CEO of Vanguard for nine years, retiring in 2017, and continued as its Chairman until 2018. He is also a member of the Board of Directors of IBM and UnitedHealth Group, both of which are constituents of the S&P 500 Index, as well as global legal services firm Axiom.

Strategic Report

Further information on the Board of Directors is provided on page 70.

Strengthening our executive team

As we worked towards the merger and evaluated our respective leadership strengths, we identified three new senior management roles that did not exist at either of the two previous businesses, which we believe will be key to driving future growth. We completed a programme of external hires for these roles.

In September, we appointed John Bunch as Chief Commercial Director for our financial services business and Mayank Prakash as Chief Technology Officer. John was previously Chief Operating Officer of Edelman Financial Engines, one of the largest independent US advice firms, and prior to that the CEO of the Mutual Fund Store. Mayank joined us from Centrica, where he was Chief Consumer Digital & Information Officer. He was previously Chief Digital & Information Officer at the UK Department of Work & Pensions where he was responsible for the UK's biggest operations and IT estate.

In December, Simonetta Rigo joined us as Chief Marketing Officer. She was previously Interim Chief Customer Officer at Tesco Bank and a Non-Executive Director of Brewin Dolphin Plc. Simonetta served for many years as Senior Vice President for Global Brand, Marketing and Customer Engagement at Western Union, the global payments group, where she ran the group marketing function on a global basis.

The Board is confident that we have a highly experienced management team in place to drive our growth strategy forward.

Enhancing our governance

The Board strongly believes that a robust corporate governance framework is important to the long-term success of the firm. This year we have further enhanced our governance structure by adding a Nominations Committee to the Board Sub-Committees. Further details are provided in the Corporate Governance Report on page 56 and the Nominations Committee Report on page 68. We have also detailed how the Board has ensured effective engagement with our key stakeholders during the year in our section 172 Statement on pages 38 to 41. The application of the Wates Principles, disclosing the corporate governance arrangements in place, is detailed under pages 53 to 55.

As well as embracing both good governance and corporate responsibility in the management of our own business, we also believe in the importance of factoring this into our investment process and so I am pleased to report that this year we became signatories to the UN Principles of Responsible Investment.

Risks

Following completion of the merger, we are now focusing on consolidating our risk management and compliance capabilities to further facilitate risk awareness and enhance the implementation and effectiveness of our risk management framework. Our risk management framework and key risks, including the impact of COVID-19 and the merger on the Group's risk profile, can be found on pages 31 to 37.

Culture and values

The Board believes that a strong culture, based on shared values and sense of purpose, is vital to the success of a business. This is particularly so for a firm such as ours, which seeks to build long-term, trusted relationships with clients.

As I wrote in last year's Annual Report, the two previous businesses had complementary cultures. Now that we have come together, we are committed to setting out a shared set of values for Tilney Smith & Williamson. We therefore undertook survey work across the Group to understand the values that are personally important to our colleagues and those that they want to see lived within the culture of the combined firm. Following this work, a business-wide programme of workshops took place to share the output of these surveys and give our colleagues the opportunity to contribute towards the development of our values. Output from the workshops has been shared with the Executive team and Board, and during the second quarter we will be launching a new Purpose, Mission and set of Values across the business that will be at the heart of everything we do.

We are committed to creating an inclusive environment, where our colleagues can develop and contribute fully, and one which encourages and supports diversity. Information on our approach to diversity and inclusion is included in the Chief Executive's Review on page 19 and the Corporate Responsibility Report on page 43.

Strategic Report

We are also acutely conscious of our role in our communities and wider society. Our Corporate Social Responsibility programme is focused on four key strategic pillars: people, communities, clients and environment. Further information on the impact of the Group's operations on these key areas can be found in the Corporate Responsibility Report on pages 42 to 49. We understand the importance of the increased transparency that our investors, employees, clients and other stakeholders require on climate related issues and will continue to improve our disclosures in this area.

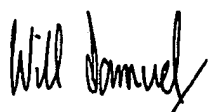
Looking forward

Over the coming year, our key priorities include completing the integration and fostering the culture and values of the merged business. Bringing two sizeable firms together is an inherently complex process but we have planned for this over many months and have considerable experience of successfully integrating businesses. Excellent progress has already been made since completion and this will gain additional momentum in the first half of 2021.

With our enhanced service offering, we are uniquely well-positioned in our markets both to support our existing clients in new ways and attract both new clients and additional talent to our teams through hiring and M&A. Cross-referrals across our wider range of services represent a significant opportunity for the Group and we are already seeing the benefits of collaboration between our financial and professional services teams.

We will continue to focus on our agenda of digital innovation and the development of our operational infrastructure. This will both support operational efficiency, improve client experience and drive the launch of new services that will extend our reach to a wider universe of clients.

A key project will be the development of an integrated, bespoke financial services platform that combines the state-of-art technology solutions we have implemented in recent years with the strong in-house custody operation that Smith & Williamson has brought to the Group. This will further enhance the scalability of the business in what remains a highly fragmented marketplace but where we have considerable growth momentum and are very ambitious about the opportunities that lay ahead.



Will Samuel
Chairman

22 April 2021

Strategic Report

Chief Executive's Review

Introduction

There can be little doubt that 2020 has come to be defined by the COVID-19 global pandemic. This has had major ramifications for public health, society, businesses and the public finances. According to the Office for National Statistics, the UK economy contracted by 9.8% during the year, the steepest annual decline on record.

The crisis also played out in the financial markets in the form of extreme volatility and the widespread suspension or reduction of dividends. Between late February and the final week of March, equity markets declined by nearly a third of their value as investors reacted to the spread of the virus and priced-in a recession.

Since their late March low point, equity markets rebounded sharply to the end of the year, buoyed by vast injections of liquidity into the financial system by central banks and fiscal stimulus measures by governments. Therefore, 2020 was a remarkable year for the markets both in terms of extreme turbulence in the first quarter, but also the subsequent strong rally in equities and other risk assets through to the end of the year.

Our response to COVID-19

None of us would have wished for a crisis with such a huge cost in both lives and livelihoods, but challenging times also have the capacity to bring out the best in people and accelerate the pace of change. This has certainly been the case for our business.

While the pandemic was unexpected, we had long prepared for abnormal events through a comprehensive Business Continuity Plan as well as investment in secure IT infrastructure to facilitate home-based working if required. We were therefore in a position to respond swiftly, as COVID-19 infections spread, to protect the health of both our clients and colleagues and ensure that the business remained resilient throughout. The vast majority of colleagues were migrated to a home-working model in mid-March, ahead of the first UK lockdown.

Throughout the pandemic, we have embraced new ways of working, including conducting virtual client and team meetings and replacing in-person seminars and events with online webinars. We also significantly increased the frequency of client engagement, ensuring that clients have been kept up-to-date with developments and reassuring them that we are here to help them navigate a period of heightened uncertainty and beyond.

I am immensely proud of the way our teams have adapted to the changes brought about by the pandemic. Above all, they have remained focused on supporting our clients with dedication and professionalism and this has resulted in another strong year for the business.

Completion of merger

Despite the challenging backdrop, 2020 was a year of achievement for the business with a record year for organic growth, strong underlying financial performance and the completion of the landmark merger of Tilney and Smith & Williamson on 1 September.

The merger has been transformational for the business in terms of our scale, breadth of expertise and proposition. It has created a market-leading firm providing both financial and professional services, operating across the UK and in the Republic of Ireland and the Channel Islands. Ranked by AUM, we are a top five UK wealth manager, as well as being the eighth largest UK accountancy firm when measured by fee income. On a pro forma basis, had the two businesses been merged since the start of the year rather than since September, we would have generated £505.6 million in operating income.

With our breadth of expertise across financial planning, investment management and professional services, we are now able to support clients with both the management of their personal wealth and business interests. This is an unrivalled proposition in our market and we are already seeing the benefit as our teams have begun working together to support clients with multiple needs that we could not have met fully in the past.

Strategic Report

Our financial and trading performance

Due to the merger completing on 1 September, our 2020 accounts represent a full year of the Tilney business but only four months of Smith & Williamson as part of the Group. The full-year effect of Smith & Williamson on both revenues and costs will therefore be reflected in the 2021 accounts, along with integration synergies achieved. We have, however, included pro forma financial information on page 12.

The business performed well in 2020, with record new business inflows and increased revenues, against the challenging backdrop of the pandemic.

Our assets under management increased by 94.7% over the year to £51.2 billion (2019: £26.3 billion), reflecting the inclusion of £22.3 billion of assets managed by Smith & Williamson as at 1 September, as well as net new business flows and market movements.

We continued to generate significant new business despite social distancing restrictions and home-working impacting the ability to generate new clients through in-person meetings, events and networking. We delivered a record £3.3 billion of gross new business, a 17.9% increase on the previous year (2019: £2.8 billion). Net flows were also positive, increasing 6.7% to £704.1 million compared to the prior year (2019: £660.0 million). Financial planning fees grew by 29.6% compared to the prior year.

Operating income increased by 47.5% to £305.8 million (2019: £207.3 million) and were both impacted negatively by the sharp market declines in the first quarter, and positively by the aforementioned four-month contribution from Smith & Williamson. On a full year, pro forma basis, the two legacy businesses generated £505.6 million in operating income during 2020. One of the key financial benefits of the merger is that it diversifies our sources of income to include professional services fees and, in doing so, this will help moderate the potential impact of future market volatility.

The Board regards adjusted EBITDA (see page 24 for calculation basis) as a more appropriate measure of the underlying financial performance of the business both because it adjusts for non-cash accounting charges and non-recurring exceptional costs, such as those incurred on completing a major transaction, and because it is one of the key measures used to reward executive performance. Adjusted EBITDA, which more closely resembles the cash-generating profit, increased 34.8% to £115.4 million (2019: £85.6 million) as a consequence of increased operating income. Adjusted EBITDA as a percentage of operating income, a key measure of business profitability and efficiency, has decreased to 37.7% (2019: 41.3%) due to increased costs such as Financial Services Compensation Scheme Levy and the inclusion of four months' costs of Smith & Williamson.

On a statutory reported basis, which includes both exceptional costs and non-cash items such as amortisation and depreciation, we made an operating profit of £11.2 million (2019: £17.7 million).

The Consolidated Balance Sheet increased significantly, with total equity of £1,339.3 million at 31 December 2020 (2019: £399.9 million), due to the inclusion of Smith & Williamson.

Further detail on our financial performance and a reconciliation of adjusted EBITDA to our reported operating profit is provided in the Financial Review on pages 23 to 30.

Now is the Time to Talk campaign

While we supported all of our clients with the challenges faced last year, we identified that the pandemic had created a particular set of issues for business owners, professional partners e.g. accountants, solicitors and senior executives. These included dividend cuts, business closures, delays to the sale of businesses and assets and retirement plans thrown into uncertainty. To respond to this, we developed a targeted campaign - Now's the Time to Talk - to encourage business owners, professional partners and senior executives to take immediate action. The campaign encompassed social media and digital marketing, webinars and a dedicated hub with videos and topical articles. The campaign generated many new leads and raised our profile among these key client categories.

Strategic Report

As part of this renewed focus on professional partners, we also entered a content partnership with the Institute of Chartered Accountants in England & Wales (ICAEW), running webinars, videos and articles specifically tailored to their members. We are continuing the partnership into 2021 and have also now developed additional strategic partnerships with the Law Society and the Association of Corporate Treasurers.

Investing in our digital future

As I noted earlier, the pandemic has accelerated the pace of change in many areas with the main commercial beneficiaries being technology-enabled companies. Across many sectors, new technology has disrupted traditional business models. In our market, embracing digital innovation represents a major competitive opportunity, but also a serious threat to those firms that fail to invest and adapt.

The benefits of our programme of digital development were clear during 2020, with a significant increase in use of MyTilney, our digital portal, and the successful migration to home working and virtual meetings. To inject further pace into our digitalisation agenda, we have created a new Digital Technology & Solutions function under Mayank Prakash, who joined us as Chief Technology Officer from Centrica where he was Chief Consumer Digital & Information Officer.

One of the core benefits of our scale has been our ability to invest significantly in new technologies to enhance client experience and improve productivity. We see this as a strategic imperative to achieving our growth ambitions.

As we know from our experience in implementing new financial planning and investment management technology solutions three years ago, major systems transformation programmes are complex, but they lead to long-term benefits including enhanced client service delivery, improved productivity and supporting the scalability of the business. In September last year, we rolled out a new Core Wealth solution providing custody and settlement capability across the former Smith & Williamson business, a project that had been in development since 2018.

Having implemented industry-leading financial planning, investment management, custody and settlement technology solutions, we have commenced a key strategic programme to deliver an integrated, data-powered financial services platform. This will be a front-to-back solution, completely tailored to our needs and able to support both financial planners and investment managers with a seamless experience and real-time insights. The strategically significant development of our financial services platform will also enable us to offer our high quality, in-house custody and settlement capabilities to more of our clients.

As part of our programme to build a digital multi-channel solution for clients, we are using data to leverage artificial intelligence, predictive analytics, natural language understanding and machine learning technologies to improve client experience and engagement. Our technology investment programme also involves migrating to public cloud services and scaling our cyber-security protection.

Hybrid digital advice service

Among the key growth initiatives for 2021 will be the launch of a new hybrid service in the latter part of the year. This will bring together digital tools and journeys with access to regulated, personal advice provided by qualified professionals. This will help us extend our reach to a much wider segment of the population including those who are currently under-served by the traditional wealth management industry by providing a modern, accessible and competitively priced advice service that leverages new technology. We also believe this service will greatly appeal to potential customers from across the wealth spectrum who prefer the convenience of interacting primarily through a digital service.

Preparing for Brexit

The UK's departure from the European Union, single market and customs union was a drawn-out process and source of considerable uncertainty over a number of years. We had prepared for this over a long period. In last year's review I reported that we had merged a previously UK-domiciled fund range into an Irish Collective Asset Management Vehicle (ICAV), leading to both cost efficiencies and preserving their marketability in the EU as well as the UK. In 2020, we successfully transferred the assets in a further five UK-domiciled sub-funds specifically aimed at overseas investors, into a new ICAV where they are now branded as the Tilney Global Active Portfolios.

Strategic Report

With the UK leaving the European Economic Area (EEA) at the end of 2020, we identified a number of EEA based clients who were offered the opportunity to be serviced from our Dublin office by Smith & Williamson Investment Management (Europe) Limited, which is regulated by the Central Bank of Ireland.

Removal of VAT on MPS

In December, we announced that, following discussions with HMRC, we would cease applying VAT to the fees on our Managed Portfolio Services (MPS) from 1 January. Both legacy Tilney and Smith & Williamson provide MPS solutions targeted at financial advisers, providing them with outsourced investment management solutions for their clients at low minimum asset thresholds. In August, we extended our MPS offering to UK financial advisers, making a Sustainable MPS range available. The removal of VAT on our MPS will ensure we remain competitive in this area as we seek to grow our Business-to-Business (B2B) presence further.

Our people

A prolonged period of home-working has undoubtedly brought many challenges to individuals and families. Some of these challenges have been practical in nature, but others relate to physical and mental wellbeing. Our colleagues have shown great fortitude in coping with this and we have encouraged everyone to talk openly about the numerous challenges. We have supported them with a wide range of internal and external resources and regular communications, both to help them overcome the practical obstacles of working from home and to support their physical and mental wellbeing.

In a people-focussed business like ours, we recognise and value the importance of a team that is rich in its diversity and can attract people from the widest pool of talent possible, irrespective of their background. We have continued to make progress this year both in terms of hiring and providing training to help colleagues recognise unconscious bias in the workplace. We have also established a Diversity and Inclusivity Committee actively to champion this agenda.

Transfer of pooled funds to Sanlam

On 4 January 2021, we announced that we had concluded a transaction to transfer investment management responsibility for a number of single asset class funds to Sanlam Investments UK Limited during the first quarter of 2021. These comprised eight funds managed by Smith & Williamson Investment Management LLP, as well as the Smith & Williamson Global Gold & Resources fund which is sub-delegated to AGF Investments in Toronto. As part of the transaction, ten members of the pooled funds team, including six fund managers, have since moved across to Sanlam. The transfer will enable us to focus our pooled funds business on our multi-asset funds which are targeted at our core audience of private investors and their families.

While the terms were agreed on 24 December 2020, the transaction completed in 2021 and therefore has no impact on our 2020 assets under management or Consolidated Balance Sheet. The funds transferred represent £1.24 billion of assets, of which £0.56 billion is held within portfolios under our management and will therefore continue to form part of our assets under management.

Acquisition of HFS Milbourne

On 2 March 2021, we announced that we had completed a transaction to acquire HFS Milbourne Holdings Limited and its subsidiary HFS Milbourne Financial Services Limited, a wealth management business based in Guildford with assets under management of approximately £350 million. HFS Milbourne provides both holistic personal financial planning and investment advice, as well as corporate financial planning and employee benefits services. The acquisition will further strengthen our presence in Surrey, where both legacy Tilney and Smith & Williamson have offices in Guildford. As this transaction completed in 2021, it has no impact on our 2020 assets under management, operating income or our Consolidated Balance Sheet.

Strategic Report

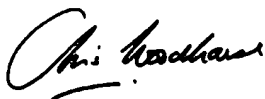
Outlook

While the near-term economic outlook remains challenging, the roll-out of COVID-19 vaccines provides hope that an end to the pandemic is in sight. Our business has not only demonstrated its operational and financial resilience during the most testing times in recent history, but it has also continued to grow during this period and deliver our strategic goals.

While we are undoubtedly a large business in our sector, we still have a small share in what is a huge, but fragmented, growth market. The disruption of the pandemic will likely accelerate the pace of consolidation of our sector, as smaller and medium-sized firms see the benefits of becoming part of a larger group. We will therefore continue to explore selective M&A while focusing on completing the integration and capitalising on the organic growth opportunities created by our enhanced proposition.

To conclude, we look ahead to 2021 excited at our prospects. We now have a stronger business with a greatly expanded team of talented and committed colleagues who are ambitious for our future. We have a broader range of services, a deeper pool of expertise and a scalable model that give us a major competitive edge. We begin 2021 in a better position than ever to support our clients, attract and retain talent and create value.

This leaves me confident that Tilney Smith & Williamson is exceptionally well-placed for the future.



Chris Woodhouse
Group Chief Executive Officer

22 April 2021

Strategic Report

Key Performance Indicators

The Group considers and regularly reviews the following financial and strategic measures as key performance indicators (KPIs) of the Group's overall performance.

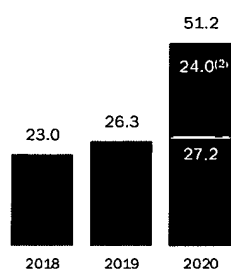
Following a review of the KPIs, this year we have made some changes to ensure they remain relevant. The 'Revenue' KPI used in prior years has been replaced with 'Operating income' following the acquisition of Smith & Williamson. As a result of this change, the definition of 'Adjusted EBITDA margin' has been updated to 'Adjusted EBITDA' as a percentage of 'Operating income' instead of 'Revenue'. Prior year figures for 'Adjusted EBITDA margin', a non-IFRS KPI, have therefore been restated.

Some measures that assess the performance of the Group are not defined under IFRS so are termed 'Alternative Performance Measures' or APMs.

These growth and profitability KPIs are used to measure the Group's key risks identified on pages 33 to 36.

Strategic Report

Assets under management (£bn)⁽¹⁾



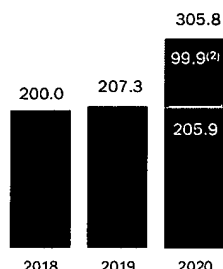
Definition

The total assets under management (AUM) at the end of the year.

Performance

AUM increased 94.7% due to AUM acquired with Smith & Williamson and net new business flows.

Operating income (£m)



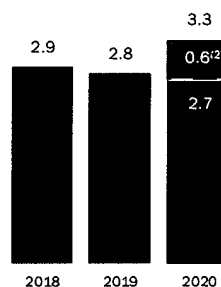
Definition

Total annual income from all operating activities.

Performance

Operating income grew by 47.5%, impacted positively by a four month contribution from Smith & Williamson.

Gross new business inflows (£bn)⁽¹⁾



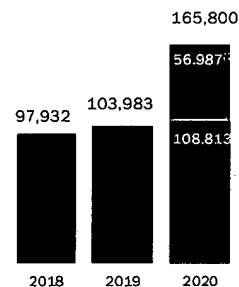
Definition

Gross new money from the financial services business.

Performance

Gross inflows increased by 17.9% due to the generation of new business leads and existing client referrals.

Number of clients⁽¹⁾



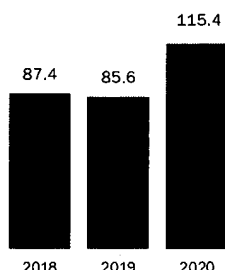
Definition

The number of active clients at the end of the year who use our services.

Performance

The number of clients has increased by 59.4%, a result of the merger and generation of new business leads.

Adjusted EBITDA (£m)⁽¹⁾



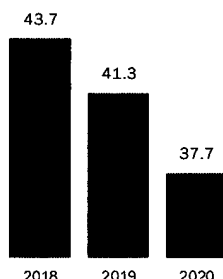
Definition

Operating profit before exceptional costs (note 7), other non-recurring costs (page XX), and amortisation and depreciation (note 8).

Performance

Adjusted EBITDA increased by 34.8% due to increased revenues and prudent management of costs.

Adjusted EBITDA margin (%)⁽¹⁾



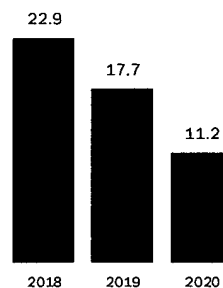
Definition

Adjusted EBITDA as a percentage of operating income.

Performance

Adjusted EBITDA margin decreased to 37.7% due to increased operating costs.

Operating profit (£m)



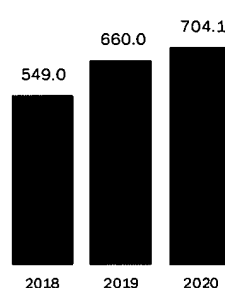
Definition

The reported operating profit or loss for the Group.

Performance

Operating profit decreased by 36.7% due to an increase in exceptional costs (note 7).

Net inflows (£m)⁽¹⁾



Definition

Gross new business inflows less outflows for the financial services business.

Performance

Net inflows increased by 6.7% due to new business.

1. This measure is considered an APM. Reconciliations to statutory financial information can be found on pages 24 to 26.

2. Contribution from Smith & Williamson which was acquired on 1 September 2020.

Strategic Report

Financial Review

In the Financial Review we consider the results for the year, analysing key elements of the Consolidated Income Statement. We examine the revenues and the AUM from which they are principally derived, followed by an analysis of the operating costs. We then provide some additional information regarding exceptional costs, intangible assets, defined benefit pension schemes and capital expenditure. Finally, we consider the Group's financing arrangements, capital requirements and viability.

Results for the year

This year has seen the successful completion of the merger of Tilney and Smith & Williamson in the midst of a global health crisis and highly challenging economic backdrop. Our AUM increased 94.7% to £51.2 billion (2019: £26.3 billion), from a combination of positive market performance, organic new business, and the inclusion of assets from Smith & Williamson.

Our operating income of £305.8 million was 47.5% ahead of the previous year (2019: £207.3 million), primarily due to the inclusion of four months of operating income from the newly acquired Smith & Williamson financial services and professional services businesses (£99.9 million).

Operating expenses were £294.6 million compared to £189.6 million in the previous year. The increase in expenses was attributable to the Smith & Williamson cost base, higher amortisation charges, increased costs such as the Financial Services Compensation Scheme levy, and significant exceptional costs incurred in connection with the merger and integration activity.

On a statutory reported basis, which includes both exceptional costs and non-cash items such as amortisation and depreciation, we made an operating profit of £11.2 million (2019: £17.7 million). Loss after tax for the year was £14.6 million (2019: £8.9 million) and is attributable to exceptional items of £38.2 million (note 7), other non-recurring costs of £1.3 million (page 27), and finance costs of £19.5 million (note 12).

Summary of financial performance

Income Statement	Year ended	Year ended
	31 December 2020	31 December 2019
	£m	£m
Fee and commission income	367.5	235.4
Fee and commission expense	(63.8)	(28.1)
Net fee and commission income	303.7	207.3
Net trading income	1.8	-
Share of results of associates	0.3	-
Operating income	305.8	207.3
Operating expenses	(256.3)	(179.6)
Exceptional items	(38.3)	(10.0)
Total operating expenses	(294.6)	(189.6)
Operating profit	11.2	17.7
Investment revenues	0.2	0.4
Finance costs	(19.5)	(27.2)
Loss before tax	(8.1)	(9.1)
Tax (charge)/credit	(6.5)	0.2
Loss after tax	(14.6)	(8.9)

Strategic Report

Reconciliation of operating profit to adjusted EBITDA

The Group uses adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) and adjusted EBITDA margin (adjusted EBITDA divided by operating income) to measure and report on underlying financial performance. These measures adjust for non-cash accounting charges and non-recurring exceptional costs such as those incurred on completing a major transaction (refer to page 26 for details of adjustments).

The executive management and the Board set targets for adjusted EBITDA and adjusted EBITDA margin along with other key performance indicators as performance measures for discretionary incentive plans for senior staff and the annual bonuses for the Executive Directors.

Adjusted EBITDA eliminates the distorting effect of certain items of income and expense reflected in operating profit. Such items include depreciation and amortisation of intangibles, the costs of acquisition of companies, businesses and client relationships, and the costs of subsequent integrations. While the Board recognises that acquisitions and integration projects recur from period to period, the Directors consider that they arise from decisions that are outside the normal course of business. Accordingly, the associated expenses do not reflect the long-term run-rate operating expenses incurred in the daily activities of providing investment management services, financial planning advice and professional services to clients. Exceptional costs are disclosed in the Consolidated Income Statement and detailed in note 7.

Adjusted EBITDA amounted to £115.4 million (2019: £85.6 million) showing an increase of £29.8 million, due to increased operating income. Effects of the merger synergies will drive additional revenue growth over the coming year and beyond. Adjusted EBITDA as a percentage of operating income, a key measure of business profitability and efficiency, has decreased to 37.7% (2019: 41.3%) due to increased costs such as Financial Services Compensation Scheme Levy and the inclusion of four months' costs of Smith & Williamson. Our reconciliation of operating profit to EBITDA is as follows:

Adjusted EBITDA	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Fee and commission income	367.5	235.4
Fee and commission expense	(63.8)	(28.1)
Net fee and commission income	303.7	207.3
Net trading income	1.8	-
Share of results of associates	0.3	-
Operating Income	305.8	207.3
Adjusted operating expenses	(190.4)	(121.7)
Adjusted EBITDA	115.4	85.6

Our presentation of adjusted EBITDA is as follows:

Operating profit to EBITDA	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Operating profit	11.2	17.7
Exceptional costs (note 7)	38.2	10.0
Other non-recurring costs (page 27)	1.3	5.7
Depreciation and amortisation (note 8)	64.7	52.2
Adjusted EBITDA	115.4	85.6

Segmental performance

Following the acquisition of Smith & Williamson and subsequent reorganisation of management and governance structures, the Group revised the composition of operating segments based on the revision of information reported to the Group Executive Committee (Chief Operating Decision Maker). For management purposes, the Group is now organised into two business segments: financial services and professional services. Refer to note 5 for the definition of each business segment.

Strategic Report

A review of the performance across the Group's operating segments is presented below. Results are summarised, by segment, in note 5 to the Consolidated Financial Statements.

Operating income

Financial services

Our financial performance in the financial services segment, where operating income increased by 27.8% to £265.0 million (2019: £207.3 million), is driven by revenue margins earned from AUM and from fees charged for financial planning advice. The 2020 year also had the benefit of four months contribution from Smith & Williamson. 88.4% of financial services fee and commission income was recurring in nature and totalled £258.1 million (2019: £210.7 million) with an average margin of 79.2 bps, down from 84.6 bps in 2019. The decrease in average fee margin is driven partly by the acquired AUM from Smith & Williamson on 1 September, which has a lower margin than the pre-existing ex-Tilney business, and a change in the mix of propositions. Advice fees (non-recurring financial planning fees) increased to £11.5 million (2019: £11.1 million). Other revenues are derived from legacy assets.

Operating income margin

Revenue margins are expressed as basis points and represent the blend of fee rates charged for managing and administering clients' portfolios across the range of services offered by the Group. Basis point return is calculated as the financial services revenues earned from annual management charges divided by the average AUM.

Annual management charge margin	Year ended 31 December 2020	Year ended 31 December 2019
Average AUM (£bn)	32.6	24.9
Annual management charges (£m)	258.1	210.7
Margin (bps)	79.2	84.6

Assets under management (AUM)

AUM increased by £24.9 billion to £51.2 billion at 31 December 2020 from £26.3 billion at the start of the year. The net increase is analysed as follows:

Assets Under Management (AUM)	Year ended 31 December 2020 £bn	Year ended 31 December 2019 £bn
Opening AUM	26.3	23.0
Acquired AUM	22.3	0.6
Gross new business inflows	3.3	2.8
Outflows	(2.6)	(2.1)
Market movement	1.9	2.0
Closing AUM	51.2	26.3

Acquired AUM of £22.3 billion related to the merger with Smith & Williamson. Gross new business inflows increased by 17.9% to £3.3 billion (2019: £2.8 billion), of which £0.6 billion of the increase relates to the four month contribution from Smith & Williamson. Net new money was also positive, increasing 6.7% to £704.1 million (2019: £660.0 million). This represents a strong performance considering the COVID-19 pandemic backdrop and extreme market volatility during the first half of the year. Approximately £2.0 billion of the outflows related to expected draw-down from clients transferring wealth to younger generations, purchasing property or using capital to provide income for living expenses, in line with our typical annual experience.

Strategic Report

Professional Services

The professional services division has generated £40.8 million in operating income during the four months for which Smith & Williamson was part of the Group.

During the year we took the decision to combine our six businesses under three key business lines: assurance and business service, tax which includes our business tax and private client teams, and advisory. This latter business line groups together forensics, restructuring and recovery services and transaction services under one offering.

The tax business has seen varied results. The benefits of previous years' investments in new partners and teams has helped grow the corporate tax activities however the lack of any significant new tax legislation resulted in lower levels of advisory work compared to the period prior to the acquisition.

We have seen mixed results from the advisory business line with an overall revenue reduction. As anticipated the level of corporate transactions, mergers and acquisitions activity declined sharply during 2020 as a result of COVID-19. This has been partly mitigated by an increase in activity in our restructuring, recovery and forensic accounting teams.

Operating costs

Operating expenses for the financial services segment increased by 24.4% to £223.5 million (2019: £179.6 million), partly due to salary inflation and the inclusion of four months' costs of Smith & Williamson.

Operating expenses of £33.7 million were incurred by the professional services business during the four month period to 31 December 2020. This division has reduced its expenditure on indirect and overhead costs by reducing discretionary spend mainly in relation to marketing, training and travel as a result of the COVID-19 pandemic.

Exceptional costs, non-recurring costs, depreciation and amortisation

As detailed on page 24, certain expenses are excluded from adjusted EBITDA as they primarily relate to corporate actions rather than trading performance of the business.

Operating costs excluded from Adjusted EBITDA	Year ended	Year ended
	31 December 2020	31 December 2019
	£m	£m
Exceptional costs relating to acquisitions	31.2	6.7
Other exceptional items	7.0	3.3
Exceptional costs (note 7)	38.2	10.0
Other non-recurring costs (page XX)	1.3	5.7
Depreciation and amortisation (note 8)	64.7	52.2
Operating costs excluded from Adjusted EBITDA	104.2	67.9

Exceptional costs

Total expenditure on acquisitions and integrations amounted to £31.2 million in 2020 (2019: £6.7 million), the majority of this related to the merger with Smith & Williamson. Significant costs relating to the merger include legal and professional fees, other direct costs such as stamp duty payable and costs incurred in preparing for systems integration.

Other exceptional costs of £7.0 million (2019: £3.3 million) include amounts relating to the implementation of the Core Wealth technology platform across the treasury and wealth management businesses (refer to the Chief Executive's Review on page 18 for further information). The majority of this activity was undertaken by Smith & Williamson prior to the merger. However, these costs are material to the Group, with £3.0 million incurred during the four months post-merger. A restructuring of investment funds was undertaken during 2019 to both rationalise the fund structures offered following the Towry acquisition in 2016, and to ensure that the funds would not be adversely impacted by Brexit. Additional expenditure has been incurred during 2020 in respect of this.

Strategic Report

Other non-recurring costs¹

Non-recurring costs include expenditure on major projects undertaken by the business. This includes activity required to implement significant legal or regulatory changes, projects undertaken to enhance the client proposition, and major initiatives to improve internal processes and increase efficiency. In the prior year, the largest areas of expenditure related to activity to improve the clarity and transparency of our pricing structures whilst also changing our approach to client money handling, improve the effectiveness of front and back office processes, optimise the use of our IT systems, and a limited amount of restructuring activity.

Dividends

The Company distributed a dividend of £42.7 million (2019: £nil) in December 2020.

Tax

The tax charge for the year was £6.5 million (2019: credit of £0.2 million) which, to determine the effective tax rate, compares to a loss before tax of £8.1 million (2019: £9.1 million). The effective tax rate for the year has been impacted by expenses not deductible for tax purposes, the majority of which related to costs associated with acquisition activity, and an increase in the rate at which deferred tax is recognised in the financial statements. A full reconciliation is set out in note 13 to the Consolidation Financial Statements.

Financial position

Intangible assets

Goodwill arises from the fair value of the assets acquired through business combinations, the largest of which was from the acquisition of Smith & Williamson this year with goodwill recognised of £281.5 million.

Goodwill which arises from business combinations is not amortised but is subject to a test for impairment at least annually. At 31 December 2020, the total carrying value of goodwill from business combinations was £651.1 million (2019: £369.6 million). The assessment of the carrying value of goodwill at 31 December 2020, detailed in note 14 to the Consolidated Financial Statements, determined that no impairment was required.

Other intangible assets arise principally from acquired customer lists, software costs and brand values that had a total carrying value of £625.2 million as at 31 December 2020 (2019: £397.5 million). During the year, other intangible assets of £287.5 million were capitalised (2019: £23.0 million) (note 15), of which £271.0 million arose on acquisition of Smith & Williamson (note 30). The total amortisation charge for other intangible assets during the year was £55.1 million (2019: £46.4 million), mainly reflecting historic acquisitions.

Client relationship intangibles included above are amortised over the estimated life of the client relationship, generally a period of 12 to 16 years. The amortisation charge for client relationships in 2020 was £47.0 million (2019: £43.4 million).

Lockup

Lockup is the amount of capital tied-up in accrued income and debtors relating to our professional services business. As at 31 December 2020, total lockup has increased to 4.3 months (2019: 4.1 months including Smith & Williamson on a pro-forma basis), representing a £6.3 million increase in working capital. While not material to the Group, this increase reflects the growth in the business where significant revenue growth has come from the restructuring and recovery services business line, which has a much longer working capital cycle than the rest of the business.

¹ Other non-recurring costs are included within operating expenses in the Income Statement

Strategic Report

Defined benefit pension schemes

We operate three defined benefit pension schemes in the UK – The Pension Fund, the S&W Scheme and the NCL Scheme - with a total of 234 deferred members, 210 pensions in payment, and 6 current members. The S&W and NCL schemes, which are closed to new members, were acquired following the acquisition of Smith & Williamson.

Implementing guidance on the application of IFRIC 14, the Company recognises as an asset the full amount of the defined benefit pension scheme surplus, with movements in the valuation of that asset being included in the Consolidated Statement of Other Comprehensive Income.

The accounting valuation of The Pension Fund scheme liabilities has increased as a result of decreases in long-term interest rates. At 31 December 2020 the scheme's liabilities, measured on an accounting basis were £62.3 million, an increase of 10.9% from £56.2 million at the end of 2019. Reflecting the performance of the scheme's assets over the course of the year, the reported position of the scheme at 31 December 2020 was an accounting surplus of £0.1 million (2019: surplus of £2.8 million) recognised in the Consolidated Statement of Comprehensive Income.

The NCL scheme liabilities increased by 13.5% to £23.6 million (1 September 2020: £20.8 million). The increase was driven largely by a fair value adjustment increase during the period due to changes in valuation assumptions (note 32). Scheme assets increased by 11.4% to £24.4 million (1 September 2020: £21.9 million) due to a fair value adjustment increase as a result of improved equity markets. At 31 December 2020, the NCL scheme reported a net surplus position of £0.8 million (1 September 2020: £1.1 million surplus), while the S&W scheme's assets equalled its liabilities, measured on an accounting basis.

Capital

During the year, as set out in note 28 to the Consolidated Financial Statements, 9,978,858,600 ordinary shares (£997.9 million) were issued in connection with the acquisition of Smith & Williamson and re-organisation of the Group. As a result of the re-organisation, share premium was reduced to £nil (2019: £398.1 million).

Capital expenditure

In addition to intangible assets capitalised as set out above, the Group incurred capital expenditure of £1.9 million (2019: £2.4 million) in relation to computer equipment and systems upgrades (note 16). Investment in new systems reduced in 2020 with implementation of the IRESS XPLAN system largely completed.

Cash flow and financing arrangements

Cash flow and working capital

Cash and cash equivalents, as defined by accounting standards, includes cash, money market funds and banking deposits which had an original maturity of less than three months. Consequently, cash flows, as reported in the financial statements, include the impact of capital flows in treasury assets.

The Group's fee income is largely collected directly from client portfolios and expenses are broadly predictable. Consequently, we are able to operate with a modest amount of working capital.

Debt financing

Following completion of the merger with Smith & Williamson, the Group's debt funding arrangements were novated to Violin Debtco Guernsey Limited, a parent undertaking whose results are not consolidated in these financial statements. Refer to note 13 to the Consolidation Financial Statements for further information.

Strategic Report

Capital requirements

Own Funds

The Group's regulatory capital is subject to supervision by the Financial Conduct Authority (FCA) and the FCA's rules determine the calculation of the Group's regulatory capital resources and requirements. The basis of consolidation for regulatory purposes differs to that of accounting, as certain Group subsidiaries undertake business activities which are not required to be consolidated under the regulations. The regulatory group is known as the Prudential Consolidated Group (PCG) and the rules require certain adjustments to, and certain deductions from, the accounting capital, the latter principally in respect of intangible assets and investments in Group companies outside the regulatory consolidation.

Following the completion of the acquisition of Smith & Williamson, the regulatory capital changed significantly due to the structure of the transaction which included a further injection of equity into the Group. At 31 December 2020 the PCG had regulatory Own Funds of £208.3 million.

Regulatory Own Funds	Year ended 31 December 2020 £m
Share capital and share premium	1,133.2
Reserves	262.4
Less:	
Goodwill and intangible assets (net of deferred tax liabilities)	(1,105.0)
Qualifying holdings outside the financial sector	(81.7)
Defined benefit pension scheme asset (net of deferred tax liabilities)	(0.6)
Total Common Equity Tier 1 own funds	208.3
Tier 2 Own Funds	-
Total Own Funds	208.3

Own Funds requirements

As required under the FCA rules, the Group performs an Internal Capital Adequacy Assessment Process (ICAAP) annually, which includes a range of stress tests to determine the appropriate level of regulatory capital that the Group needs to hold. A post-transaction ICAAP was conducted and reviewed by the Board in December 2020. This review resulted in updates to operational risks and stress testing in light of the merger and the COVID-19 pandemic.

The PCG holds capital to cover a range of Own Funds requirements, classified as Pillar 1 and Pillar 2. Pillar 1 is calculated under the prescribed regulations and Pillar 2 is assessed and implemented through the ICAAP and through the subsequent Supervisory Review and Evaluation Process (SREP) undertaken by the FCA.

Regulatory capital is monitored monthly by management and the PCG regularly reports its capital position to the FCA. Regulatory capital requirements have been met throughout the year.

Pillar 2

Pillar 2 supplements Pillar 1 and requires firms and their regulatory supervisor to assess the amount of internal capital required to cover all the risks that are not adequately covered under the Pillar 1 requirements. This is implemented through the ICAAP and through the subsequent Supervisory Review and Evaluation Process (SREP) undertaken by the FCA.

Strategic Report

Viability Statement

The viability assessment period

The Directors have assessed the prospects and viability of the Group over a three-year period in line with the requirements of the UK Corporate Governance Code, with which it has chosen to comply in this respect.

The Directors consider that three years continues to constitute an appropriate period over which to provide its Viability Statement given the uncertainties in predicting the future impact of investment markets on the business over longer periods and the resilience demonstrated by the stress testing as set out below.

Process and viability scenarios

Forecasting for the three-year period is based on a detailed year-one budget and higher-level forecasts for years two and three. Achievement of the one-year budget has a greater level of certainty and is used to set near-term targets across the Group. Achievement of the three-year term is less certain than the budget but provides a longer-term outlook against which strategic decisions can be made.

The forecasting process considers the Group's operating income, costs, and EBITDA over the projected period, based on the annual business plan. The metrics are subject to a sensitivity analysis across a range of potential scenarios such as falls in equity markets, reductions in planned gross new money and AUM outflows, and a combination of scenarios occurring simultaneously. In all cases, the Directors were able to demonstrate the ability of the Group to withstand the current economic downturn.

Given the significant impact of COVID-19 on the macro-economic conditions in which the Group is operating, additional stress-testing, as part of the ICAAP review summarised below, has been carried out on the Group's ability to continue under extremely unfavourable operating conditions. While the assumptions we have applied in the scenarios are possible, they do not represent our view of the likely outcome. Further to this, notwithstanding the loss for the year which includes both significant exceptional costs that are non-recurring in nature and material non-cash amortisation charges relating to previous acquisitions (full details can be found in the Financial Review on page 26), the Group reported strong results. This demonstrates the Group's ability to withstand tough economic conditions including significant falls in global equity markets and strict government-imposed lockdowns that have impacted both interactions with clients and staff working patterns.

The ICAAP is required by the FCA and requires the Group to perform a range of stress tests that assess the Group's ability to withstand a market-wide stress, a Group-specific (idiosyncratic) stress and a combined stress considering both market-wide and Group-specific events. The stress tests are derived through discussions with senior management and are deemed to be severe but plausible, after considering the principal risks and uncertainties faced by the Group. Stress testing undertaken uses a combination of the macro-economic stress (based on the 'Global Financial Crises' stress) and the Group's largest three operational risk scenarios.

The results of the analysis show that the Group is resilient to the combined stress and always remains above the regulatory capital requirements. With management actions and recovery of market levels in year 2 and 3 this provides comfort that the Group has adequate financial and regulatory resources to continue in operational existence for the foreseeable future.

Viability statement

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2023.

Strategic Report

Principal Risks and Uncertainties

Managing risk to support our strategy

The purpose of risk management is to identify, assess, monitor and manage those key risks that are inherent in the Group's business activities, in line with the Board's strategic objectives and risk appetite. At Tilney Smith & Williamson, risk management arrangements form part of a strong governance culture, built upon the three lines of defence governance model under which primary responsibility for identifying and controlling risks rests with the Group's businesses (the first line of defence). Ultimate responsibility for ensuring the adequacy and effectiveness of risk management rests with the Group Board, with oversight provided by the Board's Risk and Audit Committee.

The Group has a Risk and Compliance function which provides the second line of defence. The Risk and Compliance function is led by the Chief Risk Officer who has an independent reporting line to the Chairman of the Risk and Audit Committee and a right of access to the Chairman of the Board. The Chief Risk Officer sits on the Executive Committee and attends the Risk and Audit Committee meetings.

On completion of the merger and having adopted the risk management framework for the combined business, the Group is now focusing on consolidating and enhancing its risk management and compliance capabilities to facilitate risk awareness and further enhance the implementation and effectiveness of the risk management framework. The risk management framework is underpinned by policies, procedures and reporting, all of which have been enhanced over the course of the year and will continue to evolve with the needs of the combined Group, as it seeks to deliver its strategic objectives.

Action is taken where risks fall outside of the Group's risk appetite or where the need for remedial action is recognised in respect of any weaknesses identified in relation to mitigating controls.

Risk management framework

The objectives of the risk management framework are to:

- facilitate risk-awareness across the Group
- facilitate the effective identification, assessment, monitoring and management of risks.

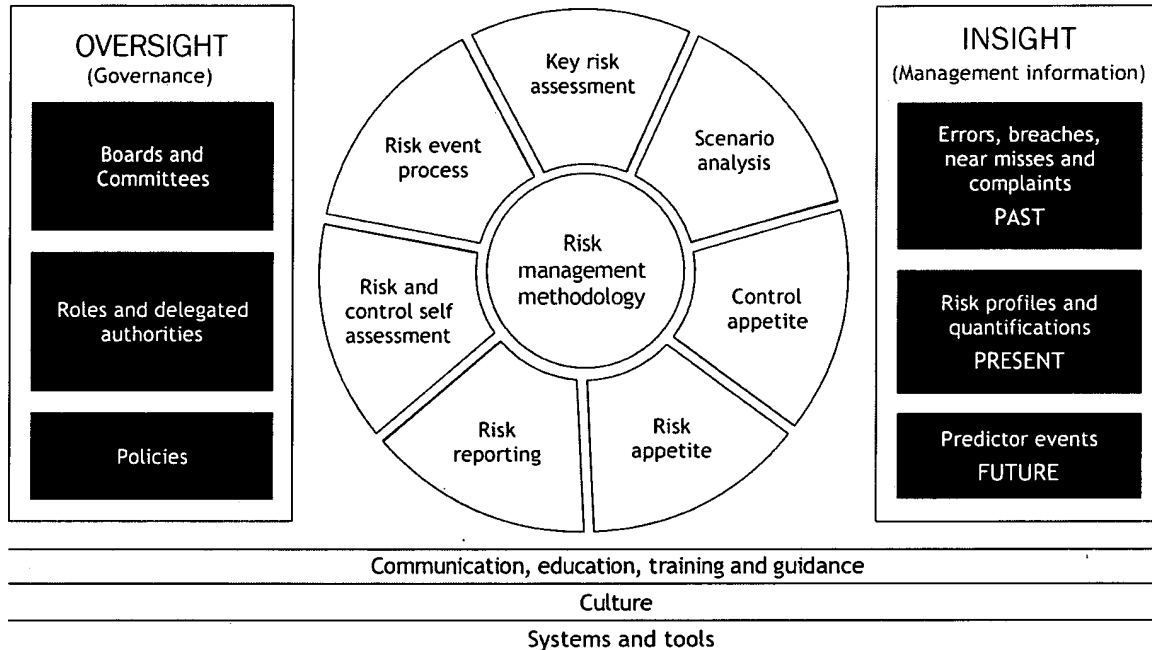
The risk management framework assists the organisation in the resilient provision of high-quality service to our clients and encourages the continuous improvement of the Group's processes and controls.

The risk management framework includes components that:

- establish methods for identifying and assessing risk
- provide an approach to capturing, reporting and monitoring risk
- provide appropriate mechanisms for managing risk.

Strategic Report

Risk management framework



Risk management methodology

The risk management methodology within the risk management framework consists of the following seven interlinked steps:

Key risk assessment — central to the risk management framework as all components of the risk management framework are linked to the key risks. The key risks are identified using scenario analysis, verified by the bottom-up risk assessment. Assessing each key risk and its potential impact in the business is a fundamental part of the risk management methodology and is continually reviewed and developed. The business help contribute to the assessment through:

- Top-down risk assessments
- Risk and control self-assessments
- Risk events
- Monitoring of the external environment.

Scenario analysis — undertaken at different levels of probability. Generally, multiple scenarios will be assessed for each key risk. The assessment presents an impact analysis on the business, including the financial impact.

Control appetite — the level of control that is in place relevant to the risk. Where the control is not sufficient, the business will put in place a mitigation plan.

Risk appetite — a top-down process that is verified by each division of the business and also by reference to internal and external experience of risk events.

Risk reporting (dashboard) — a mechanism used by the firm to manage risk. The dashboard presents each key risk, its current (Red, Amber or Green) RAG rating, key risk indicator scores, risk events and outstanding remediation actions, where required.

Risk and control self-assessment (RCSA) — undertaken by all business units and then independently reviewed and challenged by the Risk function. The RCSA is a process-focused assessment linked to the key risks.

Risk event process (REV) — designed to capture, report, monitor and remediate process, control and system failures.

Strategic Report

Key risks

We have identified the key risks at Group and business level to ensure they are managed in a consistent way with oversight from the relevant Committees and Boards. The Boards, Group Executive Committee, Risk and Audit Committee, and Group Risk and Compliance Committee all provide regular oversight of the key risks and help mitigate them.

Key risk	Risk definition	Key mitigating controls
Business performance	Adverse business and/or client impact resulting from a failure to achieve the desired business performance or a failure to adequately manage the business efficiently through a period of economic turbulence or contraction.	<ul style="list-style-type: none"> • Board and Group Executive Committee review of business performance • Documented business plans communicated to all staff • Documented policies and procedures
Change management	Adverse business and/or client impact resulting from an overload of change for the organisation, and/or the failure of one or more material projects.	<ul style="list-style-type: none"> • Project steering groups and Change Portfolio Committee review project progress, risks, issues and interdependencies • Regular project reporting • Key projects or those with a material impact to the Group are reviewed by the Board and Board Committees
Conduct risk	Adverse business and/or client impact resulting from providing clients with inadequate, incomplete or unsuitable advice or service, or not acting in the best interest of our clients.	<ul style="list-style-type: none"> • Staff training, particularly relating to conduct risk • Self-certification by senior staff of actual or potential disputes or claims • Investment process, market and performance monitoring • Investment in staff training and development • Appropriate incentivisation and disciplinary procedures
Data loss and cyber risks	Adverse business and/or client impact resulting from a data protection, information security or cyber related breach. The additional risks associated with non-compliance with relevant rules and regulations.	<ul style="list-style-type: none"> • Dedicated working group • Staff training and development • Penetration testing (both internally and for external service providers) • Cyber risk management framework • Embedded data governance controls within all core change activities • Involvement in cyber industry representative bodies

Strategic Report

Key risk	Risk definition	Key mitigating controls
Financial	Adverse business and/or client impact resulting from counterparty failure, market, or credit risk losses.	<ul style="list-style-type: none"> • Group Risk and Compliance Committee oversight • Segregation of duties • Authorisation limits and management oversight • Dealing limits • Documented policies and procedures • Group-wide credit and market risk frameworks in place • Liquidity risk managed through deposits with a maturity of less than 7 days. No reliance is placed on wholesale market funding
Financial crime and fraud	Adverse business and/or client impact resulting from internal or external fraud. Failure to adhere to relevant regulation: Anti-Money Laundering, Bribery and Sanctions and Market Abuse.	<ul style="list-style-type: none"> • AML prevention process and controls • Proactive and regular contact with regulators • Active involvement in industry representative bodies • Documented policies and procedures • Mandatory AML training for staff
Investment performance	Adverse business and/or client impact resulting from poor investment performance of portfolios, including private client, charities, institutional and funds.	<ul style="list-style-type: none"> • Investment Oversight Committee • Investment process managed by the Front Office • Reports to Group Risk and Compliance Committee through key risk indicators
Material external change	Adverse business and/or client impact resulting from a material change in the external business environment, for example economic recession, market falls, adverse political developments and Brexit.	<ul style="list-style-type: none"> • Reported and considered through the Board and Group Executive Committee • Risk, compliance and the investment management teams monitor the external business environment • Impact to business modelled via ICAAP ensuring adequate headroom • Regular communications with clients via investment managers and quarterly valuations

Strategic Report

Key risk	Risk definition	Key mitigating controls
Operational resilience	Adverse business and/or client impact resulting from a failure to continue activities in the event of a major disaster affecting offices or constraints in the off-site recovery of critical business systems. Incorporates Disaster Recover, Business Continuity and Outsourcing.	<ul style="list-style-type: none"> • Group Risk and Compliance Committee, Group Executive Committee, Risk and Audit Committee and Board oversight • Regular disaster recovery testing • Off-site backup of data • Business continuity agreements in place together with documented disaster recovery plans • Ongoing monitoring of outsourced service providers • Project steering groups and working groups established • Documented policies and procedures
Pandemic	Adverse business and/or client impact resulting from the impacts of COVID-19 and subsequent pandemics.	<ul style="list-style-type: none"> • Gold and Silver team coordination and passage of information to the Board and Group Executive Committee • Monitoring of staff and national rates of infection. • Identification of potential areas of vulnerability • Processes have been enhanced and improved to cater for working from home
People	Adverse business and/or client impact resulting from insufficient human capital in terms of numbers, focus, culture and skill set.	<ul style="list-style-type: none"> • Remuneration Committee and Nomination Committee oversight • Competitive and transparent remuneration schemes • Succession and contingency planning • Staff training and development
Process failure	Adverse business and/or client impact resulting from failure of process and/or control.	<ul style="list-style-type: none"> • Risk event reporting and analysis • Review of management information • Segregation of duty and responsibility • Increased automation • Oversight by all Boards and Committees • Staff training and development
Product and service	Adverse business and/or client impact resulting from failure of a product or service.	<ul style="list-style-type: none"> • Product and Service Oversight Committee • Senior management led service to clients with independent quality assurance • Investment process, market and performance monitoring

Strategic Report

Key risk	Risk definition	Key mitigating controls
Prudential	Adverse business and/or client impact resulting from breaching regulatory capital or liquidity requirements	<ul style="list-style-type: none"> • Group Risk and Compliance Committee oversight • Segregation of duties • Documented policies and procedures • Capital at Group and legal entity levels monitored • Loan covenants monitored and reported
Regulation and legal	Adverse business and/or client impact resulting from breach of regulation or relevant laws.	<ul style="list-style-type: none"> • Proactive and regular contact with regulators • Policies and procedures • Impact assessment for upcoming regulatory changes • Oversight by all Boards and Committees
Strategic risk	Adverse business and/or client impact resulting from failures in strategic risk taking, decision-making and planning. This includes due diligence, integration of acquisition targets or badly managed divestitures.	<ul style="list-style-type: none"> • Board and Group Executive Committee review • Detailed assessment of all M&A activity (including business, client and employee impact)
Technology risk	Adverse business and/or client impact resulting from sub-optimal IT infrastructure (including capacity), IT capability.	<ul style="list-style-type: none"> • Technology requirements assessment and planning • Documented policies and procedures • Incident management

Strategic Report

Change in the previous 12 months

Over the last 12 months of the financial year, the firm's risk profile was impacted by the COVID-19 outbreak which has continued to impact the ability of staff to work from offices. The Group rapidly provided the capacity and capability for all staff to work from home, while remaining within its risk appetite; see Emerging Risks below for further details. The pandemic continues to affect the entire market and test the business resilience arrangements of the firm.

The merger between Tilney and Smith & Williamson was completed on 1 September. The post-merger Group remains well-capitalised and liquid, with significant buffers above all regulatory requirements.

On the same day as the merger completed, the legacy Smith & Williamson business went live with the Core Wealth system, replacing legacy systems across the trading life cycle, which was a significant risk. The Core Wealth system continues to receive significant senior management attention to resolve issues, none of which significantly impact the services being provided to clients, and managing the risks generated as the system is stabilised and embedded into business-as-usual processes and reporting.

Apart from these factors, the holding and entity-level risks have remained relatively static. Change management and cyber risk continue to be key areas of focus. The firm's risk management framework continues to be developed and refined across the firm and 2021 will see the Combined Group framework being embedded.

Emerging risks

The emerging risk radar, already in place across the former Smith & Williamson business, has been introduced across the Tilney Smith & Williamson Group. This continues to be developed, helping the firm identify developing risks at Group and business levels. This is a fluid assessment tool given the nature of the risks involved and provides a discussion point in a consistent and uniform way with oversight from the relevant Committees and Boards. This development allows specific risks to be called out, discussed and for senior management to consider if action needs to be taken.

During 2020, risks shown on the emerging risk radar include:

- The COVID-19 pandemic where, led by the crisis management teams, the business has been able to successfully adapt and maintain business-as-usual functions throughout the crisis. Further information on the impact of COVID-19 and the Group's responses can be found in the Chief Executive's Review on page 16.
- Environmental Social and Governance (ESG) ensuring that management has been kept informed of the growing focus on the requirements of responsible and sustainable investing, enabling the Group to provide clients with the information they expect. This will require multiple coordinated work streams to ensure that the Group delivers on expectations and also meets the requirements of regulatory agencies and government.
- Politics has also been part of the emerging risk radar throughout the year, with the monitoring of Brexit and the US elections. The outcome of the impending Scottish Elections scheduled for May this year could lead to demands for another Scottish independence referendum.
- Changing tax and regulatory frameworks as a result of responses to the above emerging risks.

Strategic Report

Section 172 Statement

Section 172 of the UK Companies Act 2006 requires Directors to act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this the Directors are required to have regard to the interest of employees and other stakeholders, including the impact of its activities on the community, environment and the Company's reputation, when making decisions.

Details on how the Board operates and the way Directors reach decisions, including some of the matters discussed during the year and the key stakeholder considerations that were central to those discussions, and the impact of the Company's operations on the community and environment, are included in reports as indicated below with reference to matters set out in Section 172 (1) (a-f) of the Act.

Section 172(1) matters	Reports where matters are demonstrated
(a) The likely consequences of any decision in the long-term	<p>The Board has approved a strategy which will achieve long-term, sustainable success for all stakeholders.</p> <p>Strategic Report, pages 3 to 49. The Board has overseen:</p> <ul style="list-style-type: none"> • The transformational merger between Tilney and Smith & Williamson • Investment in strengthening the Board composition and executive leadership • Enhancement of the governance framework • Digital transformation, including the implementation of a major new front office technology platform reflecting the commitment towards the future technology infrastructure • Market opportunities, drivers for growth, and trends • The response to changing client needs including ESG requirements • How the business model ensures a breadth of proposition, expertise, and benefits of scale to respond to diverse client requirements. <p>Corporate Responsibility Report, pages 42 to 49. The Board has considered how the Company seeks to manage the long-term impact of its business on people, suppliers, communities, clients and the environment. The Board has oversight of:</p> <ul style="list-style-type: none"> • The Group's approach towards Corporate Responsibility through the newly created Corporate Responsibility Committee • The initiatives underway on talent management, people development and wellbeing • Remuneration policies and the linkage of senior management incentives to long-term goals • Initiatives underway for responsible investments by clients and investing in local communities as a good corporate citizen. These include becoming a signatory to the Principles for Responsible Investment; the formation of a Stewardship and Responsible Investment Group; and running a Community Investment Programme • The environmental impact of the business through ongoing improvements. <p>Corporate Governance Report, pages 53 to 63. The Governance framework has been refreshed following the merger.</p> <ul style="list-style-type: none"> • Board and executive team composition changed to align with long-term strategy • Governance Framework was reviewed including Board Committees and sub-Committee changes.

Strategic Report

<p>(b) The interests of the Company's employees</p>	<p>The Board believes that our people and culture are central to the Company's unique client proposition.</p> <p>Strategic Report, pages 14, 16, and 19. The Board has:</p> <ul style="list-style-type: none"> • Belief in a strong culture, based on shared values and sense of purpose, and has oversight of the process for setting out a shared set of values for the merged firm which is committed to creating an inclusive environment, where colleagues can develop and contribute fully, and one which encourages and supports diversity. Colleagues have been engaged in developing our culture by undertaking a values survey, where they identified the desired future organisational values. Workshops were held to give colleagues the opportunity to contribute towards the development of the new Tilney Smith & Williamson purpose and values which the Board would review and provide • Reviewed the Company's people strategy as part of the integration exercise and continues to consider its impact on the business through feedback from staff. The impact of the merger on staff is monitored by senior managers with issues reported to the Board. Communications regarding the merger and updates on the integration plan have been overseen by the Board with the Chief Executive Officer initiating groupwide webinars which provided an opportunity for colleagues to ask questions regarding the merger and its impact • Oversight of the Group's response to COVID-19 including its operational impact, engagement with employees and their wellbeing. Colleagues have been supported with a wide range of internal and external resources and regular communications, both to help them overcome the practical obstacles of working from home and to support their physical and mental wellbeing • Invested in a new talent in the Executive Leadership team with new hires which has strengthened it. <p>Corporate Responsibility Report, pages 42 to 44. The Board has:</p> <ul style="list-style-type: none"> • Overseen the engagement with colleagues in developing the culture, values and purpose for the merged firm • Had oversight of the communication with clients and employees during the pandemic • Endeavoured to focus on developing the skills and experience of our colleagues and received reports in this regard • Received reports on the Group's approach and initiatives towards promoting diversity and inclusion across the business • Promoted remuneration policies to attract and retain high performing colleagues • Approved a Group Whistleblowing Policy and has procedures in place which enable colleagues to 'blow the whistle'. The Board receives whistleblowing reports and the Chairman of the Board is the whistleblowing champion.
<p>(c) The need to foster the company's business relationships with suppliers, customers and others</p>	<p>The Board considers clients to be at the core of the Company's business model and has oversight of the client outcomes of its decisions. The Corporate Responsibility programme is focused on four key strategic pillars, namely people, communities, clients and environment and the Corporate Responsibility Report includes further information on the impact of the Group's operations on these key areas. Engagement with regulators is a key area of focus for the Board.</p> <p>Strategic Report, pages 4 to 8.</p> <ul style="list-style-type: none"> • The Board has oversight of client requirements, market practice and trends and the Group's response to it • Implementation of the Core Wealth system, which has been overseen by the Board, has helped with automating the middle and back office processes within the investment management

Strategic Report

	<p>business. The system is aimed at enabling efficiencies in the operating model which benefits our colleagues and clients.</p> <p>Corporate Responsibility Report, pages 42 to 49. The Board, mainly through the Corporate Responsibility Committee:</p> <ul style="list-style-type: none"> • Considers updates from our Group client care programme which aims to encourage collaboration to better support our clients, ensuring ongoing satisfaction and maximising potential opportunities. Regular engagement with clients continues to be a key area of focus specially in the backdrop of the pandemic and the merger • Has oversight of the anti-bribery policy • Has commitment towards ensuring that our business and supply chain are free from any slavery or human trafficking and approves the Slavery and Human Trafficking Statement • Oversees the Company's investment in local communities. • Receives reports regarding the Group's key outsource and supplier arrangements. <p>Corporate Governance Report, page 59. The Board:</p> <ul style="list-style-type: none"> • Receives updates on the Company's engagement with the regulators alongside reports on compliance with regulatory requirements. The integration, Brexit, move to a client money model and the implementation of Core Wealth, which is a key investment management system, have been the key areas of engagement with the regulator through the year. Regular meetings are held with the FCA supervision team providing updates on the Group's risk control environment, adequacy of capital and liquidity, and other matters of importance to the Group such as the Core Wealth implementation • Considers reports on customer complaints and the advice quality reviews undertaken and challenges management on any issues of concern and their remediation
(d) The impact of the company's operations on the community and the environment	<p>The Corporate Responsibility Committee has been established by the Board to oversee the Group's responsible business activities, which are in the areas of clients, people, environment, charities, communities and communication.</p> <p>Corporate Responsibility Report, pages 42 to 49. The Board:</p> <ul style="list-style-type: none"> • Has overseen policies for continued commitment to ensure our business and supply chains are free from any slavery and human trafficking • Reviews the Group's approach to responsible investing and ensures that our investment professionals and clients have a better understanding of ESG. As an active member of the Investor Forum and Climate Action 100+, we have been able to combine our active engagement voice with many other leading asset management groups to great effect • Receives reports on the Company's community investment programme • Supports colleague fundraising efforts • Ensures an effective governance structure to protect the Company's reputation, brand and relationship with regulators as well as partners • Receives ESG reports and there has been consistent emphasis on the required focus on this topic.

Strategic Report

<p>(e) The desirability of the company maintaining a reputation for high standards of business conduct</p>	<p>The Board is committed to ensuring the risk management framework promotes high standards of conduct which are embedded in the business culture. The Remuneration Committee has oversight of the remuneration strategy which aims at ensuring it delivers against our remuneration principles and business objectives. The Corporate Responsibility Report alludes to the initiatives underway.</p> <p>Strategic Report, page 62. The Board:</p> <ul style="list-style-type: none"> • Approves the risk management framework which supports the oversight of key risks including conduct risk and people risk. Mitigations are in place to manage key risks of adverse business and/or client impact from providing clients with inadequate, incomplete or unsuitable advice or service. Similarly, competitive and transparent remuneration schemes are in place to ensure delivery as per remuneration principles. <p>Corporate Responsibility Report, page 44. The Board:</p> <ul style="list-style-type: none"> • Has oversight of the anti-bribery policy and commitment to ensure that the business and supply chains are free from slavery or human trafficking. <p>Corporate Governance Report, page 60. The Board:</p> <ul style="list-style-type: none"> • Approves and receives reports regarding the Group's whistleblowing policy.
<p>(f) The need to act fairly as between members of the company</p>	<p>The Board factors in shareholders' views in its decision-making process.</p> <p>Corporate Governance Report, page 62. The Board:</p> <ul style="list-style-type: none"> • The Board includes representatives of the shareholders that control the Group's ultimate parent undertaking.

Strategic Report

Corporate Responsibility Report

Tilney Smith & Williamson has a strong sense of corporate responsibility. We aim to manage the impact of our business on people, suppliers, communities, clients and the environment. To achieve this, we look for areas where we can have a positive influence in the communities in which we work. We also seek to minimise our environmental footprint and to provide a professional and supportive workplace for colleagues, thereby enabling us to deliver the best possible service to our clients.

Governance

The Corporate Responsibility Committee includes representatives from key business functions. It is responsible for developing and monitoring the Group's corporate responsibility and ESG initiatives. The Chairman of the committee reports directly to the Board.

People

Our people and our culture are central to our successful and unique client proposition. It is the quality of our people, their skill and expertise and the long-term trusting relationships they establish with their clients, which underpins and sustains our success. Having a group-wide consistent culture is a key part of our merger integration plan, ensuring we make the most of our existing cultural strengths and support the achievement of our organisational goals. Our approach to talent management, in the form of recruitment, development and performance management, as well as remuneration are also organisational enablers and key areas of focus.

Culture

We recognise that our culture is critical to us achieving our organisational goals, underpinning the way in which we work, and connecting both our colleagues and our clients to our higher purpose. Following the merger of Tilney and Smith & Williamson, we wish to develop a culture which is the 'best of both' businesses, building on the existing cultural strengths of client focus and doing the right thing, where colleagues feel able to have a voice, be involved and contribute to the success of the business.

With this in mind, following the merger we have engaged our colleagues in developing our culture by undertaking a values survey, where they identified the desired future organisational values. Business-wide workshops were undertaken to give colleagues the opportunity to contribute towards the development of the new Tilney Smith & Williamson purpose and values, which will be communicated to the business during the second quarter of 2021.

Communication has been particularly important in 2020 with the majority of our colleagues working remotely as a result of COVID-19. We have invested in new video conferencing tools and training and promoted new ways of working. Communication from the leadership team has increased, ensuring that colleagues continue to understand our organisational goals and progress against plan. We have also increased the amount of informative materials available on our intranet and learning management systems to help colleagues undertake their roles effectively and maintain their wellbeing.

Talent management and development

Our clients rely on the expertise and judgement of our people, and as such we continue to focus on developing the skills and experience of our colleagues. Whilst in 2020 the majority of our training and development has moved online, we have continued with our investment in development programmes.

Recruiting the best talent continues to be a key area of focus for the business. We have introduced additional tools to aid the selection process, which involves psychometric profiling of potential candidates to assess their match to our benchmark high performing profile.

All new colleagues across the business experience a consistent online core induction which focuses on both what they need to know to be successful but also how we expect them to behave.

We continue to value professional skills development and qualifications, including apprentice schemes, providing employee incentives and financial support for the achievement of technical examinations, professional body membership and study leave.

Strategic Report

Within Financial Planning we have 255 Practitioners (i.e. those authorised to give financial advice), all of whom hold a level 4 qualification as a minimum, predominantly with the Chartered Insurance Institute (CII).

Within Investment Management we have 289 Practitioners of which 124 are qualified to a minimum of level 4 and 165 to a minimum of level 6, predominately with the Chartered Institute for Securities and Investment (CISI). In addition, 259 of the Investment Management Practitioners hold Chartered status with the CISI. All graduate trainees within Investment Management are required to pass the Chartered Wealth Manager qualification, which is level 7, before they are able to progress to the Practitioner role.

Within Professional Services we have over 370 qualified accountants and Certified Tax Advisers with an extensive range of expertise advising private clients, family-owned businesses and entrepreneurs.

Client engagement skills have been a particular area of focus in 2020; with new programmes developed to enhance our practitioners and advisors networking, relationship building and influence skills, underpinned by the principles of behavioural science.

We set clear expectations through our performance management, with objective setting, coaching, and formal and informal feedback central to our approach.

We have leadership programmes for developing new leaders as well as more sophisticated programmes for more experienced leaders. Given the business growth and change agenda, we have particularly focused on strengthening leaders change management, adaptability and resilience skills.

Diversity and Inclusion

We are committed to having a diverse and inclusive organisation. We wish to ensure that individuals of all backgrounds, life experiences, preferences and beliefs are recognised and respected as individuals and valued for the different perspectives they bring and that all people are given equal opportunity to contribute to business success and be their true selves, regardless of background.

We have established a Group Diversity and Inclusion Committee, which has responsibility for ensuring the development and delivery of the Group's Diversity and Inclusion agenda. Our Diversity and Inclusion strategy focuses on ensuring that our recruitment, development and promotion processes fully support our diversity aims, removing unconscious bias, whilst continuing to ensure we select the best individual for the role. We promote a culture where all colleagues feel valued and able to contribute, through activities like diversity network support groups as well as recognising and educating colleagues about religious and cultural holidays. We also are participating in the '100 Black Interns' where we provide Internships to Black students to help kick-start their career in investment management or professional services. We work with the EY Foundation, a charity that supports young people who are facing significant barriers to the labour market. Through their Smart Futures programme we take on a small number of work experience students each year. Also, ten of our colleagues provide mentorship for The Girls Network supporting the development of teenage girls.

The Group will sign up to the Women in Finance Charter pledge for gender balance in financial services. The Board will review Smith & Williamson's previous targets and re-commit to future targets for the Group in 2021.

In the formation of the Board and the Executive Committee, we have sought to improve gender diversity and are committed to doing this within all levels of the organisation. The following table shows the gender mix with the Group as at 31 December 2020.

Organisational level	Female		Male		Total
	Number	Percentage	Number	Percentage	
Board of Directors	2	18%	9	82%	11
Group Executive Committee	4	31%	9	69%	13
Senior Management	31	24%	100	76%	131
All colleagues (including Group Executive Committee and Senior Management)	1,474	47%	1,658	53%	3,132

Strategic Report

The 2019 Gender Pay Gap Reports for Tilney and Smith & Williamson are available on our websites. The first Gender Pay Gap Report for the combined group will be for 2021, whilst for 2020 we will continue to report as separate legal entities. As an employer, we are committed to reducing our gender pay gap and we continue to focus on ways to encourage and support the progression of women into senior roles through recruitment, promotions and mentoring.

Remuneration

Our remuneration strategy aims to deliver outstanding client outcomes and experiences, aid high performing colleague attraction and retention, and support profitable business growth. The principles which underpin our remuneration strategy and support the achievement of our aims are to:

- ensure that colleagues are all able to benefit from a competitive base salary, bonus, pensions and benefits, whilst protecting colleague's historical terms;
- consider total compensation against competitor and market benchmarks;
- ensure that we can recruit and retain key talent;
- take care that our approach is compliant with regulations and aligned with sound risk management; and
- enable key senior staff to participate in the equity value created.

We will continue to monitor and evolve our remuneration strategy to ensure it delivers against our remuneration principles and business objectives.

Anti-bribery policy

Tilney Smith & Williamson values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs. The actions and conduct of the Group's staff as well as others acting on the firm's behalf are key to maintaining these standards. The Group does not tolerate bribery or corruption in any form.

The firm prohibits the offering, giving, solicitation or the acceptance of any bribe or corrupt inducement, whether in cash or in any other form:

- to or from any person or company wherever located, whether a public official or public body, or a private person or company;
- by any individual employee, Director, agent, consultant, contractor or other person or body acting on the firm's behalf;
- in order to gain any commercial, contractual or regulatory advantage for the firm in any way which is unethical or to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected to the individual.

Our policies cover reporting requirements, restrictions on gifts and hospitality and facilitation payments, our approach to politically exposed persons, information security, our procurement approach and charitable gifts/donations.

The Group will investigate thoroughly any actual or suspected breach of our anti-bribery policies.

Suppliers

Modern slavery

We are committed to ensuring our business and supply chain are free from any slavery or human trafficking. As we operate in the financial services sector, many of the service providers we encounter are UK-based entities and they are often themselves regulated by governing bodies. Our material supplier contracts (such as IT providers, audit services and property services) have been reviewed to assess whether the terms in the agreements are satisfactory to provide us with confidence that our suppliers have sufficient procedures in place to protect against slavery or human trafficking occurring within their business and supply chain.

Strategic Report

The other main types of service provider relate to essential office services, such as security, catering and cleaning. Our office services are outsourced to organisations with their own due diligence procedures for employees and contractors. Our tender process for these contracts includes confirmation of the steps the potential suppliers take to ensure their businesses are free from modern slavery and human trafficking. The due diligence process includes verifying that they have sufficient policies and procedures in place to ensure fair treatment and pay of workers, adequate whistleblowing procedures and confirming that all those employed in the provision of services have the necessary documentation to work legally in the UK.

Communities

As a Group we enable our clients to invest responsibly and we take the same approach by investing in our local communities as a good corporate citizen. We have a wealth of talent and experience within our business and we are keen to share this with the community and enable our employees to gain further personal and professional development by getting involved in community projects and activities.

Our community investment programme is delivered through our Giving Back programme and funded by the Tilney Charitable Trust ('TCT'). The TCT was established in 1979 and since then has donated over £3 million to local and national charities. The Trust has a strong heritage in providing funding to the charitable causes which our employees support.

Our Giving Back programme is in place to:

- encourage and support volunteering participation from our employees, to contribute to employees' personal and professional development and enhance employee engagement;
- enhance our reputation as a responsible company with employees and external stakeholders at local, regional and national levels;
- encourage charitable giving and fundraising efforts for the benefit of our local communities; and
- embed good citizenship into all areas of the business.

Giving back at Tilney Smith & Williamson focuses on supporting:

- Employee volunteering and personal development – We encourage and support our people to get involved in their local communities and at the same time develop their skills. We give all our employees paid time off to volunteer; and
- Giving to charity – We encourage our employees to give regularly to charity through our Payroll Giving scheme and match employee donations up to £20 per employee, per month. We also match our employees' fundraising efforts with donations of up to £250 for individuals and £1,000 for teams with additional matching available for national Tilney Smith & Williamson events through a donation from the Tilney Charitable Trust.

Since initiating our payroll giving scheme we have achieved both Gold and Platinum Payroll Giving Quality Mark Awards for our commitment to Payroll Giving.

We operate under an effective governance structure to protect our reputation, brand and our relationships with regulators and legislators, as well as our Partners. Our Giving Back Committee leads and governs our approach to volunteering and charitable giving, agreeing the focus and policy for the Giving Back Programme and ensuring the programme contributes to the overall business strategy. The Committee comprises of functional and regional employee representatives headed up by the Chair. The Committee is also supported by dedicated 'Giving Back Coordinators' in local offices. The Committee is responsible to the Tilney Charitable Trust Trustees, chaired by Paul Frame (Regional Managing Director – Scotland and Northern Ireland).

In response to the COVID-19 pandemic, The Tilney Charitable Trust donated £10,000 to the Critical NHS which enabled the co-ordination and delivery of over 98,000 meals to front line staff across 15 London Hospitals.

Colleagues stepped up their fundraising efforts and we continued matching colleague fundraising throughout the pandemic to a sum of approximately £54,000. Colleagues raised approximately £33,500 through their payroll giving donations with circa £11,000 matched through the Giving Back Programme.

Strategic Report

Following the merger in September 2020 the charitable activities of Smith & Williamson were amalgamated into the Group. In the last four months of the financial year the Charities Committee supported one particular event, encouraging staff to undertake a 5km run, jog or walk and for each participant £20 was donated to two foodbank charities – Fareshare and Foodcloud. In addition, the Committee agreed to match staff donations to the same charities. Over 400 members of staff from across the offices took part and over £11,000 was raised. The Charities Committee also made donations of approximately £40,000 to 20 charities at Christmas and continued to support members of staff who undertake personal charitable fund-raising activities, donating £6,700 to 14 charities over the period.

Clients

We take a proactive approach to listening to and understanding our clients' needs and ambitions, operating a comprehensive and unified Client Care programme across the Group, led by our Group Head of Client Services. This provides an independent and objective platform to capture insights that will enable us to deliver a consistently exceptional client experience. We believe that by listening to our clients' experiences on how we are performing, and by understanding what they want and expect from Tilney Smith & Williamson – now and in the future – we can improve many aspects of our service that will bring real and tangible benefits. This is a client-centric programme that runs holistically across the Group, unifying all business areas nationally. It helps us to grow and deepen relationships, as well as understand more about our clients' needs so that together we can develop growth strategies, ensuring ongoing satisfaction and enabling us to better serve their interests.

With a long track record of running ethical and sustainable portfolios for clients, the Group has continued to expand its market leading offering in 2020.

Key highlights from 2020 included the rebranding of the flagship Tilney Active Ethical Portfolio (first launched in 2005) under a new Sustainable heading. Alongside the name change, the portfolio managers refreshed the investment process so environmental, social and corporate governance (ESG) factors were more formally incorporated. The team have access to a range of data sources, but their focus is primarily on ESG fund data from Morningstar Sustainalytics. The data is a useful input into the investment and research process, but the team's core investment approach and focus on quality remains unchanged. Tilney's established sustainable investment philosophy and the links to the United Nations Sustainable Development Goals were unchanged.

The performance of TAP Sustainable was again positive in 2020, with clients continuing to benefit from the team's best ideas and sustainable investing experience. Louie French, the lead portfolio manager, is also a judge of the industry wide Sustainable & ESG Investment Awards.

Tilney also relaunched its Ethical Model Portfolio Service (first launched in 2011) under the Sustainable heading, with an initial focus on the B2B and IFA market where demand for our in-house expertise remains strong. The portfolios are managed across the risk scale and adopt the same investment process as TAP Sustainable. The 2020 performance was also positive for clients. A range of marketing and training activities for both TAP Sustainable and Sustainable MPS were conducted throughout the year.

2020 also saw Tilney become signatories of the Principles for Responsible Investment (PRI) with its first submission due in 2021. Smith & Williamson were already signatories of the PRI and was awarded an A-grade for 2019 despite a tightening of requirements. As part of the integration work with Smith & Williamson, a group-wide Stewardship & Responsible Investment Group has been established, with colleagues across the business working closely to formalise a number of group-wide policies as part of future PRI submissions. The integrated Direct Investment Group incorporates environmental, social and governance factors alongside traditional metrics when reviewing all monitored holdings to improve stock picking and overall portfolio resilience. The Collective Investment Group has already updated the 10 Principles of Manager Selection to put a greater focus on sustainability.

Voting and engagement are important components of responsible investment. The Group already votes globally on over 10,500 ballots every year and work continues to extend this capability. As part of our engagement policy, the team writes to every board within a targeted 48 hours explaining its rationale and thus allowing an opportunity for response and a change in the vote, if merited. Collaborative engagement is a central part of our stewardship role. As members of the Investor Forum and Climate Action 100+, we have been able to combine our active engagement voice with many other leading asset management groups to great effect. All voting and engagement activities (once complete) are disclosed quarterly on our website.

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Ensuring that our investment professionals and clients have a better understanding of ESG and responsible investing is also important to the Group.

Over the year there were a range of internal training sessions delivered across the business by our experts, which often included external speakers, such as fund managers and specialist ESG data providers. For the legacy Tilney business this included sessions with Morningstar Sustainalytics, MSCI and Vigeo Eiris. Smith & Williamson's training included the first phase of compulsory responsible investment training modules for all client facing staff, plus training for the continued roll-out of MSCI ESG Manager across all teams and specialist sector by sector training for analysts. Access to specialist ESG data, which continues to evolve, allows our teams to have greater insights into company analysis and to monitor risks, such as carbon and corporate governance.

Our dedicated analyst teams provide regular content related to responsible investment to colleagues across the Group.

A range of resources were made available for clients across the Group in 2020. These includes articles, guides, podcasts, reports and videos, which can be viewed on the Tilney and Smith & Williamson websites. We also held our inaugural Responsible Investment Conference in early December, which was deemed a great success by clients.

In terms of regulations, the EU Sustainable Finance Disclosure Regulations (SFDR) have been delayed in the UK but start to come into force in Ireland on 10 March 2021. A considerable amount of work is under way to ensure the Group is adequately prepared. The FCA expects climate related risks to be fully embedded so that financial businesses can make informed business decisions and improve resilience. This includes scenario analysis so firms can better understand future risks today whilst capturing the opportunities to support the transition to net zero carbon emissions by 2050. The FCA expects understanding, oversight and accountability at all levels of every institution, with the Board having ultimate responsibility and with key aspects cascaded through the organisation, governance Committees and designated individuals. These FCA expectations are aligned to the requirements of the Taskforce for Climate-related Financial Change (TCFD) with which most financial organisations will need to comply in 2022 and all UK companies by 2025. We are focused on achieving these goals.

Environment

The Company manages the majority of environmental, social and governance topics, policies and procedures through the Group Executive Committee. Although the Group has a relatively low environmental impact, we seek to minimise this impact through ongoing improvements. Examples include large-scale recycling and initiatives to promote environmentally friendly offices and travel practices, such as 'follow me' printing and 'cycle to work' schemes.

We have recently introduced a "paperless initiative" across our national business. Using digital tools, we are focussed on reducing our paper consumption materially, with an initial focus on "digital valuations" through our on-line portal My Tilney. This project is led by our staff and supported by the Group Executive Committee.

We are also implementing other tools to digitise how we communicate and share data between our advisors and our clients; for example, secure messaging through our client portal, and online suitability reviews, both of which remove paper from our processes.

Environmental Statement

We understand our responsibilities to the environment and the wellbeing of both our staff and the communities in which we work. The operation of our offices and business travel are the primary sources of our emissions.

As part of our focus to control / reduce our energy consumption, our key initiatives include:

- improving the scope for recycling of typical office waste (paper, plastics bottles, cardboard etc.) while encouraging the reduction of plastic bottles/single use plastics;
- requiring staff to place all wastepaper in the confidential waste bins, which is then shredded and recycled securely;

Strategic Report

- constantly working to improve the utilisation of our office space and reduce running costs per employee;
- working towards minimising our travel and our clients' travel while undertaking our business activities by using environmentally efficient technologies, including investment in video conference facilities; and
- enabling and supporting more clients to adopt paperless reporting, plus enhancing the content available via MyTilney, our secure online client portal.

Greenhouse Gas (GHG) Emissions

As a UK incorporated, large organisation, Tilney Smith & Williamson is required to report its UK energy & greenhouse gas (GHG) emissions information in line with the requirements of the Companies Act (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The merger between Tilney and Smith & Williamson was completed in September 2020. In order to continue to report our greenhouse gas emissions in a consistent and like for like manner, we engaged EcoAct, an Atos company, to calculate the Group 2020 emissions and to re-baseline both organisations' 2019 emissions to the calendar year reporting period. The re-baseline included the alignment of reporting scope and categories, a review and update of calculation methodologies, and alignment with the Annual Report and Financial Statements format.

The table below summaries the energy consumption and global greenhouse gas (GHG) emissions for the Tilney Smith & Williamson Group for the period 1 January to 31 December 2020, measured in metric tonnes of carbon dioxide equivalent (tCO₂e), along with the combined and re-baselined data for the previous year. As a result of the pandemic, we have seen significant reductions in use of company cars (down 68%), electricity (down 22%) and business travel (down 95%) which has resulted in a decrease in intensity ratio. When comparing 2020 metrics to non-pandemic years, the decrease in business travel, along with reductions in office electricity consumption, and consistent gas use, are common trends across most organisations.

	Tonnes of CO ₂ e Current reporting year 2020	Tonnes of CO ₂ e Comparison year 2019
Energy consumption used to calculate emissions, kWh	9,194,866	11,115,058
Emissions from combustion of gas, tCO ₂ e (Scope 1)	523.10	517.46
Emissions from combustion of fuel for transport purposes, tCO ₂ e (Scope 1)	4.68	14.79
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel, tCO ₂ e (Scope 3)	114.58	539.84
Emissions from purchased electricity, tCO ₂ e (Scope 2, location-based)	1,279.68	1,528.89
Total gross tCO ₂ e based on above	1,922.04	2,600.98
Intensity ratio: tCO ₂ e / FTE	0.60	0.81

We have used the main requirements of the Greenhouse Gas Protocol to calculate our emissions. We have reported on all of the emission sources required under the regulations. These sources fall within our Consolidated Financial Statement, with an operational control approach being followed when defining our organisational boundary. We do not have responsibility for any emission sources that are not included in our consolidated statement. Where necessary due to the unavailability of meter readings, some energy

Strategic Report

consumption has been estimated using direct comparisons and pro-rata extrapolation. We have used the HM Government Environmental Reporting Guidelines (March 2019) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2019 and 2020 in calculating our emissions.

Scope 1 emissions are direct emissions from fuel used in company-owned vehicles and from gas used for heating in our offices. Scope 2 emissions are emissions released into the atmosphere associated with our consumption of purchased electricity, heat, steam and cooling. Scope 3 emissions relate to the consumption of fuel used for company transport.

We have not reported here on other emissions associated with inputs to our company (such as emissions from our supply chain) or emissions linked with outputs from our company, generally considered as Scope 3 emissions.

Energy Efficiency

In addition to our Partnership with EcoAct, we changed our Mechanical Electrical Plumbing (MEP) service partner in September 2020 which has added a layer of energy use monitoring and reporting providing:

- A year-by-year comparison of our monthly energy consumption and cost against published benchmarks.
- Reporting on any significant variance from the commissioned performance of equipment or systems.
- Proposals for limiting energy loss and/or gain from the building fabric, pipes and ducts.
- Proposals for improving the efficiency of equipment and lamps
- Improvements to timing and temperature controls.
- Improvements to metering and switching strategies

Our electricity energy supplier over the period, where we are responsible for the purchase of electricity, has been Green Network Energy. The energy we purchase is 100% from renewable sources backed by Renewable Energy Guarantees of Origin REGO certification via Ofgem.

Tax Strategy

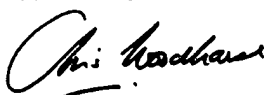
The Group's Tax Strategy has been made publicly available on our website www.tsandw.com, in accordance with the Finance Act 2016. Both the Risk and Audit Committee and the Board have reviewed and approved the strategy. The strategy sets out the Group's governance in relation to tax compliance, risk management, attitude to arranging our tax affairs, and our relationship with the tax authorities. The Group's tax risk appetite is considered to be low.

Cautionary Statement

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Approval

Approved by the Board on 22 April 2021 and signed on its behalf by:



Chris Woodhouse
Group Chief Executive Officer
Tilney Smith & Williamson Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Governance

Director Biographies



Will Samuel
Chairman

Will Samuel is Chairman of the Tilney Smith & Williamson group. He is also Chairman of John Laing plc. Prior to this he was Chairman of TSB Bank plc, which he took through IPO after its de-merger from Lloyds Bank plc, Chairman of Howdens Joinery Group, Chairman of Ecclesiastical Insurance Group plc, Chairman of H P Bulmer plc, Deputy Chairman of Inchcape plc, Senior Advisor to Lazard & Co Ltd and Senior Advisor to the Prudential Regulation Authority (formerly the Financial Services Authority), a Director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc), a Non-Executive Director of the Edinburgh Investment Trust plc and a Trustee and Honorary Treasurer of International Alert.

Mr Samuel is a Fellow of the Institute of Chartered Accountants in England and Wales and has a First Class Honours Degree in Chemistry from Durham University and a Degree in Mathematics from the Open University.



Chris Woodhouse
Group Chief Executive Officer

Chris Woodhouse joined Tilney in 2017 and is the Group's Chief Executive Officer. He joined Tilney from the UK motoring and financial services group RAC, where he was CEO for five years.

Chris has previously held senior management roles at a number of national retail brands. He is a Fellow of the Institute of Chartered Accountants and an Associate of the Association of Corporate Treasurers.



Andrew Baddeley
Group Chief Financial Officer

Andrew Baddeley is the Chief Financial Officer of the Tilney Smith & Williamson group. He joined Tilney in 2018 from TP ICAP plc, an inter-dealer broker listed on the London Stock Exchange, where he was Group Chief Financial Officer.

Prior to this he spent 18 years in the insurance industry, with positions including Group Chief Financial Officer of Brit Insurance. He has also spent 10 years with leading firms PwC and Ernst & Young. Andrew is a Fellow of the Institute of Chartered Accountants and is a Chartered Tax Adviser.



Bill McNabb
Independent Non-Executive Director

Bill McNabb joined as a Non-Executive Director in January 2021. He is the former Chairman and CEO of The Vanguard Group, Inc., the world's largest mutual fund manager. He served as CEO for nine years, retiring in 2017 and continued as Chairman of Vanguard until 2018. Bill is also a board member of IBM, UnitedHealth Group and Axiom. He is a board member of CECF: The CEO of Force for Good, a US corporate sustainability initiative, and the Philadelphia School Partnership, a non-profit organisation focused on creating educational opportunities for students from low-income families. He is also Chairman of the board of the Zoological Society of Philadelphia.

Bill is a graduate of Dartmouth College and has an MBA from the Wharton School of the University of Pennsylvania.

Governance



Carla Stent
Independent Non-Executive Director

Carla Stent joined the Board of Smith & Williamson Holdings Limited on 4 October 2019 and is now the Chair of the Tilney Smith & Williamson Risk and Audit Committee.

Carla has extensive experience as an Executive and Non-Executive Director, both in the financial services sector and in other industries. She is currently chair of Marex Spectron Limited, one of the world's leading commodities brokers, a Non-Executive Director of Post Office Limited, where she also chairs the Audit and Risk Committee and is on the Boards of JP Morgan Elect plc. She is also the Chair of several early stage businesses and is Deputy Chair of the Power to Change Trust. Her executive career has included C-Suite, Chief Financial Officer, Chief Operating Officer or Managing Director roles at Virgin Group and Barclays Bank. She is a Chartered Accountant registered with both the ICAEW and SAICA.



Chris Pell
Non-Executive Director

Chris Pell has been a Non-Executive Director of the Group since the merger with Smith & Williamson in September 2020. Chris is a Principal at Permira which he joined in 2010 and focuses on investment opportunities in the Services sector. He has worked on a number of transactions including Saga and The AA (Acromas), Alter Domus, Lowell and Tilney.

Prior to joining Permira, Chris worked for Barclays in the Group COO office and then Corporate Strategy and prior to that, he was with LEK Consulting in London and Shanghai. Chris has a degree in Philosophy, Politics and Economics (PPE) from Oxford University, England, and an MBA from INSEAD, France.



David Cobb
Director

David Cobb was previously Co-Chief Executive of Smith & Williamson Group and CEO of its regulated entities – Smith & Williamson Investment Management LLP, Smith & Williamson Investment Services Limited, Smith & Williamson Financial Services Limited and NCL Investments Limited.

David joined Smith & Williamson in 1985 and rose to become Head of the Investment Management and Banking division in 2007 before becoming Co-Chief Executive in 2013. He is a Chartered Fellow of the Chartered Institute for Securities & Investments (Chartered FCSI).



Elizabeth Chambers
Independent Non-Executive Director

Elizabeth Chambers is a Non-Executive Director at Provident Financial Group plc and TSB Bank plc, and has previous board experience in the UK and globally including Western Union International Bank, Hastings Group plc, Dollar Financial Group, Hibu plc and The Home and Savings Bank.

She is an Operating Partner at Searchlight Capital Partners and serves on the non-profit board of the University of Colorado Anschutz Medical Campus. Her executive experience included Chief Marketing Officer roles at Barclays, Barclaycard and Freshfields Bruckhaus Deringer LLP. Her last executive role was with Western Union, serving as Chief Strategy, Product and Marketing Officer. Earlier in her career she was a partner in the financial services practice of McKinsey & Company. She is an Economics and Political Science graduate of Stanford University and holds an MBA from the Harvard Business School.

Governance



Keith Jones
Independent Non-Executive Director

Keith Jones was appointed as the senior independent Director at Smith & Williamson in January 2017. Keith has extensive experience in the financial services sector. He was Chief Executive of Aviva Global Investors, an Executive Director and Partner of James Capel & Co and Lazards. He was also a Board director of NPI and chief executive officer of NPI Asset Management and, more recently, an adviser to Lloyds Bank plc.

Keith is an experienced Non-Executive Director, having acted as chairman for Execution Noble and as a Non-Executive Director of F&C Asset Management PLC, Just Retirement Holdings, Chairman of Haitong Securities and a senior adviser to Permira. Presently he is Chairman of Pemberton Asset Management Holdings and a Non-Executive Director within Aon. He has an MA in PPE from the University of Oxford and an MSc (Econ) in Econometrics and Economics from London University.



Kevin Stopps
Director

Kevin Stopps was previously Co-Chief Executive of Smith & Williamson Group. Kevin joined Smith & Williamson in 1987 and became Head of Professional Services in 2009. He has a background in tax and has been qualified for more than 30 years.

Kevin is a Member of the Institute of Chartered Accountants in England and Wales and is a Chartered Tax Adviser.



Peter Deming
Non-Executive Director

Peter Deming joined as a Non-Executive Director in September 2020 when Warburg Pincus invested in the merger of Tilney Smith & Williamson. Peter is a Managing Director at Warburg Pincus and heads the Financial Services team in Europe. Peter joined the firm in 2007 and has led a number of flagship transactions in financial services and fintech companies. Peter is currently a Board member of Aion, Singular Bank and Vodeno.

Prior to joining Warburg Pincus, Peter worked at Goldman Sachs in the Fixed Income Currency and Commodities Advisory Group. Peter has a B.S. in Management Science and Engineering from Stanford University.



Philip Muelder
Non-Executive Director

Philip Muelder serves on the board of Tilney Smith & Williamson and has been a Tilney Non-Executive Director since the original acquisition of Bestinvest by the Permira Funds in 2014. Philip is Global Head of Permira's Services Sector and besides Tilney Smith & Williamson currently serves on the boards of Alter Domus, Lowell and Clearwater Analytics (as observer). Prior transactions include JUST, Provimi, Saga, The AA, Acromas, Tilney, Lowell, Tricor, Alter Domus, Duff & Phelps and Clearwater Analytics.

Prior to joining Permira in 2004, Philip was a strategy consultant at Bain & Company in London and Hong Kong. He has a Master's degree in Accounting and Finance from the London School of Economics and an MBA from Harvard Business School.

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Corporate Governance Report

Approach to corporate governance

The Board recognises the importance of good corporate governance in facilitating effective, entrepreneurial and prudent management that can deliver the long-term success of the Group.

Although the Companies (Miscellaneous Reporting) Regulations 2018 were not applicable to the Company or any of its subsidiaries, the regulations were voluntarily applied to the Company during the year. In accordance with the regulations, a Section 172(1) statement has been included on pages 38 to 41 of the Strategic Report. The Wates Corporate Governance Principles for Large Private Companies (Wates Principles), which were published by the Financial Reporting Council in December 2018, was also applied to the Company for the financial year ended 31 December 2020. The Company is not quoted and therefore is not required to comply with the UK Corporate Governance Code, which was published by the Financial Reporting Council in 2018. The Board believes that the Company already complies with best practice and with the spirit of the Wates Principles and has applied them throughout the year. The following table lays out how this has been achieved with an explanation where any principle has not been adopted and why.

Wates Principles	How the application of the principle is reported
Principle one – purpose and leadership	<p>The Board has a commitment to develop and promote the purpose of the company and ensure that its values, strategy and culture align with that purpose. Risk management arrangements form part of a strong governance culture. The Board has developed a strategy and business model to generate long-term sustainable value.</p> <p>Strategic Report, pages 14 to 15</p> <p>The Board also believes that a strong culture, based on shared values and sense of purpose, is vital to the success of a business and underpins the way in which we work, connecting both our colleagues and our clients to our higher purpose.</p> <p>Section 172 statement, page 38</p> <ul style="list-style-type: none"> • Various decisions have been made by the Board demonstrating its commitment to generating long-term sustainable value for the Company including the merger, enhancing the governance framework and digital transformation • The strategy is clearly articulated and approved by the Board while implemented by management. <p>Corporate Responsibility Report, page 42</p> <ul style="list-style-type: none"> • Following the merger of Tilney and Smith & Williamson, we wish to develop a culture which is the 'best of both' businesses. The process of engagement with colleagues in developing our culture has begun. <p>Corporate Governance Report, pages 58 and 60</p> <ul style="list-style-type: none"> • The Board has oversight of the Group's conflicts of interest policy and considers changes to it • The Board approves and monitors performance against the Group's whistleblowing policy.
Principle two – Board composition	<p>The Board reviews its composition, structure and effectiveness on a regular basis.</p> <p>Corporate Governance Report, pages 56 and 58</p> <ul style="list-style-type: none"> • Board composition, succession planning, induction, training and effectiveness are reviewed by the Board and recommendations considered by it from the Nominations Committee. The roles of the Chairman and the Chief Executive Officer are clearly articulated and held by separate individuals • The Nominations Committee, which has oversight of the Board appointment process, reviews the size of the Board and the balance of expertise, diversity and objectivity in recommending appointments to the

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	<p>Board. It also considers succession planning and makes recommendations to the Board.</p> <ul style="list-style-type: none"> The Board effectiveness evaluation is considered annually. <p>Corporate Responsibility Report, diversity and inclusion on page 43</p> <ul style="list-style-type: none"> In the formation of the Board and Executive Committee, the Board has sought to improve gender diversity. The Diversity and Inclusion Committee is responsible for ensuring the development and delivery of the Group's Diversity and Inclusion agenda.
Principle three – Board responsibilities	<p>The Company has a well-established governance framework which supports decision-making and independent challenge.</p> <p>Corporate Governance Report, page 57 to 62</p> <ul style="list-style-type: none"> The Board has a list of matters reserved for its consideration and its Committees' terms of reference clarify their roles within the governance framework. Approval of key risk policies for the Group is considered by the Board and/or its Committees as per their terms of references The governance framework has been refreshed following the merger and its appropriateness is kept under review. Non-Executive Directors provide independent challenge in the decision-making process of the Board and its Committees Decisions on strategy, risk and control, regulatory and tax, finance and audit, governance, people and operations are considered by the Board and its Committees based on agenda planners which have been developed to fulfil the requirements within the matters reserved for the Board and the terms of references of its Committees Internal controls and processes are regularly reviewed and monitored with gaps reported to the Risk and Audit Committee through the second and third lines of defence.
Principle four – opportunity and risk	<p>Strategic opportunities are assessed by the Board against the Company's risk appetite and its long-term strategy and prospects.</p> <p>Strategic Report, Risk Management section, pages 31 to 32</p> <ul style="list-style-type: none"> A risk management framework was adopted for the combined business following the merger and efforts are underway to enhance its risk management and compliance capabilities to facilitate risk awareness and further enhance the implementation and effectiveness of the framework The Board approves the risk appetite and has oversight over the performance of the business against the appetite and agreed controls. Assessment of risk appetite is a key consideration when a new opportunity is being reviewed and forms part of the approval process. New products pass through the Product and Services Oversight Committee for review. <p>Corporate Governance: Board's role is on page 57 and 58, risk management and internal controls on page 62</p> <ul style="list-style-type: none"> The Group operates under the three lines of defence model with reports produced for consideration by the Risk and Audit Committee The Board has overall responsibility for the Group's system of internal control with oversight of controls delegated to the Risk and Audit Committee The Board considers the merits of each acquisition to determine if it would be within the Group's risk appetite alongside enhancing the business prospects and is in the interest of all stakeholders.
Principle five – remuneration	<p>The Company has a Board approved remuneration policy and structure which is aligned to its long-term sustainable success.</p> <p>Corporate Responsibility Report, remuneration on page 44</p>

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	<ul style="list-style-type: none"> The remuneration strategy is reviewed by the Remuneration Committee and is aimed at ensuring that it delivers against our remuneration principle and business objectives. <p>Corporate Governance Report, Remuneration Committee on page 61</p> <ul style="list-style-type: none"> The Remuneration Committee is a Board committee comprising Non-Executive Directors and is responsible for oversight of remuneration and incentive packages for senior staff within the Group.
Principle six – stakeholder relationships and engagement	<p>The Company is committed to creating and sustaining long-term value for its shareholders and other stakeholders.</p> <p>Strategic Report, pages 6 to 20. The Board:</p> <ul style="list-style-type: none"> Believes in a strong culture, based on shared values and sense of purpose Has oversight of the Group's response to COVID-19 Oversees client requirements, market practice and trends and the Company's response to it. <p>Corporate Responsibility Report, pages 42 to 49. The Board:</p> <ul style="list-style-type: none"> Considers how we engage with colleagues in developing culture Has oversight of communication with clients and staff during the pandemic Considers talent management and development Promotes remuneration policies to attract and retain high performing colleagues Ensures commitment towards promoting diversity and inclusion Receives reports on the client care programme aiming at running ethical and sustainable portfolios for clients Has oversight of the anti-bribery policy Has commitment towards ensuring that our business and supply chain are free from any slavery or human trafficking Oversees the Company's investment in local communities Receives ESG reports and there has been consistent emphasis on the required focus on the topic.

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Governance framework

The Group's governance framework was reviewed following the acquisition of Smith & Williamson Holdings Limited by Tilney Group Limited on 1 September 2020 with the latter's name having changed to Tilney Smith & Williamson Limited. The resulting changes to the composition and structure of the Boards and Committees are detailed on pages 56 and 61. The Board works to ensure that the Group's governance arrangements continue to be robust and are able to deliver a well-run business which has, at its heart, its clients and which recognises its responsibilities towards shareholders, together with other stakeholders in the business and the wider markets and society in which it operates.

The Board

The Group has structured its governance arrangements such that the members of the Board of Tilney Smith & Williamson Limited are also Directors of the majority of the main UK trading or regulated subsidiaries. There were various changes made to the composition of the Board during the year, referred to above. The Board has a balance of executive Directors, independent Non-Executive Directors and Non-Executive Directors ensuring that there is independent and effective challenge to the decisions made by it. The Chairman of the Board is an independent Non-Executive Director.

Each Director of Tilney Smith & Williamson Limited is also a Director of:

- Bestinvest (Consultants) Limited
- HW Financial Services Limited
- Index Fund Advisors Limited
- NCL Investments Limited
- Smith & Williamson Corporate Finance Limited
- Smith & Williamson Financial Services Limited
- Smith & Williamson Holdings Limited
- Smith & Williamson Investment Services Limited
- Tilney Asset Management Limited
- Tilney Asset Management Services Limited
- Tilney Discretionary Investment Management Limited
- Tilney Discretionary Portfolio Management Limited
- Tilney Financial Planning Limited
- Tilney Investment Management
- Tilney Investment Management Services Limited

The Directors are also members of the management Boards of:

- Smith & Williamson Investment Management LLP
- Smith & Williamson LLP

Smith & Williamson Fund Administration Limited has its own board, comprised of both Executive and Independent Non-Executive Directors together with its own Risk and Audit Committee, Risk Committee and the Assessment of Value Committee.

Each of the Group's offshore subsidiaries has its own board, comprising Executive Directors and in the case of some, Non-Executive Directors.

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Board attendance

The Board had six scheduled meetings during the year and met on a number of other occasions to discuss specific matters, such as potential acquisitions and the progress of the merger. The number of scheduled meetings that each Director attended is shown below.

Director	Meetings attended/ eligible to attend
Andrew Baddeley	6/6
Elizabeth Chambers*	2/2
David Cobb*	2/2
Peter Deming**	2/2
Keith Jones*	2/2
Philip Muelder	6/6
Christopher Pell**	2/2
William Samuel	6/6
Carla Stent*	2/2
Kevin Stopps*	2/2
Christopher Woodhouse	6/6
Breon Corcoran***	4/4
James Fraser****	4/4

* Appointed on 1 September 2020 and Director of Smith & Williamson Holdings Limited prior to the merger

** Appointed on 1 September 2020

*** Resigned on 1 September 2020

**** Resigned on 24 September 2020

Board activities

The Board's role

The role of the Board is to establish a clear strategy for the Group, to determine a risk appetite to support that strategy and to oversee an effective risk control framework. Statute requires that the Board manages the affairs of the Company for the benefit of all stakeholders. It understands its stakeholders to be:

- Its regulators and the governments of the countries in which it operates
- Its shareholders and investors
- Its staff
- Its clients
- Its suppliers
- The communities in which it operates.

This is best achieved by:

- Developing a business model and practices that are designed to maintain and enhance market integrity
- Encouraging a culture whereby long-term relationships are fostered with clients, suppliers and staff, who are treated fairly and are content with the service that they receive/provide

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- Developing services and products designed for positive client outcomes that are attractive and provide fair treatment for both existing and new clients
- Establishing relevant and supportive relationships with our local communities (see Strategic Report on page 45)
- Developing practices which promote the interests of clients and mitigate the risk of reputational damage or financial loss in respect of the Group's assets or the assets that it manages or controls on behalf of clients
- Maintaining policies such as those relating to conflicts of interest and tax avoidance
- Developing policies in relation to its employees and staff, including diversity and inclusion matters, remuneration and modern slavery that demonstrate that the Group deals fairly with its stakeholders.

The Board has a list of matters that are reserved for its decision, which cover the following areas:

- Strategy and business development
- Risk and control
- Regulatory and tax
- Finance and audit
- Legal and governance
- People
- Operations and IT.

There have been a number of matters on which the Board has focused during the year:

Governance matters

Extensive changes have been made to the Group's governance arrangements following the merger including to the Board and the senior management team. Changes to the Board and Committee structures have been detailed in the Directors' Report (page 70), the Risk and Audit Committee Report (page 64) and the Nominations Committee Report (page 68). This has resulted in changes to senior manager function responsibilities in UK regulated entities within the Group which have been agreed by the Board.

Board composition and succession planning are considered by the Nominations Committee with recommendations made to the Board, see pages 68 to 69 of the Nominations Committee Report. The effectiveness of the Board is reviewed annually and recommendations are sought from its members to identify areas for improvement. In September 2020, external advisers were appointed by the Board to evaluate its effectiveness and to provide guidance on ensuring the Board was best placed to help the Group succeed and ensure that it meets the relevant regulatory and corporate governance requirements including diversity. Recommendations from this evaluation are being progressed by the Board.

A tailored Board induction plan is rolled out for each new Board appointment and training arranged for Directors in accordance with a programme agreed by the Chairman of the Board with inputs from its members. Board members, throughout the year, continued to have the opportunity to participate in training and development initiatives. Internal Capital Adequacy Assessment Process (ICAAP) training sessions were held ahead of the ICAAP being considered and approved by the Board. Induction sessions were arranged post-merger providing the Board and senior management with opportunities to familiarise themselves with the legacy Tilney and Smith & Williamson businesses and with the new governance structure and processes, thus enabling those who attended to participate fully and effectively in discussions at the Board and Executive Committee level.

The Board has oversight of the Group's conflict of interest policy and approves material changes to it and also considers and decides on the conflicts of interest which the Directors might have.

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Strategy

The strategy framework has been considered by the Board. It outlines the Group's long-term goals and strategic objectives while laying out the immediate priorities towards achieving the vision of enhancing the Group's investor, client and employee proposition while ensuring commitment to the community, environment and its wider stakeholder base. The Group Executive Committee has been given responsibility for the day-to-day implementation of the Group's strategy.

The Board receives regular updates on various initiatives related to the Group's strategic growth plans and supporting initiatives. It considered opportunities to acquire businesses within professional services, investment management and financial planning. Each acquisition was considered carefully on its merits, to determine whether it would enhance the Group's business and thus benefit its investors and staff and whether it would maintain or enhance the service provided to clients while being within the Group's risk appetite.

Integration plan

The Board has oversight of the rollout of the integration plan and how risks arising from the integration are being managed. An integration programme is in place with regular reporting to the Group Executive Committee. The programme includes plans to obtain synergies from the merger, technology integration, and developing the purpose, values and culture for the combined business as discussed in greater detail in the Chairman's Report. Regular updates are provided to the Board on progress being made against each initiative.

Brexit

Brexit continues to be a key area of focus for the Group, the markets in which it operates and the country. During 2020, prior to the end of the transitional period that followed the UK's departure from the EU, the Board discussed the matter at several of its meetings. The Group's strategy for clients based in Europe has been agreed and is being implemented. This has been detailed under the Chief Executive's Review, page 18.

Core Wealth

Core Wealth, which is a key investment management system, was successfully implemented in September 2020. It has automated a number of middle and back office processes for the investment management business. Management continues to navigate through issues arising from the implementation, none of which significantly impact the services being provided to clients, with updates and key decisions being forwarded to the Board for consideration. The implementation has had considerable involvement from the business, treasury, IT, legal, regulatory and finance teams with progress monitored through a project steering group, headed by the Chief Technology Officer and oversight from both the Risk and Audit Committee and the Board.

Risk and regulatory matters

Risk and regulatory matters continue to be a focus for the Board. In addition to regular reports on such matters, the ICAAP was reviewed following the merger. The ICAAP, in accordance with the prudential rules of the FCA, requires regular assessment of the amounts, types and distribution of capital that the Group considered adequate to cover the nature and level of the risks to which it is, or might be, exposed. The Board also reviewed the costs of wind down in addition to the Pillar 2a assessment to which reference is made in the Financial Review on page 29.

It also agreed the Pillar 3 report, which appears on the Group's website.

The Board has regular dialogue with the Group's regulators, in particular the FCA. Communications from the FCA were reviewed and discussed by the Board.

It also received reports on the Group's compliance with Client Assets Sourcebook (CASS) regulations from the CASS officer, together with his annual attestation. Detailed information about the Group's approach to risk and its risk management framework may be found on page 31.

Legal

The Board receives regular updates from the Group General Counsel that include current legal matters, as well as information about developments in best practice in law and corporate governance that affect the business. Directors are periodically reminded of their responsibilities both in law and from a regulatory perspective.

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The Board also considered an Annual Report from the Group's Money Laundering Reporting Officer, which focused on developments in anti-money laundering regulation and financial crime. Regular reports are made to the Board regarding financial crime matters.

During the year the Board received, considered and authorised the statements made in compliance with the Modern Slavery Act 2015, which appear on the Group's website and in the Corporate Responsibility Report on page 44.

Finance

At each of its regular meetings, the Board received the Chief Financial Officer's update which incorporated the management accounts. It approved the Annual Report and Financial Statements for the year ended 31 December 2019. The Board also agreed the going concern and viability statements included within the Annual Report and Financial Statements.

The distribution of an interim dividend of £42.7 million to Violin Equityco Limited, which is the sole shareholder of the Company, was approved by the Board. The payment was made out of the Company's distributable reserves based on the unaudited balance sheet of the Company for the financial period from 1 January 2020 to 31 October 2020. The Company has not declared a final dividend.

The Board also approved the budget for the year ending 31 December 2021 and received an annual report on the Tilney Pension Plan.

The external auditors for the Group were changed from KPMG LLP to Mazars LLP in November 2020. The Group's internal audit function operates on a co-sourced model which entails the engagement of an outsourced internal audit service provider to undertake audits where deemed necessary. The co-source internal audit partner for the Group changed from Protiviti Limited to BDO LLP in March 2020. The Board approved these changes and had oversight of the tender processes which were led by the Risk and Audit Committee as detailed on page 66.

People

The Board received reports from the Group's Chief People Officer on human resources matters. Further information regarding the Group's work on diversity and inclusion can be found on page 43. Culture continues to be an area of focus for the Board and was discussed during its consideration of the Group's strategy. The Group published its Gender Pay Gap Report in April 2020, following approval by the Remuneration Committee.

The Board reviewed the Group's whistleblowing policy, with which it remained content.

The Board also received regular reports on the impact on staff of the COVID-19 pandemic, both in respect of those who were required to travel to the Group's offices and those who had been advised to work from home. The Company implemented processes and systems to enable staff to work from home. Staff wellbeing has been an area of significant senior management focus during the pandemic with regular communications being sent out on the subject. Webinars and virtual panel discussions have been held for better engagement with staff on the topic. Changes have been introduced in offices to enable staff attending offices to safely work in a socially distanced environment. This situation continues to be monitored on a daily basis with involvement of senior management and reporting to the Board.

COVID-19

The Business Continuity Plan was triggered following the start of the pandemic and its continued efficacy monitored by the Board. A review of heightened risks and key controls was undertaken, and findings reported. Financial forecasts were refreshed in view of the potential impact of the pandemic and liquidity and capital adequacy assessed and continue to be monitored. Dialogue with material outsourced providers was maintained and plans validated to ensure good standards of service. The impact on client engagement has been an area of focus throughout the pandemic with increased frequency of engagement, ensuring that clients have been kept up-to-date with developments and reassuring them about the support they will continue to receive from the Company during these challenging times.

Corporate responsibility

A new Corporate Responsibility Committee has been formed which builds on the framework established in the legacy Smith & Williamson business. The Committee proposes to focus on core corporate social responsibility activities in the areas of people, community, clients and environment. The Committee will

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provide regular reports to the Board on the Corporate Social Responsibility activities undertaken by the Company, including its stance on Environmental Social Governance, see pages 47 to 49 of the Corporate Responsibility Report.

Committee structure

Board Committees

A number of Committees report directly to the Board. The Committee structure and terms of reference were reviewed by the Board following the merger. These include the Risk and Audit Committee, the work of which is described on pages 64 to 67, the Nominations Committee, the work of which is described on pages 68, the Group Executive Committee and the Remuneration Committee, further information about which is set out below, together with the Corporate Responsibility Committee, the work of which is described on pages 42 to 49. The terms of reference of each sets out the matters that are delegated and ensures there are clear lines of accountability and responsibility to support effective decision-making.

The Committees approve key corporate governance and regulatory policies and practices and have responsibility to ensure that the policies are embedded within the organisation.

Remuneration Committee

The Committee comprises Non-Executive Directors and its Chairman is an independent Non-Executive Director. The responsibilities delegated by the Board to the Committee include oversight of remuneration and incentive packages for senior staff within the Group. It also ensures that the remuneration policies and practices comply with the appropriate regulatory guidelines and codes of practice and are designed to foster and support the Group's strategy, prudent risk management, culture and behaviours and take into account the long-term interests of all stakeholders. It considers changes to the Group's remuneration policy, any significant widening of the gender pay gap, any proposal to introduce a new equity incentive plan and significant changes to the equity incentive arrangements of Board members. The Committee approves the remuneration and incentive packages for the Executive Directors and the members of the Group Executive Committee. It has oversight of the controls in place to ensure that risk and compliance concerns are reflected in the remuneration of individuals.

Group Executive Committee

The Group Executive Committee, the membership of which is drawn from senior colleagues across the Group, is responsible for managing the business and delivering the execution of our strategy. The Committee is chaired by the Chief Executive Officer. It meets weekly on an informal basis with monthly formal meetings which have considered a wide range of topics.

The Product and Services Oversight Committee, which reports to the Group Executive Committee, reflects the product governance requirements of MiFID II.

The Change Portfolio Committee also reports to the Group Executive Committee and monitors large change projects across the Group. It provides challenge and oversight of change activity. This includes the prioritisation, planning, execution and governance of in-scope projects and change activity.

The Group Executive Committee, in its oversight of the businesses within the Group, is supported by the Professional Services Executive Committee, the Investment Management Executive Committee, the Financial Planning Executive Committee and the Commercial Executive Committee.

Other Committees in the Group's governance structure include the Group Risk and Compliance Committee, the Investment Process Committee, the Investment Oversight Committee, the Group's Appointments Committee, and CASS Oversight Committee.

Group Risk and Compliance Committee

The Group Risk and Compliance Committee, which reports to the Risk and Audit Committee, meets monthly and reports on risk issues and compliance matters. The CASS Oversight Committee, which is responsible for the oversight of client money and assets, reports into the Committee.

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Risk management framework

The Group operates a three lines of defence model to support the risk management framework which is detailed on pages 31 to 32 of the Strategic Report. Responsibility and accountability for risk management are broken down as follows:

- *First line*
The first line of defence is the business itself, i.e. individuals within the business have primary responsibility for managing risks, identifying process and control deficiencies and implementing remedial action plans to prevent the occurrence of control failures and the crystallisation of risks.
- *Second line*
The second line of defence comprises the compliance and Group risk teams, whose function is to establish the risk and compliance management frameworks, by which risks are identified, monitored and managed. They will also review and challenge where required, the first line's assessment of risk.
- *Third line*
The third line of defence consists of the internal audit function, which provide assurance to senior management that business processes and controls are operating effectively. The audit function identifies processes and control deficiencies and action plans.

Group level key risks, together with associated key risk indicators and risk appetites for each, have been agreed within the risk management policy and framework, reflecting the risk to the Group's business and delivery of its strategy. These key risks sit within a consolidated risk map, which is agreed by the Board and monitored by the Group Risk and Compliance Committee, which reports to the Risk and Audit Committee on any key risk that sits outside of risk appetite and recommends actions to bring them back within tolerance.

Internal control and financial reporting

The Board has overall responsibility for the Group's system of internal control. The Chair of the Risk and Audit Committee is responsible for the internal audit function and is supported by the Head of Internal Audit and the Chief Risk Officer.

Services of the co-source partner, BDO LLP, are utilised as deemed appropriate. Audit reports from a rolling programme of work are received and reviewed by the Group Risk and Compliance Committee, the Risk and Audit Committee and any other relevant Committees as appropriate.

The Group's system of internal financial control includes restrictions on payment authorisations and execution and, where appropriate and possible, duties are segregated. The annual budgeting, forecasting and monthly management reporting system, which applies throughout the Group, enables trends to be evaluated and variances to be acted upon. The Group's Executive Committee received monthly financial information on results and other performance data and the Board reviewed financial and performance data at each of its formal meetings.

Any system of internal control, however, is designed to manage, rather than eliminate the risk of failure to achieve business objectives and client outcomes. In establishing and reviewing the system of internal controls, the Directors consider the nature and extent of relevant risks, the likelihood of a loss being incurred and costs of control.

Relations with shareholders

The Directors on the Board include representatives of the shareholders that control the Group's ultimate parent undertaking who therefore have an opportunity to voice their views and participate in decisions relating to the matters reserved for consideration by the Board, including strategy, auditor appointment, Director appointment, ICAAP, Risk Appetite and budget approval.

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Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. In addition, the Financial Review refers to the Group's capital position, cash flows and viability. The Group's objectives, policies and processes for managing its capital and financial risk management objectives, details of financial instruments and exposures to liquidity risk are set out in note 34.

The Group has adequate financial resources and a large, diversified client base. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Group's capital risk management process is set out in note 33 to the Consolidated Financial Statements.

In addition, the Group has demonstrated a reasonable expectation of the Group's viability over the period of assessment with reference to forecasts reflecting the impact of COVID-19 over the three years from the balance sheet date, prepared as part of the merger discussions. Refer to the Viability Statement on page 30 for further information.

The Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

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Risk and Audit Committee Report

I am delighted to have been appointed as the Chair of the Risk and Audit Committee at this exciting time for the Company. It is my pleasure to report on the Committee's deliberations during the 2020 financial year, which have included risks relating to the integration following the merger, the COVID-19 pandemic and the IT infrastructure upgrades that the Group has undertaken through the Core Wealth project.

Committee members

I was appointed as Chair of the Committee following the merger in September 2020, prior to which the Committee was chaired by James Fraser. I would like to thank James for his contribution as Chairman prior to my appointment.

Under my Chairmanship the members of the Committee are:

- Elizabeth Chambers
- Peter Deming
- Keith Jones
- Chris Pell
- Will Samuel

Will Samuel has served as member throughout the financial year while the other members of the Committee were appointed following completion of the merger in September 2020. The members have a wealth of experience of financial and risk matters and of the financial services industry.

The Committee met six times during the year. The number of scheduled meetings that each member attended is shown in the table below.

Member	Meetings attended/ eligible to attend
Carla Stent* (Chair)	2/2
Elizabeth Chambers*	1/2
Peter Deming**	2/2
Keith Jones*	2/2
Chris Pell**	2/2
Will Samuel	6/6
James Fraser***	5/5

* Appointed to the Committee on 3 September 2020 and previous member of legacy Smith & Williamson Holdings Limited Audit and Risk Oversight Committee

** Appointed to the Committee on 3 September 2020

*** Resigned as Director on 1 September 2020

The Group Chief Finance Officer, the Group General Counsel, the Group Chief Risk & Compliance Officer, the Group Financial Controller, the Chief Operating Officer and the Chief Executive Officer were all in attendance at the Committee meetings, as were representatives from the Group's external and internal auditors, who also met with the Committee members before some meetings without management present.

Roles and responsibilities of the Committee

The Committee has responsibility for oversight of a number of audit and risk matters, which are set out in its terms of reference and include:

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Risk oversight

The Committee has responsibility for maintaining oversight of risk matters facing the Group. The Committee also receives input from the Group Risk and Compliance Committee and makes recommendations to the Board as appropriate.

The Committee has oversight of and challenges the risk management framework including the key risks, risk appetite and the materiality matrix. It regularly considers the Group's risk dashboard which provides an overview of how the Group is performing against agreed risk appetite tolerances for the key risks.

During the year, the Committee discussed key risks, some of which are detailed in the following paragraphs.

Regulatory risks

The Committee regularly reviews the Group's capital requirements to ensure that the Group maintains sufficient capital to pursue its strategy and that the Group adheres to the regulatory requirements set out by the FCA.

During the year, the Committee received regular reports on the prudential regulatory capital of the Group. It also considered and provided challenge on the ICAAP, and after reviewing the assumptions, risk scenarios and stress tests, was content to recommend it to the Board for approval.

The Committee considers updates on CASS matters through reports from the CASS auditors and the Group's CASS officer. The Group's CASS Officer held regular meetings with the FCA CASS Supervisor for Smith & Williamson Investment Services Limited, which is now a CASS Large firm. Updates are being provided to the regulator on CASS issues and on CASS compliance in relation to the Core Wealth project. The CASS auditor for the CASS regulated entities within the Group has changed to Mazars LLP in September 2020.

Financial crime risks and controls have been discussed by the Committee on a regular basis, including the financial crime policies, Money Laundering Reporting Officer report, transaction monitoring and electronic screening reports, implementation of the financial crime enhancement programme and remediation work to align existing controls with regulatory requirements and where gaps were identified through internal audit reviews. The Committee has reviewed and approved the Group's whistleblowing policy during the year.

Compliance with applicable regulatory requirements and breaches thereof have been reported to the Committee on an ongoing basis, including monitoring in accordance with a compliance monitoring plan, complaints reviews and advice quality reviews. A compliance issues tracker is considered at each Committee meeting. Updates have also been received by the Committee regarding the Group's preparedness to implement forthcoming regulations. The Committee also received presentations on Environmental Social Governance (ESG) matters.

Integration risk

At various stages as the merger progressed, the Committee received reports from executives detailing the findings of the due diligence carried out by the in-house teams and external advisers. Integration risks continue to be monitored and reported at each meeting following the merger and actions considered to mitigate these risks.

Operational risks

The Committee regularly considers the operational risks that are facing the Group and discusses and recommends appropriate mitigations. During the year, it continued to receive regular reports on operational resilience matters. Substantial progress has been made on embedding operational resilience across the Group throughout the financial year and its appropriateness was being monitored regularly following the merger.

The impact of COVID-19 on operations and key projects implementation has been kept under review throughout the financial year. Staff engagement and wellbeing have been key areas of focus when considering the risks to operations arising from the pandemic.

A continuing focus for the Group has been cyber security, particularly given the heightened risk in light of the COVID-19 pandemic and resulting remote working.

Change management remains a high risk for the Group with a number of transformational IT projects in progress, including the Core Wealth programme. These projects are monitored by the Change Portfolio

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Committee with a project steering group assigned to each. Regular updates on key projects were provided to the Committee through the year with a particular focus on implementation and other risks involved.

Other risks

The Committee has kept under review the risks arising from Brexit and the approach that the Group has taken towards continuing to service its EU clients. The Committee received reports outlining the implementation plan and progress on the post Brexit operating model and transitional arrangements for the EU clients. Reports are also received from the risk and audit committees of its subsidiaries namely Smith & Williamson Fund Administration Limited and Smith & Williamson Investment Management (Europe) Limited.

The Committee received regular updates from the Group General Counsel, including reports on material claims, noting any lessons learned as a result and monitoring the implementation of any resulting actions.

Tax

The Committee considered the Group's taxation status report and its tax strategy. The Group's Tax Strategy has been made publicly available on our website. The strategy sets out the Group's governance in relation to tax compliance, risk management, attitude to arranging our tax affairs, and our relationship with the tax authorities. The Group's tax risk appetite is considered to be low.

Audit matters

Internal audit

In March 2020, the Company's co-sourced partners for providing internal audit services were changed following a tender process which involved a review of presentations from Deloitte LLP, BDO LLP and Protiviti Limited. The Committee had oversight of the tender process, awarding the contract to BDO LLP.

The Committee received regular reports from the internal auditors. A number of internal audits were carried out during the year in accordance with a plan approved by the Committee. The Committee monitored progress against the implementation of the recommended actions, and reviewed management's responses to any matters of significance raised during the audit reviews.

External audit

KPMG LLP resigned as external auditors of the Company and the Tilney group entities in September 2020. There were no circumstances surrounding the resignation that are required to be brought to the attention of shareholders. In November 2020, Mazars LLP were engaged as external auditors for the Group to undertake the audit for the financial year ended 31 December 2020. A full and complete handover was effected from KPMG LLP to Mazars LLP and both firms confirmed that they had complied with the Auditing Practices Board's Ethical Standards. Mazars confirmed that they were independent and able to express an objective opinion on the financial statements.

Finance matters

Critical estimates and judgements made in the preparation of the Annual Report and Financial Statements were considered and agreed by the Committee, including those relating to the Group's funded defined benefit pension plans and its liabilities for unfunded pension payments, and the valuation of the Group's equity investments. A number of changes to the accounting policies and reporting frameworks were reviewed and agreed by the Committee, specifically, the change in accounting policy for Smith & Williamson Holdings Limited to measure its investments in subsidiaries at cost rather than fair value, the change in reporting framework for the individual financial statements of companies within the former Smith & Williamson Group from full-IFRS to the FRS101 Reduced Disclosure Framework in order to align to that used by other entities within the Group, and recognition of pension surpluses on defined benefit pension plans acquired as part of the merger.

The valuations of the intangible assets acquired by Tilney Smith & Williamson Limited as part of the merger were discussed and agreed by the Committee.

The going concern and viability statements were discussed and agreed, together with the review of the work of the Committee that was included in the Annual Report and Financial Statements. The Committee confirmed that it was content to recommend to the Board that the going concern basis of accounting be used in the

Governance

preparation of those statements. Following these discussions, the Committee was content to recommend to the Board that, taken as a whole, the 2020 Annual Report and Financial Statements were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Conclusion

During the coming financial year, the Committee will continue to focus on the risk and prudential risk matters facing the Group, with a particular focus on integration risk and significant IT infrastructure changes as a result of the implementation of the Core Wealth system. It will also continue to be cognisant of the evolving pandemic and Brexit related risks, as well as any new risks and changes to the regulatory environment that may come into effect during the course of the year.

A handwritten signature in black ink, appearing to read 'Carla Stent', with a stylized flourish at the end.

Carla Stent
Chair of the Risk and Audit Committee

22 April 2021

Governance

Nominations Committee Report

The Chairman's statement

It is my pleasure to present to you the report of the Nominations Committee's activities during the financial year.

Under my chairmanship, the members of the Committee are:

- Elizabeth Chambers
- Peter Deming
- Keith Jones
- Philip Muelder
- Christopher Pell
- Carla Stent

Membership and attendance

Member	Meetings attended/ eligible to attend
Will Samuel (Chair)	4/4
Elizabeth Chambers*	1/1
Peter Deming**	1/1
Keith Jones*	1/1
Philip Muelder	3/4
Chris Pell**	1/1
Carla Stent*	1/1
Breon Corcoran***	3/3

* Appointed to the Committee on 3 September 2020 and previous member of legacy Smith & Williamson Holdings Limited Nominations Committee

** Appointed to the Committee on 3 September 2020

*** Resigned as Director on 1 September 2020

Role and responsibilities of the Committee

The Committee is tasked with considering the structure, size and composition of the board including independence, diversity, knowledge, skills and experience of the Board members. It makes recommendations to the Board regarding succession plans for Board members and the appointment of Directors to the Board and its Committees. The composition of the Committee and its terms of reference were reviewed following the merger.

An external board consultancy firm was engaged to undertake a review of the Board and make recommendations regarding the development of the Board and its structure in the medium to long-term in addition to meeting the relevant regulatory and corporate governance requirements. Findings from the review were presented to the Committee and progress on the actions are being reported to it with recommendations made to the Board.

The Committee considered a programme of board induction which was rolled out to the Board Directors following the merger enabling them to refresh their understanding of the wider group and the changed governance structure.

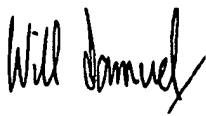
Governance

Appointments to the Board

The appointment of Bill McNabb as a Non-Executive Director was considered by the Committee and recommended to the Board. Other appointments to and resignations from the Board were considered and the details are provided under the Directors' Report page 70. Senior management appointments were also considered by the Committee during the year.

Looking forward

The Committee will continue to review the appropriateness of the Board structure and composition and oversee the implementation of the agreed actions arising from the external Board review.



Will Samuel
Chair of the Nominations Committee

22 April 2021

Governance

Directors' Report

The Directors present their Annual Report on the affairs of the Group and the Company, together with the audited Consolidated Financial Statements for the year ended 31 December 2020.

Registered company number

The Company's registered number is 08741768.

Company name

The Company's name was changed from Tilney Group Limited to Tilney Smith & Williamson Limited on 1 September 2020 following the merger.

Business review and activities

The principal activities of the Company are set out in the Strategic Report on page 10. The information that fulfils the Companies Act 2006 requirements of the business review is included in the Strategic Report on pages 16 to 20. This includes a review of the development of the business of the Company during the year and of likely future developments in its business. Details of the principal risks and uncertainties are included in the Strategic Report.

Corporate governance statement

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 53 to 63. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Results and dividends

The consolidated results for the year are shown on page 78.

The Directors do not recommend a payment of a final dividend in respect of the financial year ended 31 December 2020. During the year the Company distributed dividends of £42.7 million (2019: £nil).

Directors

The Directors who served throughout the year under review and up to the point of signing the financial statements are listed below, unless mentioned otherwise.

A Baddeley

E Chambers (appointed 1 September 2020)

D Cobb (appointed 1 September 2020)

B Corcoran (resigned 1 September 2020)

P Deming (appointed 1 September 2020)

J Fraser (resigned 24 September 2020)

K Jones (appointed 1 September 2020)

B McNabb (appointed 15 January 2021)

P Muelder

C Pell (appointed 1 September 2020)

W Samuel

C Stent (appointed 1 September 2020)

K Stopps (appointed 1 September 2020)

C Woodhouse

Company secretary

On 3 September 2020, D Saunders was appointed as Company Secretary to replace R Hasan who resigned as Company Secretary on the same day.

Governance

Capital structure

Details of changes in the Company's share capital during the year are given in note 28 to the Consolidated Financial Statements.

Indemnity and insurance

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

Financial instruments and risk management

Information on the Group's financial instruments and management of financial risk are disclosed in notes 3 and 34 respectively.

Corporate responsibility

We are committed to minimising the environmental impact of our operations and to delivering continuous improvement in our environmental performance. See pages 48 to 49 for more details on our total CO₂ emissions data.

Substantial shareholdings

At 31 December 2020, Violin Equityco Limited owned 100% of the ordinary share capital of the Company.

Political donations

No political donations were made during the year (2019: £nil).

Post balance sheet events

Details of post-balance sheet events are set out in note 39 of the Consolidated Financial Statements.

Future developments

Future developments of the Group are discussed in our strategy on pages 15 and 20.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

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

Governance

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 the profit or loss of the company for that period.

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

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

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

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

On behalf of the Board on 22 April 2021:



Deborah Saunders
Group Company Secretary
Tilney Smith & Williamson Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Tilney Smith & Williamson Limited

Financial Statements

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Independent auditor's report to the members of Tilney Smith & Williamson Limited

Opinion

We have audited the financial statements of Tilney Smith & Williamson Limited (the parent company, 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Cash Flow Statement;
- the Consolidated Statement of Changes in Equity;
- Notes to the Consolidated Financial Statements, including a summary of significant accounting policies;
- the Company Income Statement;
- the Company Balance Sheet;
- the Company Statement of Changes in Equity,
- the Company Cash Flow Statement; and
- Notes to the Company 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 accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss and the Company's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity 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 Group and 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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 course of 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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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 page 72, 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 Group's and 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 Group or 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and the Company and their industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws & regulations and regulatory compliance and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias in significant accounting estimates, in particular those involving fair values and impairment, and significant one-off or unusual transactions such as the merger with Smith & Williamson.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Considering the risk of acts by the Group and the Company, which were contrary to applicable laws and regulations, including fraud;
- Review of correspondence with regulators, including the lead regulator, the Financial Conduct Authority;
- Review reporting to the Risk and Audit Committee in respect of regulatory, compliance and legal matters;
- Review of internal audit reports, with particular focus on those with potential implications for the financial statements;
- Results of our enquiries of management, Internal Audit and the Audit Committee about their own identification and assessment of the risks of irregularities, and whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team involving relevant internal specialists, such as accounting, tax, pensions and IT, regarding the risks of fraud, particularly how, why and where fraud might occur in the financial statements;
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to: the impairment assessments of goodwill and intangible assets; the assessment of useful economic lives of customer relationship intangibles; and the valuation of acquired assets, financial instruments and defined benefit pensions assets and obligations, and
- Addressing the risks of fraud through management override of controls by identifying and testing journal entries with particular risk characteristics.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

26 April 2021

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Income Statement
For the year ended 31 December 2020

		Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
	Note		
Fee and commission income		367,537	235,411
Fee and commission expense		(63,841)	(28,082)
Net fee and commission income		303,696	207,329
Net trading income		1,799	-
Share of results of associates	18	277	-
Operating income		305,772	207,329
Operating expenses		(256,397)	(179,619)
Exceptional items	7	(38,173)	(9,968)
Total operating expenses		(294,570)	(189,587)
Operating profit	8	11,202	17,742
Investment revenue	11	240	425
Finance costs	12	(19,560)	(27,232)
Loss before tax		(8,118)	(9,065)
Tax (charge)/credit	13	(6,480)	180
Loss for the year		(14,598)	(8,885)

The notes set out on pages 84 to 155 form an integral part of these financial statements.

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

		Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
	Note		
Loss for the year		(14,598)	(8,885)
Items that will not be reclassified subsequently to profit or loss:			
Net remeasurement of defined benefit assets	32	(3,344)	2,677
Actuarial loss on retirement annuities	32	(61)	-
Net gains on revaluation of equity investment securities designated at FVOCI		819	-
Tax effect of the above adjustments		496	(509)
Total items that will not be reclassified subsequently to profit or loss		(2,090)	2,168
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of foreign operations		9	-
Total items that may be reclassified subsequently to profit or loss		9	-
Other comprehensive (loss)/income for the year, net of tax		(2,081)	2,168
Total comprehensive loss for the year		(16,679)	(6,717)

The notes set out on pages 84 to 155 form an integral part of these financial statements.

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Balance Sheet

As at 31 December 2020

		31 December 2020 £000	31 December 2019 £000
	Note		
Non-current assets			
Goodwill	14	651,133	369,603
Other intangible assets	15	640,613	408,242
Property, plant and equipment	16	10,344	5,890
Right-of-use assets	17	28,632	13,180
Interests in associates	18	5,163	-
Derivative financial instruments	19	16	210
Retirement benefit asset	32	162	2,825
Total non-current assets		1,336,063	799,950
Current assets			
Cash and cash equivalents	31	168,758	64,988
Settlement balances – assets		62,931	-
Trade and other receivables	20	177,690	40,975
Equity investment securities designated at FVOCI	22	12,311	-
Current tax assets		4,736	3,258
Total current assets		426,426	109,221
Total assets		1,762,489	909,171
Current liabilities			
Borrowings	23	(28,500)	(13,434)
Settlement balances – liabilities		(63,273)	-
Trade and other payables	24	(187,091)	(41,080)
Provisions	25	(2,435)	(2,991)
Lease liabilities	26	(10,483)	(3,963)
Total current liabilities		(291,782)	(61,468)
Net current assets		134,644	47,753
Non-current liabilities			
Borrowings	23	-	(373,526)
Long-term provisions	25	(8,441)	(2,523)
Lease liabilities	26	(19,646)	(12,326)
Deferred tax liabilities	27	(103,326)	(59,404)
Total non-current liabilities		(131,413)	(447,779)
Total liabilities		(423,195)	(509,247)
Net assets		1,339,294	399,924

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Balance Sheet (continued)

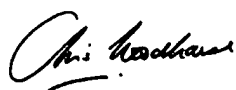
As at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Equity			
Share capital	28	1,041,654	43,768
Share premium	28	-	398,102
Capital reorganisation reserve		(1,000)	-
Fair value through other comprehensive income (FVOCI) reserve		674	-
Retained earnings		297,966	(41,946)
Total equity		1,339,294	399,924

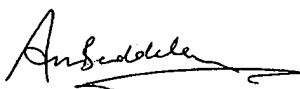
The notes set out on pages 84 to 155 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2021.

They were signed on its behalf by:



C Woodhouse
Group Chief Executive Officer



A Baddeley
Group Chief Finance Officer

Tilney Smith & Williamson Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £000	Share premium £000	Capital reorganisation reserve ¹ £000	FVOCI reserve ² £000	Retained earnings ³ £000	Total equity £000
At 1 January 2019	43,768	398,102	-	-	(35,229)	406,641
Loss for the year	-	-	-	-	(8,885)	(8,885)
Other comprehensive income for the year	-	-	-	-	2,168	2,168
Total comprehensive loss for the year	-	-	-	-	(6,717)	(6,717)
At 31 December 2019	43,768	398,102	-	-	(41,946)	399,924
Loss for the year	-	-	-	-	(14,598)	(14,598)
Other comprehensive income/(loss) for the year	-	-	-	733	(2,814)	(2,081)
Total comprehensive income/(loss) for the year	-	-	-	733	(17,412)	(16,679)
Dividend distribution	-	-	-	-	(42,674)	(42,674)
Issue of shares – adjustment in respect of prior year (note 28)	-	1,600	-	-	-	1,600
Issue of shares – current year	997,886	-	(1,000)	-	-	996,886
Capital reduction	-	(399,702)	-	-	399,702	-
Gain transferred to retained earnings on disposal of equity investments designated at FVOCI	-	-	-	(59)	59	-
Share based payments	-	-	-	-	237	237
At 31 December 2020	1,041,654	-	(1,000)	674	297,966	1,339,294

1. The capital reorganisation reserve is the difference between the value at which share capital was issued and the fair value of the assets acquired with those shares.

2. The fair value through other comprehensive income (FVOCI) reserve consists of accumulated changes in the fair value of equity investments.

3. Retained earnings include the share option, actuarial and translation foreign currency reserves and movements thereon.

The notes set out on pages 84 to 155 form an integral part of these financial statements.

Tilney Smith & Williamson Limited
Financial Statements

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net cash from operating activities	31	53,471	55,902
Investing activities			
Interest received	11	120	178
Dividends received from associate	18	126	-
Proceeds on disposal of unlisted investment		-	61
Proceeds on disposal of equity investments held at FVOCI	22	338	-
Additions to intangible assets	15	(16,527)	(7,453)
Additions to property, plant and equipment	16	(2,442)	(3,064)
Purchases of equity investments designated at FVOCI	22	(18)	-
Acquisition of business, net of cash acquired	30	(150,987)	(11,134)
Net cash used in investing activities		(169,390)	(21,412)
Financing activities			
Interest paid		(15,399)	(23,168)
Repayments of borrowings		(6,175)	(3,250)
Proceeds from borrowings		25,000	-
Refinancing costs		-	(43)
Payment of lease liabilities		(6,948)	(3,632)
Proceeds on issue of shares		223,211	-
Cash outflow for derivative financial instruments		-	(210)
Net cash generated from/(used in) financing activities		219,689	(30,303)
Net increase in cash and cash equivalents		103,770	4,187
Cash and cash equivalents at beginning of the year		64,988	60,801
Cash and cash equivalents at end of the year	31	168,758	64,988

The notes set out on pages 84 to 155 form an integral part of these financial statements.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. General information

Tilney Smith & Williamson Limited (the "Company") is a Company incorporated in the United Kingdom under the Companies Act and the immediate UK holding company of the Tilney Smith & Williamson group of companies (the "Group"). The address of the registered office is given on page 49. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 49.

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

The accompanying notes form part of these financial statements.

2. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- *IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*
- *Amendments to IFRS 3 – Reference to the Conceptual Framework*
- *Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use*
- *Annual Improvements to IFRS Standards 2018-2020 Cycle – IFRS 9 Financial Instruments and IFRS 16 Leases*
- *Amendment to IFRS 16 Leases COVID-19 Related Rent Concession*

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below. Unless otherwise stated, they have been applied consistently to all periods presented in the financial statements.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

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

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Going concern (continued)

The Directors are required to satisfy themselves that it is reasonable to presume that the Group and Company are a going concern. After reviewing the Company's performance projections for the period of at least 12 months, including forecast cash flows, liquidity and regulatory capital, the Directors are satisfied that, in taking account of a range of stress tests which are deemed to be severe but plausible, details of which are set out in the Viability Statement on page 30, the Group and Company have adequate access to resources to enable them to meet their 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 Group and Company. It is the view of the Directors that the business is able to remain in operation for the foreseeable future as the Group has been able to move almost all staff to a remote working model. This has meant that the Group 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 Group's robust business model and diverse income streams, which have been subjected to severe stress testing scenarios, means that the pandemic will not significantly impact the liquidity of the Group and the Company over the next 12 months. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Consolidated and Company Financial Statements.

Foreign currencies

Functional and presentation currency

The Consolidated Financial Statements are presented in pounds sterling, which is the Group's presentation currency. Assets and liabilities of subsidiaries (shown at functional currency in the company accounts) are translated at foreign exchange rates ruling at the balance sheet date. The income and expenses of such undertakings are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation are recognised in other comprehensive income. They are released into the income statement upon disposal of the relevant subsidiary.

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.

Income statement presentation

During the year, the Group changed the presentation of the Consolidated Income Statement to align to that used by the newly acquired Smith & Williamson Holdings Limited Group. Revenue and Cost of sales have been replaced with Fee and commission income, Fee and commission expenses and Operating income. Apart from these changes to line item terminology, no other changes have been made.

Exceptional items

Exceptional items are shown as a named line item in the Consolidated Income Statement. The Group has followed generally accepted accounting practice in reserving the term "exceptional" for costs that are non-recurring in nature, considered to be material in size, and do not form part of the core operating activities of the Group. Details of exceptional costs recognised during the year are in note 7.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the amount expected to be received or receivable to which the Group is entitled and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

A breakdown of the timing of revenue recognition can be found in note 6.

Financial services

Discretionary investment management, advisory and financial planning fees

Discretionary investment management, advisory and financial planning 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, the current market position and the client's funds under management/administration.

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

Performance fees are only recognised once the specific assessment criteria have been met and it is highly probable that a significant income reversal will not subsequently occur.

Fund administration 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, the current market position and the client's funds under management/administration.

Execution only

Fee and 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.

Professional services

Revenue is measured as the fair value of consideration received or receivable for satisfying performance obligations contained in contracts with clients, including expenses and disbursements but excluding discounts and VAT.

Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal will not be required when the uncertainties determining the level of variable consideration are subsequently resolved. Revenue is recognised when or as the Group satisfies performance obligations by transferring control of services to clients. This occurs as follows for the Group's various contract types:

- Time-and-materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date.
- Fixed-fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment for performance completed to date. This is determined based on the actual inputs of time and expenses relative to total expected inputs.
- Contingent-fee contracts, over and above any agreed minimum fee, are recognised at the point in time that the contingent event occurs and the Group has become entitled to the revenue.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Revenue recognition (continued)

For time-and-materials and fixed-fee contracts, fees are usually billed based on a payment schedule. For contingent-fee contracts, fees are usually billed and paid when entitlement to the revenue has been established. If the revenue recognised by the Group exceeds the amounts billed, a contract asset is recognised. If the amounts billed exceed the revenue recognised, a contract liability is recognised. Contract assets are reclassified as receivables when billed and the consideration has become unconditional because only the passage of time is required before payment is due. The Group does not adjust the transaction prices for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised services to the client and the payment by the client exceeds one year.

Services may be provided for periods greater than one year. As the Group bills an amount based on the contractual terms of the engagement, usually determined by an individual's charge out rate for each hour of contracted service provided, the entity has a right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date. Consequently, in accordance with IFRS 15.121(b), the Group has elected not to disclose information about remaining performance obligations.

Dividend and interest (treasury) revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Taxation (continued)

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

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

Current tax and deferred tax for the year

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

Share-based payment arrangements

The cost of share based employee compensation arrangements, whereby employees and Partners receive remuneration in the form of shares or share awards, is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the grant date of the shares or share awards awarded and the number that are expected to vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. Fair value is measured by use of a binomial model.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The exception to the measurement principle for identifiable net assets acquired is for leases under IFRS 16. The Group, as an acquirer, measures the lease liabilities at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is measured at the same amount as the lease liability.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is treated as having an indefinite life and is therefore not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. The Group has two cash-generating units, financial services and professional services. It is not possible to divide the business into smaller assets that generate independent cash flows.

The cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the units may be impaired. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets

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

Other intangible assets that have arisen in relation to the Group's acquisitions of subsidiaries comprise customer lists, funds databases, trademarks and IFA relationships. Such assets are assessed and capitalised when it is probable that future economic benefits attributable to the assets will flow to the Group and the costs of the assets can be measured reliably. They have an average remaining amortisation period of 9.1 years.

Software costs and other business development comprises internally generated intangible assets that meet the requirements of IAS 38 Intangible Assets and have been capitalised. These systems were implemented in phases while development continued, hence costs have been transferred to assets in use and amortisation commenced in a way that matches this phased roll out. Only rarely will subsequent expenditure – expenditure incurred after the initial recognition of an acquired intangible asset or after completion of an internally generated intangible asset – be recognised in the carrying amount of an asset.

Certain earn-out agreements that have been entered into include payments that relate to the level of assets under management brought into the Group through new client contracts. These arrangements are typically used where an individual or small team of investment managers is recruited: these individuals or teams are not considered to be a business as defined under IFRS 3, and hence recruitment of this kind is not accounted for as a business combination. As it is anticipated that the revenue generated from the assets transferred to the Group through these new contracts will be greater than the earn-out payments made, these payments have been capitalised as incremental costs of obtaining client contracts under IFRS 15, and are included within customer lists. These assets are amortised over the period for which future economic benefits are expected to be received.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Other intangible assets (continued)

Intangible assets are amortised over their estimated useful lives as follows:

	Average number of years 2020	Average number of years 2019
Customer lists	12.9	13.1
Funds database	6.3	6.3
Trademark	14.5	20.0
IFA relationship	13.0	13.0
Trading platform	15.0	15.0
Software costs	8.8	10.0
Other business development	3.7	3.7

Tangible fixed assets

Tangible fixed assets including right-of-use assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset type	Basis of depreciation
Short-term leasehold improvements	over the lease term
Computer equipment	3 years
Furniture, fittings and equipment	5 years

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is based on the value in use of the asset. This is assessed on expected revenue generation less any servicing costs together with recent experience.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Interests in associate

An associate is an entity over which the Group exercises significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated into these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, forms part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. If the cost of acquisition is less than the fair value of the net assets of the associate acquired, the difference is recognised directly in the income statement.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 a Group entity'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.

Settlement balances

Settlement balances, which are a sub-class of either financial assets or financial liabilities, are disclosed separately. They represent amounts that are either receivable or payable by the Group in respect of unsettled trades. Purchases and sales of investments are recognised at trade date which is the date on which the Group commits to purchase or sell the asset.

In accordance with market practice settlement balances with clients, counterparties, Stock Exchange member firms and settlement offices are included in settlement balances gross for unsettled bought and sold transactions respectively. These receivables or payables are initially recognised at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the receivable is impaired.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Initial recognition of trade receivables is at their transaction price if the trade receivables do not contain a significant financing component.

Financial assets

Classification of financial assets

The Group classifies 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 Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

Financial assets measured at amortised cost

- Debt instruments

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 cash and cash equivalents (note 31), settlement balances – assets (page 80, 91 and 147), and trade and other receivables (note 20).

Financial assets measured at fair value through other comprehensive income

- Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in the income statement. Further details of equity financial instruments are disclosed in note 22.

Financial assets measured at fair value through profit and loss

- Derivatives

Derivatives are recorded at fair value at each reporting date. Changes in the fair value of derivatives are recognised immediately in the income statement.

The Group has taken out a forward interest rate cap to manage its exposure to interest rate and market movement. Further details of derivative financial instruments are disclosed in note 19.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

The Group trades derivatives, on behalf of clients, with a counter offset with the exchange or market. The Group does not hold or issue derivatives for its own trading purposes but deals on a matched principal basis because this is required by, and is the custom of, the relevant markets. Clients lodge an initial margin with the Group in cash or suitable stock, which is valued at a discount to market price with such discount being set at the Group's discretion but generally at the level recognised in the relevant market.

Such stock is held by a Group nominee or with its custodian. In addition, clients are required to provide additional variation margin in line with practice in the relevant market, for amounts indicated through the contract's daily fair valuation. In line with market practice, both sides of the derivative position are valued at fair value being the market price at close of business and are included within settlement balances on a gross basis.

Impairment of financial assets

The Group applies a three-stage approach to measuring ECLs for debt instruments measured at amortised cost. No ECL is recognised on equity investments.

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.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement or are taken to income in subsequent financial periods, as appropriate.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Measurement of ECLs

- Cash and cash equivalents

The Group uses default rates from Standard & Poor's to assess the potential default risk in lending. ECLs calculated using these rates are compared to 12-month forward-looking stress scenarios which assume all counterparties are downgraded by two notches (a pre-set severity indicator requiring immediate review and action by the Credit Review Committee). Where materially different, default rates are adjusted to incorporate forward-looking information as described on page 95.

- Trade receivables

The Group's trade receivables are generally short-term and do not contain significant financing components. Therefore, the Group has applied a practical expedient by using a provision matrix to calculate lifetime ECLs based on actual credit loss experience over the past two years adjusted by forward-looking estimates.

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the Group assesses default in accordance with its Credit Risk Management Policy, which defines defaulted and impaired assets as described below.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

- Cash and cash equivalents

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.

Externally derived credit ratings as described above have been identified as representing the best available determinant of credit risk. The Group assigns each facility a credit rating at initial recognition based on available information about the counterparty. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

- Trade receivables

The provision matrix used to calculate lifetime ECLs is based on historical observed default rates, and is adjusted by forward-looking estimates that include the probability of a worsening economic environment within the next year. The loss rates are applied to balances on a collective basis in each segment, net of specific allowances calculated on an individual basis.

The Group has applied the simplified approach to measuring ECLs on trade receivables. Under this approach there is no requirement to determine the stage of the trade receivable because the impairment loss is measured at lifetime ECL.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

Calculation of expected credit losses

ECLs are calculated based on management's estimate of the probability of default, the loss given default and exposure at default of each exposure taking into account industry credit loss data, the Group's own credit loss experience and level of collateral held. For bank deposits, percentages are generally derived from credit defaults for different categories of exposure published by Standard & Poor's. For accounting purposes, the 12-months and lifetime probability of default represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Incorporation of forward-looking information

Where appropriate, the Group uses default assumptions which 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. Relevant regional and industry specific adjustments are applied to capture variations from general industry scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. 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. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses are presented under 'operating expenses' (note 8). No losses are presented separately in the income statement.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'.

Other financial liabilities

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

Tilney Smith & Williamson Limited

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Retirement benefit costs

The Group operates defined contribution pension schemes. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. As part of a flexi-benefit scheme, the Group also offers employees the option of having part of their remuneration as payments into a defined contribution pension scheme. The pension cost charge in the profit and loss account represents contributions payable by the Group into individuals' personal pension arrangements.

The Group also participates in three defined benefit schemes. These schemes are closed to new members and further accrual. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Group recognises a cost equal to its contribution payable for the period, which is presented within operating expenses in the Consolidated Income Statement.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the Statement of Comprehensive Income in the period in which they occur. Re-measurement recorded in the Statement of Comprehensive Income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement

The Group presents current service cost, past service cost and settlements within operating expenses in its Consolidated Income Statement. Curtailments gains and losses are accounted for as past service cost.

Net interest expense or income is recognised within finance costs (see note 12).

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Death in service benefits

Insured death in service benefits are accounted for as defined contribution arrangements.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and equivalent profit shares. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Leases

Lessee accounting

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

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

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

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

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

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

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

Lessor accounting – subleases

The Group sublets surplus office space for certain properties and in these instances acts as an intermediate lessor in the sublease. The Group classifies its subleases as operating or finance leases by reference to the right-of-use asset arising from the head lease (rather than by reference to the underlying asset) or if the head lease belonging to the Group is a short-term lease, the subleases are classified as operating leases.

As an intermediate lessor for finance subleases, the Group derecognises the right-of-use asset relating to the head lease and recognises a net investment in the sublease. The lease payments included in the measurement of the net investment in the finance lease comprises the present value of fixed payments, less any lease incentives payable for the right to use the underlying asset during the lease term that are not received at the lease commencement date. Any differences between the right-of-use asset and the net investment in the subleases are recognised in the Consolidated Income Statement. The Group retains the lease liabilities relating to the head leases on its Consolidated Balance Sheet, which represents the lease payments payable to the head lessor. On subsequent measurement, rentals are apportioned between a reduction in the net investment in the sublease and finance income over the lease term.

For subleases which are classified as an operating lease, the Group retains the lease liability and the right-of-use asset relating to the head lease on its Consolidated Balance Sheet and recognises lease income from the sublease.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Group provides for dilapidation costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidation obligations is recognised on the Group's leasehold properties over the last five to seven years of the lease term.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Segmental reporting

The Group determines and presents operating segments based on the information that is provided internally to the Group Executive Committee, which is the Group's Chief Operating Decision Maker. An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components.

The Group Executive Committee regularly reviews and assesses the performance of an operating segment and makes decisions about the level of resources allocated to a segment. Operating segments are organised around the services provided to clients and a description of the services provided by each segment is given in note 5.

Transactions between operating segments are reported within the income or expenses for those segments. Indirect costs are allocated between segments in proportion to the principal cost driver for each category of indirect cost.

Tilney Smith & Williamson Limited

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In making these estimates and judgements, the impact of COVID-19 has been considered and, where appropriate, additional disclosures have been made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies. The judgements, apart from those involving estimation, are those that have the most significant effect on the amounts recognised in financial statements. The estimates are the assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting judgements

Capitalised costs of obtaining client contracts

The Group has treated certain amounts due under earn-out arrangements as the incremental costs of obtaining client contracts and recognised these as intangible assets under IFRS 15. In identifying whether costs should be capitalised, management judgement has been applied in determining which costs are incremental as opposed to being remuneration for ongoing services, in assessing the level of future economic benefit that will be generated from these client contracts, and in assessing the appropriate useful economic life over which to amortise these assets. To the extent that payments are judged to be incremental and recoverable through future revenues generated, they are capitalised as client relationship intangibles (note 15).

Classification of exceptional items

Certain expenses are presented as exceptional in the Income Statement. Management judgement is applied in assessing whether such a treatment is appropriate, based on the materiality of the costs incurred, whether they are recurring in nature and whether they are outside the normal activities of the Group. Further details of the items considered to be exceptional are included in note 7.

Accounting estimates

Impairment of goodwill

The impairment of goodwill is determined as set out in the accounting policies in note 3 and requires estimates in relation to future cash flows and suitable discount rates, which incorporate the impact of the COVID-19 pandemic as explained in note 14. The carrying amount of goodwill at the balance sheet date was £651.1 million (2019: £369.6 million). Note 14 also summarises the potential impact on the carrying value of goodwill of key sensitivities.

Tilney Smith & Williamson Limited

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Business combinations

As part of any business combination the Group recognises all assets acquired and liabilities assumed at their acquisition date fair values, including any separately identifiable intangible assets such as the customer lists and brand intangibles recognised as part of the acquisition.

The value attributed to the customer lists and brand affects the amount of goodwill recognised. This value together with the assessment of useful economic lives of these intangible assets determines the future amortisation charges. The assessment of the useful economic life of customer relationships reflects a number of factors, including the group's previous experience of client attrition in relation to acquired businesses, typical lengths of client relationships for both existing clients of the group and for the acquired clients, as well as any specific factors known at the point of acquisition. This allows an initial estimate of the useful economic life to be made, based on the expected average life of client relationships for the acquired clients, which will then be reviewed in following periods to consider whether any adjustment is required.

The valuation of the customer lists and brand intangible assets gives rise to estimation uncertainty. Certain assumptions regarding the amount, timing and discounting of future cash flows have been adopted in order to determine these fair values.

Note 15 sets out the separately identifiable intangible assets in relation to the Smith & Williamson acquisition, which were valued at £271.0 million at the date of acquisition. This includes customer lists valued at £198.9 million, of which £185.3 million relates to the Financial Services business and £13.6 million to the Professional Services business, which are being amortised over periods of 15 and 10 years respectively, and brands valued at £26.2 million that are being amortised over periods of 8 or 10 years. The key assumptions identified in valuing the Financial Services customer lists are the useful economic life and the discount rate applied. The sensitivity of the valuation to these assumptions has been assessed by considering the impact of reasonably possible changes to the values used. This indicates that a decrease in the useful economic life of 2 years reduces the valuation by £11.5 million, and a 1% increase in the pre-tax discount rate reduces the valuation by £9.6 million.

Useful lives of intangible assets

As described in note 3, the Group reviews the estimated useful lives of intangible assets at the end of each reporting period. The estimated useful lives (note 3) are based on management's best estimate and a decrease of 1 year in the useful life of the intangible assets (calculated by reducing the useful economic life of each separately recognised intangible by one year) would result in a £5.3 million increase in the amortisation for the current year. The actual amortisation charge for the year is £55.1 million.

Fair value of financial instruments

Valuation techniques are used in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques, where possible market inputs are used, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses the best estimate about the assumptions that market participants would make. These estimates, which incorporate the impact of COVID-19, may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. The carrying value of unlisted investments at balance sheet date was £11.9 million (2019: £nil). Note 22 summarises key assumptions, sensitivities to changes in key assumptions and the fair value estimation techniques used for the Group's unlisted investments.

Tilney Smith & Williamson Limited

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Defined benefit pension schemes

The calculation of the present value of each defined benefit pension scheme is determined by using actuarial valuations. Management makes key assumptions in determining the inputs into the actuarial valuations, which may differ from actual experience in the future. These assumptions are governed by IAS 19 Employee Benefits, and include the determination of the discount rate, life expectancies, inflation rates and future salary increases. Due to the complexities in the valuation, the defined benefit pension scheme obligation is highly sensitive to changes in these assumptions. The detailed assumptions, including a sensitivity analysis, are set out in note 32.

The defined benefit pension schemes have a net surplus of £0.2 million at the balance sheet date (2019: £2.8 million). See note 32 'Defined benefit schemes' for further detail.

Share-based payments

In determining the fair value of equity settled share based awards and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be formed as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on a number of assumptions about the Group's future dividend policy and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information, and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments. Details of the Group's share schemes and share based payments can be found in note 29.

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 Partner or 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 Group policy. The amount of accrued income at the balance sheet date was £82.9 million (2019: £16.8 million) (note 6).

5. Segmental information

During the year ended 31 December 2020, following the acquisition of Smith & Williamson and subsequent reorganisation of management and governance structures, the Group revised the composition of operating segments based on the revision of information reported to the Group Executive Committee (Chief Operating Decision Maker).

For management purposes, the Group is now organised into two business segments: financial services and professional services. The financial services segment principally comprises investment management and financial planning services. The professional services segment principally comprises assurance and accountancy, business and private client tax, forensic services, restructuring and recovery and transaction services.

In the prior year, for management purposes, information was reported within a single operating segment and therefore segmental reporting disclosures were not required.

The Group's operations are carried out in the United Kingdom, Channel Islands and the Republic of Ireland. The operations in the Channel Islands and the Republic of Ireland are not material and accordingly geographical segment disclosures are not included.

The Group is not reliant on any one client or group of connected clients for generation of revenues.

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

5. Segmental information (continued)

Year ended 31 December 2020	Financial services £000	Professional services £000	Total £000
Segment results			
Net fee and commission income	263,203	40,493	303,696
Net trading income	1,799	-	1,799
Share of results of associates	-	277	277
Operating income	265,002	40,770	305,772
Operating expenses	(223,498)	(33,736)	(257,234)
Operating profit before unallocated operating expenses and exceptional items	41,504	7,034	48,538
Unallocated operating expenses			837
Exceptional items			(38,173)
Operating profit			11,202
Investment revenues			240
Finance costs			(19,560)
Tax charge			(6,480)
Loss for the year			(14,598)
Segment assets as at 31 December 2020	1,440,206	249,444	1,689,650
Interests in associates			5,163
Unallocated corporate assets			67,676
Consolidated total assets			1,762,489
Segment liabilities as at 31 December 2020	262,430	36,537	298,967
Unallocated corporate liabilities			124,228
Consolidated total liabilities			423,195
Other segment items:			
Purchase of property, plant and equipment	2,118	324	2,442
Purchase of intangibles	16,202	325	16,527
Additions to right-of-use assets	1,217	-	1,217
Depreciation and amortisation	61,464	3,272	64,736

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

5. Segmental information (continued)

Year ended 31 December 2019	Financial services £000	Professional services £000	Total £000
Segment results			
Net fee and commission income	207,329	-	207,329
Operating income	207,329	-	207,329
Operating expenses	(179,619)	-	(179,619)
Operating profit before exceptional items	27,710	-	27,710
Exceptional items			(9,968)
Operating profit			17,742
Investment revenues			425
Finance costs			(27,232)
Tax credit			180
Loss for the year			(8,885)
Segment assets as at 31 December 2019	905,913	-	905,913
Unallocated corporate assets			3,258
Consolidated total assets			909,171
Segment liabilities as at 31 December 2019	449,843	-	449,843
Unallocated corporate liabilities			59,404
Consolidated total liabilities			509,247
Other segment items:			
Purchase of property, plant and equipment	3,064	-	3,064
Purchase of intangibles	7,453	-	7,453
Additions to right-of-use assets	1,901	-	1,901
Depreciation and amortisation	52,228	-	52,228

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

6. Revenue from contracts with customers

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

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following business areas:

Year ended 31 December 2020	Fee and commission income £000	Timing of revenue recognition	
		At a point in time £000	Over time £000
Financial services			
Discretionary investment management	236,584	11,649	224,935
Advisory investment management	12,884	-	12,884
Execution only	13,915	2,216	11,699
Financial planning	26,325	62	26,263
Treasury	512	144	368
Fund administration	36,775	-	36,775
	<u>326,995</u>	<u>14,071</u>	<u>312,924</u>
Professional services			
Assurance and business services	10,683	-	10,683
Tax	18,236	-	18,236
Advisory	11,623	2,970	8,653
	<u>40,542</u>	<u>2,970</u>	<u>37,572</u>
Fee and commission income	<u>367,537</u>	<u>17,041</u>	<u>350,496</u>

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

6. Revenue from contracts with customers (continued)

Year ended 31 December 2019	Fee and commission income £000	Timing of revenue recognition	
		At a point in time £000	Over time £000
Financial Services			
Discretionary investment management	185,578	3,186	182,392
Advisory investment management	17,004	-	17,004
Execution only	12,525	2,519	10,006
Financial planning	20,304	-	20,304
Fee and commission income	235,411	5,705	229,706

Contract balances

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

	2020 £000	2019 £000
Receivables		
Financial Services – billed fees	8,591	11,368
Professional Services – billed fees	20,469	-
	29,060	11,368

Receivables are included in trade and other receivables (note 20).

	2020 £000	2019 £000
Contract assets		
Financial Services – unbilled fees	57,206	16,821
Professional Services – unbilled fees	25,727	-
	82,933	16,821

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date and are included in accrued income (note 20).

	2020 £000	2019 £000
Contract liabilities		
Financial Services – fees in advance	2,205	-
Professional Services – fees in advance	3,377	-
	5,582	-

Contract liabilities primarily relate to the advance of consideration received from clients and are included in accruals and deferred income (note 24).

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

6. Revenue from contracts with customers (continued)

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 January 2020	16,821	-
Acquired with subsidiary	44,787	3,533
Income recognised	-	(3,533)
Cash received excluding recognised income	-	5,582
Transfer to receivables	(61,608)	-
Increases as a result of changes in the measure of progress	82,933	-
At 31 December 2020	<u>82,933</u>	<u>5,582</u>
	Contract assets £000	Contract liabilities £000
At 1 January 2019	18,778	-
Transfer to receivables	(18,778)	-
Increases as a result of changes in the measure of progress	16,821	-
At 31 December 2019	<u>16,821</u>	<u>-</u>

Tilney Smith & Williamson Limited

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

7. Exceptional items

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Acquisition and integration costs	31,164	6,729
Implementation of new software	2,991	-
Cost rationalisation	2,367	-
Restructuring of investment funds	989	3,239
Wind down of associate	662	-
	<u>38,173</u>	<u>9,968</u>

The majority of acquisition and integration costs in the year relate to the merger with Smith & Williamson. This includes legal and professional fees incurred, both in relation to optimising the regulatory group structure and the financing arrangements, as well as costs directly relating to the acquisition. In addition, integration costs relating to headcount synergies have been significant, and costs have also been incurred in preparing for systems integration. Other amounts included within acquisition and integrations costs include deferred consideration payable in respect of the acquisition of Index Wealth Management group in 2019. Further costs relating to the integration of Tilney and Smith & Williamson will be incurred in future years.

Costs in respect of implementing the Core Wealth project across the Treasury and Wealth Management businesses have been included in exceptional items where they do not meet the criteria for capitalisation. Such costs include research, training, and support costs.

Certain cost rationalisation steps have been taken during the year, to respond to the negative impact of COVID-19 on the financial performance of the business.

The restructuring of funds commenced during 2019 both to rationalise the fund structures offered following the Towry acquisition in 2016, and to ensure that the funds would not be adversely impacted by Brexit. Additional expenditure has been incurred during 2020 in respect of this.

The Group established a joint venture with Saga to offer wealth management services to Saga members in 2015. It was decided to discontinue the arrangement in 2017, with the process of winding up the joint venture being completed in 2020 when the joint venture company was placed into liquidation. These costs reflect the final charges incurred in terminating the arrangements.

The total cash outflows in the year relating to exceptional items were £37.8 million (2019: £6.5 million).

The tax relief on the £38.2 million of exceptional costs amounts to £2.9 million giving an effective rate of 7.6%. In 2019 tax relief on the £10.0 million of exceptional costs amounts to £1.2 million giving an effective rate of 12%.

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

8. Operating profit

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Depreciation of property, plant and equipment (note 16)	3,335	2,225
Depreciation of right-of-use assets (note 17)	6,284	3,649
Amortisation of intangible assets (note 15)	55,117	46,354
Change in expected credit losses (note 21)	516	-
Gain on foreign exchange	(5)	-
Property, plant and equipment written off	-	16
Staff costs (note 10)	152,050	90,039
Auditor's remuneration (note 9)	1,108	485

9. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Fees payable to the Company's auditor for:		
- The audit of the Company's annual accounts	169	51
- The audit of the Company's subsidiaries	689	294
- Audit-related assurance services	250	122
Total audit and audit related assurance fees	1,108	467
- Taxation compliance services	-	6
- Other taxation advisory services	-	5
- Other services	-	7
Total non-audit fees	-	18
Total fees	1,108	485

In the current year, fees for the audit of the Company and its subsidiaries were for services rendered by Mazars LLP. In the prior year, auditor's remuneration relates to services rendered by the Group's predecessor auditors, KPMG LLP.

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

10. Staff costs

The average monthly number of employees (including Executive Directors and Partners) was:

	Tilney 2020 Number	Smith & Williamson 2020 Number	Total 2020 Number	Total 2019 Number
Financial Services	356	218	574	346
Professional Services	-	845	845	-
Support staff	896	871	1,767	881
	<u>1,252</u>	<u>1,934</u>	<u>3,186</u>	<u>1,227</u>

Their aggregate remuneration comprised:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	132,247	74,956
Social security costs	11,955	8,885
Other pension costs (note 32)	7,557	6,198
Share-based payments (note 29)	291	-
	<u>152,050</u>	<u>90,039</u>

11. Investment revenue

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest revenue:		
Bank deposits	120	178
Other loans and receivables	119	247
	<u>239</u>	<u>425</u>
Total interest revenue	239	425
Other dividend income	1	-
	<u>240</u>	<u>425</u>
Total investment revenue	240	425

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Notes to the Consolidated Financial Statements (continued)
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12. Finance costs

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest on bank overdrafts and loans	17,481	25,875
Interest payable to parent companies	582	198
Interest on lease payments	1,158	711
Total interest expense	19,221	26,784
Fair value loss arising on derivatives	194	34
Unwinding of discount on deferred payments (note 24)	210	417
Net interest credit on defined benefit obligation	(65)	(3)
Total finance costs	19,560	27,232

13. Tax

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Corporation tax:		
Current year	10,395	8,275
Adjustment in respect of prior years	(2,390)	(1,335)
	8,005	6,940
Deferred tax (note 27):		
Current year	(9,050)	(8,212)
Adjustment in respect of prior period	656	1,055
Effect of changes in tax rates	6,869	37
Tax charge/(credit) for the year	6,480	(180)

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year for UK tax-resident entities, and at the applicable local tax rate for entities tax-resident in other jurisdictions.

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax from 1 April 2020 remains at 19%. The Finance Act 2020 was substantively enacted by the balance sheet date and therefore included in these Consolidated Financial Statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

On 3 March 2021, the Chancellor of the Exchequer announced in the Budget that the main rate of UK Corporation Tax for large companies (being those with profits in excess of £250,000) will rise from 19% to 25% with effect from 1 April 2023. This announcement will impact the rate at which deferred tax balances reversing on or after that date are recognised in the financial statements. The estimated impact of this rate increase, if enacted during 2021, will be a deferred tax charge in the Income Statement for that year reflecting an increase of approximately £24.6 million in the deferred tax liability that relates for the most part to intangible assets acquired in previous acquisitions of subsidiaries as analysed in note 27. The reversing of this deferred tax provision, the majority of which is expected to track the amortisation of the intangible assets, will be commensurately increased in future periods. The movement in the deferred tax liability is a non-cash item and will have no impact on the Group's consolidated Own Funds position.

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13. Tax (continued)

The charge/(credit) for the year can be reconciled to the loss before tax in the income statement as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loss before tax on continuing operations	(8,118)	(9,065)
Tax at the UK corporation tax rate of 19% (2019: 19%)	(1,542)	(1,722)
Adjustment in respect of prior year	(1,734)	(285)
Non-deductible expenses	4,857	1,750
Income not taxable	(54)	-
Effects of change in rate at which deferred tax is recognised	6,869	95
Effects of overseas tax rates	55	-
Group relief from parent	(1,758)	(8)
Amounts not recognised	(213)	(10)
Tax charge/(credit) for the year	6,480	(180)

Tax recognised in statement of other comprehensive income comprises:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Actuarial movements	(583)	(509)
Equity investment designated at FVOCI movements	86	-
Credited in the statement of other comprehensive income	(497)	(509)

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For the year ended 31 December 2020

14. Goodwill

	Goodwill £000
Cost	
At 1 January 2019	366,926
Recognised on acquisition of subsidiary	2,677
	<hr/>
At 31 December 2019	369,603
Recognised on acquisition of subsidiary	281,530
	<hr/>
At 31 December 2020	<u>651,133</u>

Additions to goodwill during the year are in respect of the acquisition of the Smith & Williamson group.

Goodwill acquired in a business combination is allocated, at acquisition, to the groups of cash generating units (CGUs) that are expected to benefit from that business combination. Following the acquisition of Smith & Williamson (see note 30) during the year, the Group changed the way management monitors and reviews information to include the newly acquired professional services business as a separate CGU. Goodwill that was previously allocated to the wealth management CGU is now combined with the goodwill in connection with the acquisition of the Smith & Williamson financial services business to form the financial services CGU.

For impairment testing purposes, goodwill has been allocated to two distinct CGUs shown in the table below.

	2020 £000	2019 £000
Cash generating unit:		
Financial services	593,804	369,603
Professional services	57,329	-
	<hr/>	<hr/>
	<u>651,133</u>	<u>369,603</u>

The recoverable amounts of these CGUs have been determined based on value-in-use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 December 2025. Cash flows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates referred to below.

The key assumptions in the value-in-use calculation are: the five year revenue and cost growth rates, the long-term economic growth rates (used to determine terminal values) and the pre-tax discount rates.

The revenue and cost growth rate assumptions were derived from the 2021 budget and five year forecasts and reflect past experience, current trends, anticipated market developments following the COVID-19 crisis, and management's experience. Following the market recovery anticipated during the year ended 31 December 2022, growth rates are expected to stabilise. UK revenue growth rates from 1 January 2023 to 31 December 2025 have been estimated at between 7.2% and 8.9% per annum. Singapore revenue growth rates from 1 January 2022 to 31 December 2025 have been estimated at 7.0% per annum.

The long-term growth rate of 2% for the UK and 2.5% for Singapore was based upon the IMF World Economic Outlook, as at 31 December 2020, for GDP growth in 2025 of 2% for the UK and 2.5% for Singapore. Reasonable changes in long-term growth rates have been considered in the sensitivity analysis discussed below.

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For the year ended 31 December 2020

14. Goodwill (continued)

The pre-tax discount rate was based on a number of factors including the risk-free rates in the UK (using the yield from 20 year British Government Securities, with a nominal zero coupon, as at 31 December 2020), the Group's estimated market risk premium and a premium to reflect the private status and size of the Group. The pre-tax discount rate used was 8.5% for Professional Services and 9.0% for Financial Services.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any CGU.

Value-in-use calculations are sensitive to changes in the key assumptions. The impact of these changes and sensitivities applied to the professional services CGU, where changes result in proportionately less headroom than the other CGU, is set out in the table below:

	Excess of value-in-use over carrying value £000	0.5% decrease in revenue growth rate £000	0.5% increase in cost growth rate £000	1.0% decrease in terminal growth rate £000	1.0% increase in pre-tax discount rate £000
Cash generating unit:					
Professional services	169,422	126,468	129,702	124,213	113,873

No reasonably foreseeable changes to the assumptions used in the value-in-use calculation for the Financial Services CGU would result in an impairment of the goodwill allocated to it.

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15. Other intangible assets

	Customer lists £000	Funds database £000	Brand £000	IFA Relation- ship £000	Trading platform £000	Software costs £000	Other business development £000	Total £000
Cost								
1 January 2019	520,146	1,387	3,400	6,700	2,964	22,697	537	557,831
Acquired with subsidiary	15,584	-	-	-	-	-	-	15,584
Additions	1,628	668	-	-	-	1,540	3,617	7,453
At 31 December 2019	537,358	2,055	3,400	6,700	2,964	24,237	4,154	580,868
Acquired with subsidiary	198,906	-	26,228	-	-	45,827	-	270,961
Additions	7,600	490	-	-	-	2,096	6,341	16,527
At 31 December 2020	743,864	2,545	29,628	6,700	2,964	72,160	10,495	868,356
Accumulated amortisation								
1 January 2019	118,862	496	799	2,275	1,236	2,604	-	126,272
Charge for the year	43,362	186	170	515	258	1,683	180	46,354
At 31 December 2019	162,224	682	969	2,790	1,494	4,287	180	172,626
Charge for the year	46,968	379	1,132	515	551	4,861	711	55,117
At 31 December 2020	209,192	1,061	2,101	3,305	2,045	9,148	891	227,743
Carrying amount								
At 31 December 2020	534,672	1,484	27,527	3,395	919	63,012	9,604	640,613
At 31 December 2019	375,134	1,373	2,431	3,910	1,470	19,950	3,974	408,242

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15. Other intangible assets (continued)

The carrying amount and remaining amortisation periods for material individual intangible assets is disclosed below.

Description of intangible	Carrying amount £000	No. of years amortisation remaining
Customer lists on acquisition of Bestinvest Holdings group	68,808	6.9
Customer lists on acquisition of Ingenious group	16,500	7.3
Customer lists on acquisition of Towry group	224,972	7.6
Customer lists on acquisition of Moore Stephens	10,433	10.1
Customer lists on acquisition of Smith & Williamson (Financial Services)	181,140	14.7
Customer lists on acquisition of Smith & Williamson (Professional Services)	13,195	9.7
Customer lists relating to payments made to investment managers	6,267	11.1
Brand on acquisition of Smith & Williamson (Financial Services)	10,123	7.7
Brand on acquisition of Smith & Williamson (Professional Services)	15,142	9.7
Software costs - Core Wealth project	41,077	9.7
Software costs - XPlan	17,256	7.8

Amortisation of other intangible assets is included within operating expenses.

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16. Property, plant and equipment

	Short-term leasehold improve- ments £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 January 2019	2,885	4,079	5,491	12,455
Additions	640	4	2,420	3,064
Acquired with subsidiary	-	95	-	95
Disposals	(1,614)	(747)	(2,151)	(4,512)
At 31 December 2019	1,911	3,431	5,760	11,102
Additions	535	57	1,850	2,442
Acquired with subsidiary	4,069	735	543	5,347
At 31 December 2020	6,515	4,223	8,153	18,891
Accumulated depreciation				
At 1 January 2019	2,125	3,021	2,261	7,407
Acquired with subsidiary	-	75	-	75
Disposals	(1,614)	(730)	(2,151)	(4,495)
Charge for the year	430	188	1,607	2,225
At 31 December 2019	941	2,554	1,717	5,212
Charge for the year	525	382	2,428	3,335
At 31 December 2020	1,466	2,936	4,145	8,547
Carrying amount				
At 31 December 2020	5,049	1,287	4,008	10,344
At 31 December 2019	970	877	4,043	5,890

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17. Right-of-use assets

	Property £000	Equipment £000	Total £000
Cost			
At 1 January 2019	34,062	443	34,505
Additions	1,926	121	2,047
Disposals	(1,046)	-	(1,046)
At 31 December 2019	34,942	564	35,506
Additions	1,217	-	1,217
Acquired with subsidiary	20,519	-	20,519
Disposals	(2,854)	(123)	(2,977)
At 31 December 2020	53,824	441	54,265
Accumulated depreciation			
At 1 January 2019	19,402	321	19,723
Disposals	(1,046)	-	(1,046)
Charge for the year	3,548	101	3,649
At 31 December 2019	21,904	422	22,326
Disposals	(2,854)	(123)	(2,977)
Charge for the year	6,170	114	6,284
At 31 December 2020	25,220	413	25,633
Carrying amount			
At 31 December 2020	28,604	28	28,632
At 31 December 2019	13,038	142	13,180

Prior to acquisition, the Smith & Williamson group signed an Agreement For Lease on 7th May 2019 for a new London head office situated at 45 Gresham Street, which commenced in March 2021. In accordance with IFRS 16 Leases (note 3), on commencement date the Group recognised a right-of-use asset and lease liability of £62.0 million, with depreciation and interest costs charged to the income statement over the lease term (£6.2 million in the first full year).

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18. Interests in associates

	2020 £000	2019 £000
At 1 January	-	-
Acquired with subsidiary	5,135	-
Share of profit after tax	144	-
Dividend received	(126)	-
Currency translation adjustment	10	-
At 31 December	5,163	-

Interests in associates at 31 December 2020 include goodwill of £1.9 million (2019: £nil). The total share of results of associates included in the Consolidated Income Statement of £0.3 million (2019: £nil) comprises the share of profit before tax. A tax charge for the year of £0.1 million (2019: £nil) is included in the total tax charge detailed in note 13.

The table below summarises the Group's share of assets, liabilities and results of associates as at 31 December 2020.

Name of associate	Nature of business	Country of incorporation	Non-current assets £000	Current assets £000	Non-current liabilities £000	Current liabilities £000	Revenues £000	Profit after tax £000	% interest held
Nexia TS Pte Limited	Accountancy	Singapore	1,145	3,518	819	1,221	1,330	144	45.63%
Nexia China Pte Limited	Management	Singapore	-	12	-	-	-	-	20.00%
IPM (Malta) Limited	Dormant (in liquidation)	Malta	-	12	-	3	-	-	49.00%

The Group also held a 50% interest in Saga Investment Services Limited. The other 50% was held by Saga plc. Saga Investment Services Limited was liquidated in January 2021.

The assumptions used in the goodwill impairment review for the aggregated value of the associates are included in note 14.

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19. Derivative financial instruments

	Non-current 2020 £000	2019 £000	Current 2020 £000	2019 £000
Financial assets carried at fair value through profit or loss (FVTPL):				
Held for trading derivatives that are not designated in hedge accounting relationships:				
Interest rate cap	16	210	-	-

Derivative financial instruments are all classified as level 2 under the fair value hierarchy.

Further details of derivative financial instruments are provided in note 34.

20. Trade and other receivables

	2020 £000	2019 £000
Amounts falling due within one year		
Amount receivable for services rendered (gross)	31,050	11,432
Less: specific provision – lifetime ECL credit impaired (note 21)	(1,756)	(44)
Less: collective provision – lifetime ECL not credit impaired (note 21)	(234)	(20)
Amount receivable for services rendered (net)	29,060	11,368
Amounts owed by parent undertakings	17,434	659
Loans to third parties	46	173
Net investment in subleases	695	-
Other debtors	27,352	1,598
Prepayments	17,632	7,947
Accrued income	83,744	17,328
	<u>175,963</u>	<u>39,073</u>
Amounts falling due after more than one year		
Loans to third parties	1,727	1,902
	<u>177,690</u>	<u>40,975</u>

Receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of receivables.

Trade receivables acquired with subsidiary were £91.6 million (note 30).

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20. Trade and other receivables (continued)

The Group has entered into sublease arrangements over office properties as an intermediate lessor that are considered to be finance leases. Finance income on the net investment in subleases for the year-ended 31 December 2020 was £0.01 million (2019: £nil). The maturity analysis of the net investment in subleases, including the undiscounted lease payments to be received are as follows:

	2020 £000	2019 £000
Less than 1 year	199	-
1-2 years	199	-
2-3 years	199	-
3-4 years	140	-
4-5 years	-	-
Total undiscounted lease payments receivable	737	-
Unearned finance income	(42)	-
Net investment in the lease	695	-

21. Provision for doubtful debts

	2020 £000	2019 £000
Specific provision for doubtful debts – lifetime ECL credit impaired	1,756	44
Collective provision for doubtful debts – 12 months ECL	-	-
• 12 months ECL	-	-
• Lifetime ECL not credit impaired	234	20
Total collective provision for doubtful debts	234	20
Total provision for doubtful debts	1,990	64

	Specific provision	Collective provision		Total
	Lifetime ECL credit impaired £000	12 months ECL £000	Lifetime ECL not credit impaired £000	£000
At 1 January 2019	57	-	20	77
Bad debts written off	(57)	-	-	(57)
Charge to income statement	44	-	-	44
At 31 December 2019	44	-	20	64
Acquired with subsidiary	2,293	-	312	2,605
Bad debts written off	(163)	-	-	(163)
Charge to income statement	(418)	-	(98)	(516)
At 31 December 2020	1,756	-	234	1,990

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21. Provision for doubtful debts (continued)

At 31 December 2020 and 2019, bank deposits were held with high quality financial institutions. ECLs on bank deposits have not been recognised as they are not material in nature.

Any reasonable changes to trade receivable lifetime ECLs, primarily due to COVID-19 adjusted forward-looking information, were not materially different to historic actual credit loss experienced over the last two years.

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 3.

22. Equity investment securities designated at FVOCI

	2020 £000	2019 £000
Equity securities – listed (level 1)	457	-
Equity securities – unlisted (level 3)	11,854	-
	<u>12,311</u>	<u>-</u>
	2020 £000	2019 £000
Level 3 equity securities		
At 1 January	-	-
Acquired with subsidiary	11,105	-
Additions	18	-
Net changes in fair values	731	-
At 31 December	<u>11,854</u>	<u>-</u>

Fair value estimation

The disclosure of fair value measurements by level is based on the following hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

There have been no transfers between level 1, level 2 and level 3 recurring fair value measurements during the year.

The fair value of listed investments is determined by reference to quoted prices on active markets.

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22. Equity investment securities designated at FVOCI (continued)

Unlisted investments include the Group's holding in CG Asset Management Limited and Euroclear plc for which no observable market data is available as to their values.

At 31 December 2020, the Group held a non-controlling equity interest of 9,620 B shares and 3,631 C shares in CG Asset Management Limited which is valued on an earnings yield basis. The Group has used a 9.1x times multiple, which is deemed appropriate considering the nature and size of CG Asset Management Limited. This multiple was used to determine share transactions which took place during the year.

At 31 December 2020, the Group held a non-controlling equity interest of 5,427 shares in Euroclear plc which is valued on an earnings yield basis. The Group has used a 12.48x times multiple, which is based on multiples seen for comparable listed entities, grossed up by a control premium of 30% in order to reflect a controlling market position. In addition, due to the lack of marketability and that Euroclear plc is smaller and less diversified than its comparable peers, a discount of 70% has been used. The impact of the discount on the valuation can be assessed by considering a reasonable range of 60% to 80%. The lower-end of the range would result in a valuation increase of £2.7 million, while the higher-end would result in a valuation decrease of £2.7 million.

For the valuation of Euroclear plc, the Group estimated an annualised profit after tax based on interim quarterly results in reaching an assessment of £372 million for valuation purposes.

The earnings yield calculations are sensitive to changes in the key assumptions, the impact of which is set out in the table below:

	Decrease of 1% in earnings yield £000	Increase of 1% in earnings yield £000
CG Asset Management Limited	207	(173)
Euroclear plc	5,702	(2,352)
	<u>5,909</u>	<u>(2,525)</u>

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23. Borrowings

	2020 £000	2019 £000
Unsecured borrowing at amortised cost		
Loans from parent undertakings	28,500	3,500
Secured borrowing at amortised cost		
Bank loans	-	383,460
Total borrowings	28,500	386,960
Amount due for settlement within 12 months	28,500	13,434
Amount due for settlement between 1 and 5 years	-	40,514
Amount due for settlement after 5 years	-	333,012

The other principal features of the Group's borrowings are as follows.

- (i) The Group had a £400 million term loan and £25 million revolving facilities agreement with HSBC plc and a number of other lenders. Transaction costs of £15.8 million had been netted against the bank loan and were being amortised over the length of the loan. The facilities agreement applied a single covenant test, which set a maximum ratio for net debt to EBITDA. Management monitored this leverage ratio on a monthly basis, and the Group remained in compliance with the covenant test throughout the year. Following completion of the merger with Smith & Williamson, both facilities were novated to Violin Debtco Guernsey Limited, a parent undertaking whose results are not consolidated in these financial statements. An intercompany loan with a value of £25 million was created between Violin Debtco Guernsey Limited and Tilney Smith & Williamson Limited in relation to the revolving credit facility. The loan carries an interest rate between 3.25% and 3.75% above 3 months LIBOR and is repayable on demand.
- (ii) The discount rates used to measure the present value of the lease liabilities are based on the Group's borrowing costs at the date of inception of each lease, after adjusting for the term of the lease and the level of security available.
- (iii) The Group has a loan agreement with Violin Equityco Limited, a parent undertaking whose results are not consolidated in these financial statements. The loan was taken out on 10 November 2015. The loan carries an interest rate at 5% above 3 months LIBOR and is repayable on demand. The carrying value of the loan is £3.5 million.

The weighted average interest rates paid during the year were as follows:

	2020 %	2019 %
Bank loans	5.5380	5.6736
Loans from parent company - £25 million	3.7290	-
Loans from parent company - £3.5 million	5.4883	5.8992
Lease payments	4.1555	4.2688

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23. Borrowings (continued)

Reconciliation of movements of liabilities to cash flows from financing activities

	Loans from parent entities £000	Bank loans £000	Leases liabilities £000	Total £000
At 1 January 2019	3,500	384,263	18,144	405,907
Changes from financing cash flows				
Interest paid	-	(23,168)	-	(23,168)
Repayments of borrowings	-	(3,250)	-	(3,250)
Payments of lease liabilities	-	-	(3,632)	(3,632)
Refinancing costs	-	(43)	-	(43)
Total changes from financing cash flows	-	(26,461)	(3,632)	(30,093)
Changes in fair value	-	-	-	-
Other non-cash changes				
Interest expense	-	25,802	-	25,802
New lease recognised	-	-	1,777	1,777
Refinancing costs payable	-	(144)	-	(144)
Total other changes	-	25,658	1,777	27,435
At 31 December 2019	3,500	383,460	16,289	403,249
Changes from financing cash flows				
Interest paid	-	(15,399)	-	(15,399)
Repayments of borrowings	-	(6,175)	-	(6,175)
Payments of lease liabilities	-	-	(6,948)	(6,948)
Proceeds from borrowings	-	25,000	-	25,000
Total changes from financing cash flows	-	3,426	(6,948)	(3,522)
Changes in fair value	-	-	-	-
Other non-cash changes				
Interest expense		17,016	-	17,016
New lease recognised		-	866	866
Lease acquired with subsidiary		-	19,922	19,922
Refinancing costs transferred to parent		11,673	-	11,673
Novation of loan to parent entity	25,000	(25,000)	-	-
Issue of shares	-	(390,575)	-	(390,575)
Total other changes	25,000	(386,886)	20,788	(341,098)
At 31 December 2020	28,500	-	30,129	58,629

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24. Trade and other payables

	2020 £000	2019 £000
Trade creditors	8,662	464
Amounts owed to parent undertakings	47,976	5,291
Other taxes and social security	18,707	4,581
Other creditors	13,592	4,728
Accruals and deferred income	47,631	26,016
Amounts due to individual members of partnerships	50,523	-
	<u>187,091</u>	<u>41,080</u>

Amounts in other creditors include £9.0 million of fees payable by the fund administration business to investment managers (2019: £nil).

Amounts due to individual members of partnerships include B capital contributions received of £15.9 million from individual members of the Group's LLP subsidiaries which are repayable on retirement from the relevant LLP.

Trade and other payables acquired with subsidiary were £82.4 million (note 30).

25. Provisions

	2020 £000	2019 £000
Indemnity clawbacks	53	53
Contingent consideration	1,412	2,481
Client redress provision	451	475
Tax accelerated payment notice liabilities	838	838
Dilapidations	6,902	1,667
Vacant property	649	-
Professional indemnity	571	-
	<u>10,876</u>	<u>5,514</u>
Current	2,435	2,991
Non-current	8,441	2,523
	<u>10,876</u>	<u>5,514</u>

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25. Provisions (continued)

	Indemnity clawbacks £000	Contingent consideration £000	Client redress £000	Accelerated payment notices £000	Dilapidations £000	Vacant property £000	Professional indemnity provision £000	Total £000
At 1 January 2019	63	522	544	838	1,608	-	-	3,575
New provisions recognised	-	2,481	-	-	249	-	-	2,730
Utilisation of provision	-	(393)	(69)	-	(190)	-	-	(652)
Charge to income statement	(10)	(129)	-	-	-	-	-	(139)
At 31 December 2019	53	2,481	475	838	1,667	-	-	5,514
Acquired with subsidiary	-	337	-	-	4,335	-	813	5,485
New provisions recognised	-	-	-	-	2,744	714	70	3,528
Utilisation of provision	-	(1,537)	(24)	-	(102)	(65)	(140)	(1,868)
Credit/(charge) to income statement	-	131	-	-	(1,742)	-	(172)	(1,783)
At 31 December 2020	53	1,412	451	838	6,902	649	571	10,876

- *Contingent consideration* – this relates to an earn-out payment in respect of the purchase of the wealth management business of Moore Stephens. Amounts are expected to be payable between 2020 and 2022.
- *Client redress* – this relates to legacy issues in acquired businesses that may give rise to compensation payments over a number of years in the future.
- *Accelerated payment notices* – these relate to notices that may be issued by HMRC to companies that were acquired in 2016, in relation to periods prior to the acquisition of the Ingenious group in April 2016. The timing of any such notices is uncertain, and to the extent that notices are not issued, this amount will be payable to the vendor of the companies acquired.
- *Dilapidations* - the Group is responsible for restoring leased properties to the condition they were in when first leased by the Group, when the leases held expire. A dilapidations provision is recognised for the expected costs relating to this, based on third party assessments and internal estimates. Information regarding the length of the leases held is provided in note 3.
- *Vacant property* - the Group has decided to vacate one of its London offices, due to space becoming available in other London locations and the future Gresham Street premises. The lease on this property runs until September 2022, and the costs of running these premises for this period have been provided in full.
- *Professional indemnity provision* - in common with many professional practises the Group may become subject to claims from various parties or possible penalties from regulatory bodies. Any such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a professional indemnity provision is established to the Group's best estimate of the amount required to settle the obligation at the balance sheet date.

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26. Leases

The Group's leases include property and equipment. These right-of-use assets are disclosed in note 17.

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

Lease liabilities

Lease liabilities are presented separately on the face of the Consolidated Balance Sheet.

	2020 £000	2019 £000
Maturity analysis – contractual undiscounted cash flows		
Within one year	11,117	4,539
In the second to fifth years inclusive	18,006	12,094
After more than five years	3,039	1,193
Total undiscounted lease liabilities at 31 December	32,162	17,826

Lease liabilities included in the balance sheet at 31 December

Current	10,483	3,963
Non-current	19,646	12,326
	30,129	16,289

Amounts recognised in the income statement

	2020 £000	2019 £000
Interest on lease liabilities	1,397	711

Amounts recognised in the statement of cash flows

	2020 £000	2019 £000
Total cash outflow for leases	6,948	3,632

During the year ended 31 December 2020, lease payments relating to short-term leases amounted to £0.1 million and lease payments relating to low value assets amount to £0.1 million.

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27. Deferred tax

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

	Decelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Intangible assets £000	Equity investment securities designated at FVOCI £000	Other temporary differences £000	Total £000
At 1 January 2019	2,273	(28)	1,277	(68,979)	-	2,123	(63,334)
Acquired with subsidiary	(4)	-	-	(2,677)	-	-	(2,681)
Adjustment in respect of prior period	(131)	-	23	-	-	(947)	(1,055)
Charge/(credit) to income statement	(161)	44	(310)	8,044	-	558	8,175
Credit to other comprehensive income	-	(509)	-	-	-	-	(509)
At 31 December 2019	1,977	(493)	990	(63,612)	-	1,734	(59,404)
Acquired with subsidiary	-	41	-	(44,677)	(1,417)	193	(45,860)
Tax rate change	185	(42)	85	(7,218)	-	121	(6,869)
Adjustment in respect of prior period	(336)	-	-	245	-	(565)	(656)
Charge/(credit) to income statement	10	25	211	9,039	-	(235)	9,050
Credit to other comprehensive income	-	583	-	-	(86)	-	497
Credit to retained earnings	-	(84)	-	-	-	-	(84)
At 31 December 2020	1,836	30	1,286	(106,223)	(1,503)	1,248	(103,326)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax liabilities	(107,726)	(64,105)
Deferred tax assets	4,400	4,701
	<u>(103,326)</u>	<u>(59,404)</u>

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Notes to the Consolidated Financial Statements (continued)
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27. Deferred tax (continued)

As at 31 December 2020, the deferred tax asset not recognised in the financial statements calculated at 19% (2019: 17%) due to uncertainty of realisation, is as follows:

	2020 £000	2019 £000
Decelerated capital allowances	2,594	2,321
Tax losses	50,200	45,840
	<u>52,794</u>	<u>48,161</u>

28. Share capital and share premium

	Share capital £000	Share premium £000
Issued and fully paid:		
Balance at 31 December 2019		
437,680,651 ordinary shares of £0.10 each	43,768	398,102
Issue of 1 ordinary share of £0.10 each (adjustment in respect of prior year)	-	1,600
Issue of 9,978,858,600 ordinary shares of £0.10 each	997,886	-
Capital reduction	-	(399,702)
Balance at 31 December 2020		
10,416,539,252 ordinary shares of £0.10 each	<u>1,041,654</u>	<u>-</u>

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

During the year, 9,978,858,600 ordinary shares were issued in connection with the acquisition of Smith & Williamson (see note 30) and re-organisation of the Group. As a result of the re-organisation, share premium was reduced to £nil (2019: £398.1 million).

An error in relation to recording the Index Wealth Management acquisition transaction in 2019 was identified and corrected in the current period; the issue/subscription for share capital (share consideration to the vendors by Violin Topco Limited) was recorded as an intercompany balance owed by the Group to the parent rather than an increase in the Group's equity. This correction involved reallocating an amount of £1.6 million from amounts owed to parent undertakings to share premium. The value of the correction is not considered to be material and therefore no restatement of prior year is required.

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29. Share based payment arrangements

In October 2020, the Group announced deferred share award plans for certain senior employees and Partners of the former Smith & Williamson business. These awards were made under either the Tilney Smith & Williamson Deferred Option Plan, or the Smith & Williamson Investment Management LLP Deferred Award Plan and the Smith & Williamson LLP Deferred Award Plan. The options are granted using shares in Symmetry Topco Guernsey Limited, a parent company of the Group, and LLP awards are granted using LLP share units in the Group's subsidiaries, Smith & Williamson Investment Management LLP and Smith & Williamson LLP. The options are settled either from treasury shares or by an Employee Benefit Trust. The LLP awards will be settled in LLP share units. Both the options and the LLP awards are subject to the participant still being in the Group's employment, or an individual member of an LLP, at the end of the vesting period. There are no attached performance conditions. Further details of each plan are set out below.

The Group's employing entities recognise a share based payment charge as they receive the benefit of the employee or Partner services. The awards are accounted for as an equity-settled share-based payment and the charge is based on the fair value of the award calculated at grant date.

The awards were approved by the Tilney Smith & Williamson Remuneration Committee in December 2020 for employees, and are expected to be approved in April 2021 for Partners (also known as the grant date). The vesting period for the awards started on 30 October 2020. As IFRS 2 requires an entity to recognise employee services as they are received, the share-based payment charge is recognised in the period commencing 30 October 2020, in advance of the grant date.

At 31 December 2020, the Group had the following share-based payment arrangements:

Tilney Smith & Williamson Deferred Option Plan

Under the terms of the Tilney Smith & Williamson Deferred Option Plan (Deferred), at 31 December 2020 certain employees held options to acquire A ordinary shares in Symmetry Topco Guernsey Limited as detailed.

Date options granted	Number	Exercise price
December 2020	1,073,668	£nil

These options are exercisable three years from grant.

Smith & Williamson Investment Management LLP Deferred Award Plan

Under the terms of the Smith & Williamson Investment Management LLP Deferred Award Plan (Deferred), at 31 December 2020 certain Partners held options to acquire share units in Smith & Williamson Investment Management LLP as detailed.

Date options granted	Number	Exercise price
April 2021 (expected date)	2,725,513	£nil

These options are exercisable three years from grant.

Smith & Williamson LLP Deferred Award Plan

Under the terms of the Smith & Williamson LLP Deferred Award Plan (Deferred), at 31 December 2020 certain Partners held options to acquire share units in Smith & Williamson LLP as detailed.

Date options granted	Number	Exercise price
April 2021 (expected date)	1,948,795	£nil

These options are exercisable three years from grant.

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Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

29. Share based payment arrangements (continued)

Details of share awards outstanding for the plans are as follows:

	Tilney Smith & Williamson Deferred Option Plan	Smith & Williamson Investment Management LLP Deferred Award Plan ¹	Smith & Williamson LLP Deferred Award Plan ¹	Total
Outstanding as at 1 January 2020	-	-	-	-
Granted during the year	1,073,668	-	-	1,073,668
Outstanding as at 31 December 2020	1,073,668	-	-	1,073,668

¹ Granted date expected in April 2021

Assumptions

The expected life of the options is 3 years. An assumed attrition rate of 3% per annum is applied to the awards.

The fair value of awards is reduced by the present value of dividends expected to be paid during the vesting period. There are no future plans for dividend payments, therefore an expected dividend yield of 0% has been used.

The share price volatility is irrelevant as the exercise price for deferred share awards is £nil.

The Group recognised a charge of £0.3 million (2019: £nil) in relation to share based payment transactions.

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30. Acquisitions

Smith & Williamson Holdings Limited

On 1 September 2020, the Group acquired 100% of the issued share capital of Smith & Williamson Holdings Limited (S&W) and its subsidiary undertakings. This acquisition has enabled the Group to broaden its range of service (predominantly professional services and fund administration) and regions that it serves while further enhancing the benefits of scale. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£000
Intangible assets acquired (note 15)	270,961
Property, plant and equipment (note 16)	5,347
Right-of-use assets (note 17)	20,519
Investments in associates (note 18)	5,135
Retirement benefit asset	825
Cash and cash equivalents	89,913
Trade receivables	91,584
Equity investment securities	11,812
Trade and other payables	(82,360)
Provisions (note 25)	(5,485)
Lease liabilities	(19,922)
Deferred tax liabilities	(2,771)
Total identifiable net assets acquired	385,558

Included within trade receivables is an amount of £16.2 million relating to a net receivable for services rendered. This comprises of a gross amount receivable of £18.8 million and provisions for doubtful debts of £2.6 million.

Intangible assets are amortised as shown in the table in note 15.

	£000
Total consideration	624,000
Less: net assets acquired	(385,558)
Deferred tax liability recognised on acquisition	43,088
Goodwill on acquisition	281,530

	£000
Cash	240,900
Equity	383,100
Total consideration	624,000

3,841,000,250 shares of £0.10 each were issued at par, equating to a total value of £384.1 million, in exchange for shares in Smith & Williamson Holdings Limited with a fair value of £383.1 million. The difference of £1.0 million has been recorded in equity as a capital reorganisation reserve.

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Notes to the Consolidated Financial Statements (continued)
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30. Acquisitions (continued)

	£000
Net cash outflow arising on acquisition	
Cash consideration	240,900
Less: cash and cash equivalent balances acquired	(89,913)
	<u>150,987</u>

Acquisition-related costs (included in exceptional costs) amount to £24.9 million.

The Smith & Williamson group contributed £99.9 million operating income and £16.5 million of profit after tax to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2020, total operating income for the year would have been £505.6 million and the operating profit would have been £28.3 million.

31. Notes to the cash flow statement

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loss before tax	(8,118)	(9,065)
Adjustments for:		
Share of profit of associates	(277)	-
Investment revenues	(240)	(425)
Finance costs	19,366	27,198
Fair value loss arising from derivatives	194	34
Depreciation of property, plant and equipment	3,335	2,225
Depreciation of right-of-use assets	6,284	3,649
Property, plant and equipment written off	-	16
Amortisation of intangible assets	55,117	46,354
Share-based payment expense	237	-
Increase in provisions	1,397	-
Defined benefit costs and other retirement costs	184	75
Other non-cash movement	81	-
Operating cash flows before movements in working capital	77,560	70,061
Decrease in net settlement balances	407	-
(Increase)/decrease in trade and other receivables	(33,405)	1,981
Increase/(decrease) in trade and other payables	19,825	(6,113)
Decrease in provisions	(1,869)	(790)
Cash generated by operations	62,518	65,139
Defined benefit contributions and annuities paid	(101)	(59)
UK corporation tax paid	(7,823)	(8,432)
Interest paid	(1,123)	(746)
Net cash from operating activities	<u>53,471</u>	<u>55,902</u>

Dividend distribution during the year of £42.7 million is a non-cash transaction and therefore not included within financing activities in the Consolidated Cash Flow Statement.

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Notes to the Consolidated Financial Statements (continued)
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31. Notes to the cash flow statement (continued)

Cash and cash equivalents

	2020 £000	2019 £000
Cash and bank balances	168,758	64,988
Bank overdrafts	-	-
	<u>168,758</u>	<u>64,988</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Balances at 31 December 2020 comprise:

	Non-current assets £000	Current assets £000	Current liabilities £000	Non-current liabilities £000	Total £000
Cash and bank balances	-	168,758	-	-	168,758
Derivative Financial Instruments (note 19)	16	-	-	-	16
Leases (note 26)	-	-	(10,483)	(19,646)	(30,129)
Borrowings (note 23)	-	-	(28,500)	-	(28,500)
Net cash	<u>16</u>	<u>168,758</u>	<u>(38,983)</u>	<u>(19,646)</u>	<u>110,145</u>

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

32. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees in the Group. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in the profit and loss account of £7.6 million (2019: £6.2 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2020, contributions of £0.2 million (2019: £0.1 million) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group operates three defined benefit pension schemes in the UK; The Pension Fund, the S&W Scheme and the NCL Scheme.

The Pension Fund

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

The disclosures in these accounts below are based on calculations carried out as at 31 December 2020 by Capita Employee Solutions, a qualified independent actuary.

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

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

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

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

As at 31 December 2020, contributions are payable to the Pension Fund at the rates specified in the Schedule of Contributions signed by the Group and the Trustees on 16 December 2014. Contributions for 2020 amounted to £55,000 (2019: £59,000).

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Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

32. Retirement benefit schemes (continued)

The S&W and NCL Schemes

The Group acquired the S&W and NCL Schemes following the acquisition of Smith & Williamson in September 2020 (see note 30). Both schemes are closed to new members.

The most recent actuarial valuations of these plans were carried out as at 31 December 2020 by Goddard Perry Actuarial LLP, a qualified independent actuary. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method. The assets of the NCL Scheme are managed by a subsidiary of the Group, Smith & Williamson Investment Management LLP.

Principal assumptions

The principal assumptions are calculated by two independent actuaries: Capita Employee Solutions for The Pension Fund and Goddard Perry Actuarial LLP for the S&W and NCL schemes. Therefore, while assumptions may vary, they are not materially different to the overall valuation of each scheme. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	The Pension Fund		S&W Scheme		NCL Scheme	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Rate of increase in salaries	2.9	3.0	-	-	3.1	-
Discount rate	1.3	2.0	1.3	-	1.3	-
RPI inflation rate	2.9	3.0	3.1	-	3.1	-
CPI inflation rate	2.1	2.1	-	-	-	-
Rate of increase to deferred pensions in excess of the GMP	-	-	2.6	-	2.6	-
Pension increase assumption			Fixed at 0% or 3%			
- RPI capped at 5% p.a.	2.9	2.9			3.0	-
- CPI capped at 3% p.a. then RPI capped at 3% from 31 December 2020	-	-			2.5	-

The assumed life expectancy for the membership of The Pension Fund was based upon the standard tables known as S3Px A CMI 2019 with an IAMI of 0.5% per annum and a long-term rate of improvement of 1.25% per annum. In the prior year, assumptions were based upon the standard tables known as S3Px A CMI 2018 with an IAMI of 0.5% per annum and a long-term rate of improvement of 1.25% per annum. For both schemes, the life expectancy for a current 65 year old male is 22 years (2019: 22 years) and a 65 year old female is 25 years (2019: 24 years).

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Notes to the Consolidated Financial Statements (continued)
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32. Retirement benefit schemes (continued)

The assumed life expectancy for the membership of The S&W and NCL Schemes was based upon the standard tables known as S3NMA x 105% for males and S3NFA x 110% for females using the CMI_2019 projection based on year of birth and with a long-term rate of improvement of 1% per annum. The life expectancy for a current 65 year old male is 22 years (2019: 22 years) and a 65 year old female is 24 years (2019: 24 years).

Amounts recognised in the balance sheet under IAS 19 in relation to these plans are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Fair value of plan assets:								
Equities and property	18,268	20,118	-	-	18,759	-	37,027	20,118
Bonds	16,834	13,746	-	-	3,777	-	20,611	13,746
Other assets	24,191	20,649	688	-	1,622	-	26,501	20,649
Cash	3,055	4,484	15	-	253	-	3,323	4,484
Insured annuities	-	-	1,118	-	-	-	1,118	-
	62,348	58,997	1,821	-	24,411	-	88,580	58,997
Present value of funded obligations	(62,320)	(56,172)	(1,896)	-	(23,586)	-	(87,802)	(56,172)
Surplus/(deficit) in scheme	28	2,825	(75)	-	825	-	778	2,825
Amounts not recognised due to effect of asset ceiling	-	-	-	-	-	-	-	-
Retirement benefit asset/(obligation) recognised on balance sheet	28	2,825	(75)	-	825	-	778	2,825

Under IAS 19 the net defined benefit pension scheme asset that can be recognised is the lower of the surplus and the asset ceiling (i.e. the economic benefits available in the form of refunds or reductions in future contributions or a combination of both, in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'). Under each Scheme's Trust Deeds and Rules the Group is able, without condition or restriction placed on it by the Trustees, to run the scheme until the last member dies, without benefits being augmented; wind up the scheme at that point; and reclaim any remaining monies. Consequently, the Group recognises the full surplus calculated in accordance with IAS 19 and IFRIC 14.

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32. Retirement benefit schemes (continued)

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Movement in surplus/(deficit):								
Net assets at 1 January	2,825	164	-	-	-	-	2,825	164
Net assets/(liabilities) acquired	-	-	(15)	-	1,439	-	1,424	-
Net income/(expenses) recognised in income statement	(194)	(75)	-	-	12	-	(182)	(75)
Remeasurement gain/(loss) recognised in SORIE	(2,658)	(2,846)	(60)	-	(272)	-	(2,990)	(2,846)
Contributions paid by the Group	55	59	-	-	-	-	55	59
Change in the effect of the asset ceiling	-	5,523	-	-	(354)	-	(354)	5,523
Net assets at 31 December	28	2,825	(75)	-	825	-	778	2,825

The amounts recognised in the income statement in respect of the Group's defined benefit plans are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Current service cost	97	78	-	-	-	-	97	78
Net interest	(53)	(3)	-	-	(12)	-	(65)	(3)
Past service cost (including curtailments)	150	-	-	-	-	-	150	-
	194	75	-	-	(12)	-	182	75

The actual return on plan assets are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Actual return on scheme assets	4,899	6,311	3	-	1,400	-	6,302	6,311

Actuarial gains and losses have been recognised in retained earnings.

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Notes to the Consolidated Financial Statements (continued)
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32. Retirement benefit schemes (continued)

The changes in the present value of obligations are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Defined benefit obligation as at 1 January	56,172	48,367	-	-	-	-	56,172	48,367
Acquired with subsidiary	-	-	1,788	-	20,819	-	22,607	-
Past service cost	150	-	-	-	-	-	150	-
Current service cost	97	78	-	-	-	-	97	78
Interest on funded obligation	1,096	1,369	19	-	223	-	1,338	1,369
Actuarial losses/(gains) arising from:								
- Financials	7,604	7,634	29	-	3,158	-	10,791	7,634
- Demographics	226	(178)	2	-	73	-	301	(178)
- Experience	(1,422)	175	32	-	(60)	-	(1,450)	175
Employee contribution	12	13	-	-	-	-	12	13
Benefits paid	(1,615)	(1,286)	(17)	-	(627)	-	(2,259)	(1,286)
Change of insured annuities	-	-	43	-	-	-	43	-
Defined benefit obligation as at 31 December	62,320	56,172	1,896	-	23,586	-	87,802	56,172

The changes in the fair value of plan assets are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Plan assets at 1 January	58,997	53,900	-	-	-	-	58,997	53,900
Acquired with subsidiary	-	-	1,773	-	21,904	-	23,677	-
Remeasurement of defined benefit asset:								
- Interest income	1,149	1,526	19	-	235	-	1,403	1,526
- Return on scheme asset (excluding amounts included in interest income)	3,750	4,785	3	-	2,899	-	6,652	4,785
Employer contribution	55	59	-	-	-	-	55	59
Employee contribution	12	13	-	-	-	-	12	13
Benefits paid	(1,615)	(1,286)	(17)	-	(627)	-	(2,259)	(1,286)
Change of insured annuities	-	-	43	-	-	-	43	-
Plan assets at 31 December	62,348	58,997	1,821	-	24,411	-	88,580	58,997

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For the year ended 31 December 2020

32. Retirement benefit schemes (continued)

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

All equity and debt instruments have quoted prices in active markets.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The history of the plans are as follows:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Present value of defined benefit obligation	(62,320)	(56,172)	(1,896)	-	(23,586)	-	(87,802)	(56,172)
Fair value of plan assets	62,348	58,997	1,821	-	24,411	-	88,580	58,997
Asset/(liability)	28	2,825	(75)	-	825	-	778	2,825
Actuarial loss recognised in Statement of Changes in Equity	(2,658)	(2,846)	(60)	-	(272)	-	(2,990)	(2,846)

The Group has recognised the following in equity:

	The Pension Fund		S&W Scheme		NCL Scheme		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Remeasurement loss during the year	2,658	2,846	60	-	272	-	2,990	2,846
Surplus in scheme – asset ceiling adjustment	-	(5,523)	-	-	354	-	354	(5,523)
Net remeasurement of defined benefit assets before tax	2,658	(2,677)	60	-	626	-	3,344	(2,677)
Deferred tax on actuarial reserve	(505)	(541)	(11)	-	(52)	-	(568)	(541)
Deferred tax on surplus on scheme	-	1,049	-	-	(67)	-	(67)	1,049
Actuarial loss/(gain) at 31 December	2,153	(2,169)	49	-	507	-	2,709	(2,169)

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32. Retirement benefit schemes (continued)

The history of experience adjustments is as follows:

	The Pension Fund		S& W Scheme		NCL Scheme		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000	£000	£000
Experience adjustments on scheme liabilities	6,408	7,631	63	-	3,171	-	9,642	7,631
Experience adjustments on scheme assets	3,750	4,785	3	-	2,899	-	6,652	4,785

It is currently estimated that the sponsoring employers of the defined benefit schemes will contribute approximately £nil to the NCL scheme and £nil to the S&W scheme in the coming year.

The two key assumptions affecting the results of the valuation are the discount rate and inflation. In order to demonstrate the sensitivity of the results to these assumptions, the actuary has recalculated the defined benefit obligations for each scheme by varying each of these assumptions in isolation whilst leaving the other assumptions unchanged. For example, in order to demonstrate the sensitivity of the results to the discount rate, the actuary has recalculated the defined benefit obligations for each scheme using a discount rate that is 0.25% higher than used for calculating the disclosed figures. A similar approach has been taken to demonstrate the sensitivity of the results to inflation.

At 31 December 2020 the summary of the sensitivities in respect of the three schemes set out below are as follows:

The Pension Fund				
	Assets £000	Liabilities £000	Surplus/ (deficit) £000	Increase/ (decrease) in surplus £000
Effect of change in assumptions:				
No change	62,348	62,320	28	-
0.25% rise in discount rate	62,348	59,435	2,913	2,885
0.25% fall in discount rate	62,348	65,409	(3,061)	(3,089)
0.25% rise in inflation	62,348	64,781	(2,433)	(2,461)
0.25% fall in inflation	62,348	59,962	2,386	2,358

S&W Scheme				
	Assets £000	Liabilities £000	Surplus/ (deficit) £000	Increase/ (decrease) in surplus £000
Effect of change in assumptions:				
No change	1,821	1,896	(75)	-
0.25% rise in discount rate	1,821	1,853	(32)	43
0.25% fall in discount rate	1,821	1,939	(118)	(43)
0.25% rise in inflation	1,821	1,896	(75)	-
0.25% fall in inflation	1,821	1,896	(75)	-

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32. Retirement benefit schemes (continued)

NCL Scheme				
	Assets	Liabilities	Surplus/	Increase/
	£000	£000	(deficit)	(decrease)
			£000	in surplus
				£000
Effect of change in assumptions:				
No change	24,411	23,586	825	-
0.25% rise in discount rate	24,411	22,628	1,783	958
0.25% fall in discount rate	24,411	24,605	(194)	(1,019)
0.25% rise in inflation	24,411	24,384	27	(798)
0.25% fall in inflation	24,411	22,806	1,605	780

At 31 December 2019 the summary of the sensitivities in respect of the three schemes set out below are as follows:

The Pension Fund				
	Assets	Liabilities	Surplus/	Increase/
	£000	£000	(deficit)	(decrease)
			£000	in surplus
				£000
Effect of change in assumptions:				
No change	58,997	56,172	2,825	-
0.25% rise in discount rate	58,997	53,677	5,320	2,495
0.25% fall in discount rate	58,997	58,838	159	(2,666)
0.25% rise in inflation	58,997	58,283	714	(2,111)
0.25% fall in inflation	58,997	54,142	4,855	2,030

S&W Scheme				
	Assets	Liabilities	Surplus/	Increase/
	£000	£000	(deficit)	(decrease)
			£000	in surplus
				£000
Effect of change in assumptions:				
No change	-	-	-	-
0.25% rise in discount rate	-	-	-	-
0.25% fall in discount rate	-	-	-	-
0.25% rise in inflation	-	-	-	-
0.25% fall in inflation	-	-	-	-

NCL Scheme				
	Assets	Liabilities	Surplus/	Increase/
	£000	£000	(deficit)	(decrease)
			£000	in surplus
				£000
Effect of change in assumptions:				
No change	-	-	-	-
0.25% rise in discount rate	-	-	-	-
0.25% fall in discount rate	-	-	-	-
0.25% rise in inflation	-	-	-	-
0.25% fall in inflation	-	-	-	-

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Notes to the Consolidated Financial Statements (continued)

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32. Retirement benefit schemes (continued)

Funding arrangements

The Pension Fund

The trustees use the projected unit funding method to fund the scheme. The last full triennial actuarial valuation was undertaken as at 1 January 2020. No contributions are currently required from the employer.

The NCL Scheme

The trustees use the projected unit funding method to fund the scheme. The last full triennial actuarial valuation was undertaken as at 31 December 2018. Since the scheme closed to future accrual with effect from 31 March 2017 and at the last valuation there was a surplus of assets over accrued liabilities (technical provisions) there are no employer contributions required for the forthcoming year. The next full triennial actuarial valuation will be performed as at 31 December 2021.

The S&W Scheme

The trustees use the projected unit funding method to fund the scheme. The last full triennial actuarial valuation was undertaken as at 1 May 2017. No contributions are currently required from the employer. The full triennial actuarial valuation as at 1 May 2020 was in progress up to the date of signing of the Consolidated Financial Statements.

The main risks for the schemes are:

Investment return risk	If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.
Investment match risk	The schemes invest in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.
Longevity risk	If future improvements in longevity exceed the assumptions made for scheme funding then additional contributions may be required.

Retirement benefit annuities

Annuities relate to the Group's estimated liability to certain spouses of former Partners of the legacy Smith & Williamson Group.

An analysis of the changes in the present value of obligations is as follows:

	2020 £000	2019 £000
Defined benefit obligation at 1 January	-	-
Acquired with subsidiary	599	-
Interest cost	2	-
Actuarial loss	61	-
Benefits paid	(46)	-
Defined benefit obligation at 31 December	616	-

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32. Retirement benefit schemes (continued)

Summary of retirement benefits

	2020 £000	2019 £000
Retirement benefit assets		
The Pension Fund assets recognised on balance sheet	28	2,825
NCL Scheme assets recognised on balance sheet	825	-
	<u>853</u>	<u>2,825</u>
 Retirement benefit liabilities		
S&W Scheme liabilities recognised on balance sheet	(75)	-
Annuities	(616)	-
	<u>(691)</u>	<u>-</u>
 Net retirement benefit assets	<u>162</u>	<u>2,825</u>

33. Capital risk management

The Group's objectives when managing capital are to:

- Safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its other stakeholders
- Maintain a strong capital base to support the future strategy and development of the business
- Comply with the capital requirements set by the regulators where the Group operates on a solo and consolidated basis

The Group continuously reviews the total regulatory capital requirements of its regulated subsidiaries which are reported monthly to the Board. The Group and each regulated entity have been in compliance with their regulatory capital requirements at all times during the period. The capital position is submitted to its lead regulator, the FCA.

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Notes to the Consolidated Financial Statements (continued)
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34. Financial risk management

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

The Group classifies its financial assets into those measured at fair value through profit or loss, amortised cost and those measured at fair value through other comprehensive income. All financial liabilities are held at amortised cost.

Carrying amount as at 31 December 2020	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Financial assets managed at fair value				
Derivative financial instruments	16	-	-	16
Equity investment securities designated at FVOCI	-	12,311	-	12,311
	<u>16</u>	<u>12,311</u>	<u>-</u>	<u>12,327</u>
Financial assets not measured at fair value				
Trade and other receivables	-	-	160,301	160,301
Settlement balances – assets	-	-	62,931	62,931
Cash and cash equivalents	-	-	168,758	168,758
	<u>-</u>	<u>-</u>	<u>391,990</u>	<u>391,990</u>
Financial liabilities not measured at fair value				
Borrowings	-	-	(28,500)	(28,500)
Settlement balances – liabilities	-	-	(63,273)	(63,273)
Trade and other payables	-	-	(187,016)	(187,016)
Lease liabilities	-	-	(30,129)	(30,129)
	<u>-</u>	<u>-</u>	<u>(308,918)</u>	<u>(308,918)</u>

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34. Financial risk management (continued)

Carrying amount as at 31 December 2019	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Financial assets managed at fair value				
Derivative financial instruments	210	-	-	210
	<u>210</u>	<u>-</u>	<u>-</u>	<u>210</u>
Financial assets not measured at fair value				
Trade and other receivables	-	-	31,126	31,126
Cash and cash equivalents	-	-	64,988	64,988
	<u>-</u>	<u>-</u>	<u>96,114</u>	<u>96,114</u>
Financial liabilities not measured at fair value				
Borrowings	-	-	(386,960)	(386,960)
Trade and other payables	-	-	(41,078)	(41,078)
Lease liabilities	-	-	(16,289)	(16,289)
	<u>-</u>	<u>-</u>	<u>(444,327)</u>	<u>(444,327)</u>

Credit risk management

Credit risk represents the loss which the Group would incur if a customer or counterparty failed to perform its contractual obligations. This risk is well diversified so the Group has no significant exposure to credit risk. At the balance sheet date there were no significant concentrations of credit risk external to the Group. The exposure to credit risk is monitored on an ongoing basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The primary source of credit risk arises from placing funds with banks. It is the Group's policy to place funds with a range of high quality financial institutions approved by the Board. Investments are diversified to avoid excessive exposures to individual counterparties, groups of connected counterparties or geographical location.

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Notes to the Consolidated Financial Statements (continued)

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34. Financial risk management (continued)

Information regarding measurement of ECLs, inputs, assumptions and techniques used for estimating impairment, calculation of ECLs and incorporation of forward-looking information can be found in note 3.

Cash and cash equivalents

The Group has exposures to a range of financial institutions through its cash management operations. The Group policy requires that all such exposures are only entered into with counterparties or groups of counterparties approved by the Board, or duly delegated Committee, after reference to each counterparty's Fitch rating. Exposures are monitored on a daily basis and reviewed by the Smith & Williamson Investment Services Limited treasury department and, at the instigation of the Credit Review Committee under advice to the Board or duly delegated Committee, a counterparty may be suspended and/or funds withdrawn or a holding liquidated if market conditions dictate.

Settlement balances

Settlement risk arises where payment is made or a transfer of a security is effected in the expectation of a corresponding delivery of a security or cash. The vast majority of transactions are on a delivery versus payment basis (DvP), with near immediate exchange of cash and securities. Outstanding settlement balances, both DvP and free deliveries, are monitored on a daily basis. No settlement balances were impaired at the balance sheet date (2019: £nil).

Trade and fee receivables

Trade and fee receivables relate to fees that have been invoiced to, but not settled by, clients. The Group 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. The collection of receivables is monitored by individual business lines on a monthly basis. Senior management periodically reviews, as a preventative measure, potential bad debts and takes appropriate risk mitigating action at local levels.

Maximum exposure to credit risk

The Group's on-balance sheet credit risk exposure at 31 December 2020, ignoring the value of any collateral held, amounted to £392.0 million (2019: £96.1 million). Financial guarantees of £12.6 million (2019: £nil million) were granted to related parties (note 37) and £nil (2019: £nil) were granted to clients. Off-balance sheet balances are shown in Liquidity Risk below. For accrued income and other receivables, the amount stated is after any provisions for impairment.

Neither past due nor impaired

Cash and cash equivalents measured at amortised cost were neither past due nor impaired and are further analysed below by reference to the Fitch rating at the balance sheet date.

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34. Financial risk management (continued)

	2020 £000	2019 £000
Cash and balances with central banks – AA+ to AA-	43,378	20,199
Cash and balances with central banks – A+ to A-	125,230	44,324
Cash and balances with central banks – BBB+	-	-
Cash and balances with central banks – unrated	150	465
	<u>168,758</u>	<u>64,988</u>

Interest rate cap

The Group has taken out a forward interest rate cap to hedge interest rate risk in 2020. Under the interest rate cap contract, the Group will receive payments at the end of each period in which the interest rate exceeds the agreed strike price.

The following tables detail the notional principal amounts and remaining terms of interest rate cap contracts outstanding as at the reporting date:

Cash flow derivative

Outstanding receive floating pay fixed cap contracts	Average contract fixed interest cap rate		Notional principal value		Fair value	
	2020 %	2019 %	2020 £000	2019 £000	2020 £000	2019 £000
Less than 12 months	-	-	-	-	-	-
Less than 12 months	-	-	-	-	-	-
Between 1 to 5 years	2.00	2.00	250,000	250,000	16	210

Interest rate risk management

The Group is exposed to interest rate risk on financial liabilities through the impact of rate changes on loans from parent companies and bank loans. The weighted average interest rates paid during the year are disclosed in note 23.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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34. Financial risk management (continued)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease or increase as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Loans from parent companies	143	18
Bank loans	-	2,000
	<u>143</u>	<u>2,018</u>

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Financing facilities

	2020 £000	2019 £000
Secured bank revolving facility:		
- amount used	-	-
- amount unused	-	25,000
	<u>-</u>	<u>25,000</u>

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Notes to the Consolidated Financial Statements (continued)
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34. Financial risk management (continued)

Liquidity risk tables

The following table summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

31 December 2020	Less than 1 month £000	1-3 months £000	3 months – 1 year £000	2-5 years £000	5+ years £000	Total £000
Assets						
Cash and bank balances	167,104	-	-	1,654	-	168,758
Settlement balances - assets	62,931	-	-	-	-	62,931
Derivative financial instruments	-	-	-	16	-	16
Trade and other receivables	95,892	47,418	12,143	3,327	1,521	160,301
Equity investment securities designated at FVOCI	-	-	12,311	-	-	12,311
	<u>325,927</u>	<u>47,418</u>	<u>24,454</u>	<u>4,997</u>	<u>1,521</u>	<u>404,317</u>
Liabilities						
Borrowings	3,500	25,000	-	-	-	28,500
Settlement balances - liabilities	63,273	-	-	-	-	63,273
Trade and other payables	128,952	22,674	30,355	430	4,605	187,016
Lease liabilities	442	2,525	7,516	16,239	3,407	30,129
	<u>196,167</u>	<u>50,199</u>	<u>37,871</u>	<u>16,669</u>	<u>8,012</u>	<u>308,918</u>
Net liquidity gap	<u>129,760</u>	<u>(2,781)</u>	<u>(13,417)</u>	<u>(11,672)</u>	<u>(6,491)</u>	<u>95,399</u>

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34. Financial risk management (continued)

Liquidity risk tables (continued)

31 December 2019	Less than 1 month £000	1-3 months £000	3 months – 1 year £000	2-5 years £000	5+ years £000	Total £000
Assets						
Cash and bank balances	64,988	-	-	-	-	64,988
Settlement balances - assets	-	-	-	-	-	-
Derivative financial instruments	-	-	210	-	-	210
Trade and other receivables	9,515	18,638	1,282	1,670	21	31,126
Equity investment securities designated at FVOCI	-	-	-	-	-	-
	<u>74,503</u>	<u>18,638</u>	<u>1,492</u>	<u>1,670</u>	<u>21</u>	<u>96,324</u>
Liabilities						
Borrowings	3,294	(399)	10,539	40,514	333,012	386,960
Settlement balances - liabilities	-	-	-	-	-	-
Trade and other payables	10,335	14,171	11,844	4,728	-	41,078
Lease liabilities	7	1,057	2,899	10,676	1,650	16,289
	<u>13,636</u>	<u>14,829</u>	<u>25,282</u>	<u>55,918</u>	<u>334,662</u>	<u>444,327</u>
Net liquidity gap	<u>60,867</u>	<u>3,809</u>	<u>(23,790)</u>	<u>(54,248)</u>	<u>(334,641)</u>	<u>(318,003)</u>

Off-balance sheet items

Cash flows resulting from the Group's off-balance sheet financial liabilities relate to client money detailed in note 36, contingent liabilities and commitments in note 35 and related party indemnities and guarantees as detailed in note 37.

Foreign exchange risk

The Group's operations are predominantly in the UK. The Group continuously monitors its exposure to currency fluctuation risks based on balance sheet items and expected cash flows. Foreign currency exposures resulting from the Group's treasury activities or income from the Company's Irish subsidiaries are converted to sterling on a regular basis.

At 31 December 2020, the Group had no significant foreign exchange risk.

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35. Contingent liabilities and commitments

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

36. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Group making allocations and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements as, in the Directors' judgement, the primary risks and rewards of these assets and money rest with the Group's clients and, as such, are not assets of the Group. Interest on client balances is included within fee and commission income.

At 31 December 2020 the Group, acting as trustee, held client money amounting to £1,238.3 million (2019: £2.9 million) in accordance with the FCA client money rules.

37. Related party transactions

Trading transactions

The following amounts were outstanding at the balance sheet date:

Name of related party	Counterparty	Amounts owed by related parties		Amounts owed to related parties	
		2020 £000	2019 £000	2020 £000	2019 £000
Saga Investment Services Limited	Tilney Investment Management Services Limited	-	1,512	-	1,508
Nexia Smith & Williamson Audit Limited	Smith & Williamson LLP	5,614	-	-	-
Nexia Smith & Williamson (Ireland) Limited	Smith & Williamson Freaney Limited	1,031	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

The Group provides accommodation and services to Nexia Smith & Williamson Audit Limited. Smith & Williamson Corporate Services Limited and Smith & Williamson LLP have provided staff to Nexia Smith & Williamson Audit Limited, the charge in the year being £4.9 million (2019: £nil). Accommodation and other overheads totalling £1.7 million (2019: £nil) have been charged to Nexia Smith & Williamson Audit Limited by the Group.

The Group also provides accommodation and services to Nexia Smith & Williamson (Ireland) Limited. Smith & Williamson Freaney Employment Services Limited has provided staff to Nexia Smith & Williamson (Ireland) Limited. In total, £0.7million (2019: £nil) has been charged to Nexia Smith & Williamson (Ireland) Limited by the Group for staff, accommodation and other services.

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Notes to the Consolidated Financial Statements (continued)
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37. Related party transactions (continued)

The Group had the following guarantees in place for related parties:

	2020 Base currency 000s	2019 Base currency 000s	2020 £ equivalent 000s	2019 £ equivalent 000s
<i>Overdraft facilities:</i>				
Nexia TS Pte Ltd	416	-	230	-
<i>SME Working Capital Loan:</i>				
Nexia TS Pte Ltd	156	-	86	-
<i>Enterprise financing scheme – temporary bridging loan</i>				
Nexia TS Pte Ltd	520	-	288	-
<i>Indemnity for financial loss:</i>				
Nexia Smith & Williamson Audit Limited	2,000	-	2,000	-
<i>Indemnity for insolvency:</i>				
NCL Investments Limited Pension Scheme (note 32)	10,000	-	10,000	-
	<u>13,092</u>	<u>-</u>	<u>12,604</u>	<u>-</u>

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Notes to the Consolidated Financial Statements (continued)
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37. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, who are defined as the Group's Directors and other members of senior management who are responsible for planning, directing and controlling the activities of the Group, is set out below.

Further information about the remuneration of Directors is provided in the Directors' remuneration note 38.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Key management personnel remuneration		
Emoluments	4,308	4,176
Employer contributions to money purchase pension schemes	19	25
	<u>4,327</u>	<u>4,201</u>
	Number	Number
The number of key management personnel who:		
Are members of a money purchase pension scheme	<u>7</u>	<u>8</u>
	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Remuneration of the highest paid member of the key management personnel:		
Emoluments	<u>873</u>	<u>812</u>

As at 31 December 2020, there is £0.2 million (2019: £0.4 million) of outstanding loans made to key management personnel of the Group which is included in trade and other receivables (note 20). As at 31 December 2020, no impairment was associated with these loans (2019: £nil). These loans have interest rates ranging from 2.5% to 4%, are securitised by shares held in Violin Topco Guernsey Limited, a parent undertaking of the Group, and will be settled in cash. These loans were issued to the individuals to purchase shares in Violin Topco Guernsey Limited.

A number of the Group's key management personnel and their close family members make use of the services provided by companies within the Group. Charges for such services are made at various staff rates.

Tilney Smith & Williamson Limited
Financial Statements

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

38. Directors' remuneration

The emoluments of those Directors whose executive services were provided to the Group during the year ended 31 December 2020 were as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Directors' remuneration		
Emoluments	1,990	1,402
	<hr/>	<hr/>
	Number	Number
The number of Directors who:		
Are members of a money purchase pension scheme	-	-
	<hr/>	<hr/>
	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Remuneration of the highest paid Director:		
Emoluments	873	737
	<hr/>	<hr/>

39. Post balance sheet events

On 24 December 2020, the Group entered into an agreement to transfer investment management responsibility for nine funds managed by Smith & Williamson Investment Management LLP, a subsidiary of the Group, to Sanlam Investments UK Limited for a cash consideration of £4.3 million. The transaction completed on 29 January 2021 and is therefore a non-adjusting event for these financial statements.

On 2 March 2021, the Group announced that it had completed a transaction to acquire HFS Milbourne Holdings Limited and its subsidiary HFS Milbourne Financial Services Limited, a wealth management business based in Guildford with assets under management of approximately £350 million. HFS Milbourne provides both holistic personal financial planning and investment advice, as well as corporate financial planning and employee benefits services. The acquisition will further strengthen our presence in Surrey, where both legacy Tilney and Smith & Williamson have offices in Guildford. As this transaction completed in 2021, it has no impact on our 2020 assets under management, operating income or our Consolidated Balance Sheet.

Tilney Smith & Williamson Limited
Financial Statements

Company Income Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue		-	-
Gross profit		-	-
Operating expenses		(19,000)	(99)
Operating loss	41	(19,000)	(99)
Dividend income from shares held in subsidiary undertakings		25,207	-
Investment revenue	42	12,434	13,409
Finance costs	43	(17,802)	(26,065)
Profit/(loss) before tax		839	(12,755)
Tax charge	44	(653)	(184)
Profit/(loss) for the year		186	(12,939)

There are no recognised gains or losses other than the profit for the current year and loss for the prior year. Accordingly, no statement of comprehensive income is given.

The notes set out on pages 162 to 176 form an integral part of these financial statements.

Tilney Smith & Williamson Limited
Financial Statements

Company Balance Sheet

As at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Non-current assets			
Investments in subsidiaries	45	1,262,035	638,035
Right-of-use assets	50	28	142
Derivative financial instruments	19	16	210
Deferred tax asset		311	964
Total non-current assets		1,262,390	639,351
Current assets			
Cash and bank balances		-	4
Loans to other group entities	46	186,143	195,743
Trade and other receivables	47	90,510	46,024
Total current assets		276,653	241,771
Total assets		1,539,043	881,122
Current liabilities			
Borrowings	49	(28,500)	(13,434)
Trade and other payables	48	(185,576)	(125,070)
Lease liabilities	50	(4)	(102)
Total current liabilities		(214,080)	(138,606)
Net current assets		62,573	103,165
Non-current liabilities			
Borrowings	49	-	(373,526)
Lease liabilities	50	-	(24)
Total non-current liabilities		-	(373,550)
Total liabilities		(214,080)	(512,156)
Net assets		1,324,963	368,966

Tilney Smith & Williamson Limited
Financial Statements

Company Balance Sheet (continued)

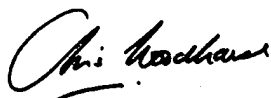
As at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
Equity			
Share capital	28	1,041,654	43,768
Share premium	28	-	398,102
Capital reorganisation reserve		(1,000)	-
Retained earnings		284,309	(72,904)
Total equity		1,324,963	368,966

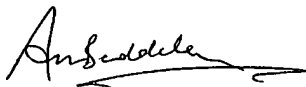
The notes set out on pages 162 to 176 form an integral part of these financial statements.

The financial statements of Tilney Smith & Williamson Limited were approved by the Board of Directors and authorised for issue on 22 April 2021.

They were signed on its behalf by:



C Woodhouse
Group Chief Executive Officer



A Baddeley
Group Chief Finance Officer

Tilney Smith & Williamson Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Tilney Smith & Williamson Limited
Financial Statements

Company Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital £000	Share premium £000	Capital reorganisation reserve ¹ £000	Retained earnings £000	Total equity £000
At 1 January 2019	43,768	398,102	-	(59,965)	381,905
Loss for the year	-	-	-	(12,939)	(12,939)
Total comprehensive loss for the year	-	-	-	(12,939)	(12,939)
At 31 December 2019	43,768	398,102	-	(72,904)	368,966
Profit for the year	-	-	-	186	186
Total comprehensive income for the year	-	-	-	186	186
Dividend distribution	-	-	-	(42,675)	(42,675)
Issue of shares – adjustment in respect of prior year (note 28)	-	1,600	-	-	1,600
Issue of shares – current year	997,886	-	(1,000)	-	996,886
Capital reduction	-	(399,702)	-	399,702	-
At 31 December 2020	1,041,654	-	(1,000)	284,309	1,324,963

1. The capital reorganisation reserve is the difference between the value at which share capital was issued and the fair value of the assets acquired with those shares

The notes set out on pages 162 to 176 form an integral part of these financial statements.

Tilney Smith & Williamson Limited
Financial Statements

Company Cash Flow Statement
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Net cash (used in)/generated from operating activities	52	(7,722)	17,299
Investing activities			
Interest received		12,434	13,409
Repayment of loan to subsidiary		9,600	-
Net cash outflow arising on acquisition of subsidiaries		(240,900)	(3,906)
Net cash (used in)/generated from investing activities		(218,866)	9,503
Financing activities			
Interest paid		(15,330)	(23,168)
Repayments of borrowings		(6,175)	(3,250)
Proceeds from borrowings		25,000	-
Payment of lease liabilities		(122)	(140)
Proceeds on issue of shares		223,211	-
Refinancing costs		-	(43)
Cash outflow for derivative financial instruments		-	(210)
Net cash used in financing activities		226,584	(26,811)
Net movements in cash and cash equivalents		(4)	(9)
Cash and cash equivalents at beginning of the year		4	13
Cash and cash equivalents at end of the year		-	4

The notes set out on pages 162 to 176 form an integral part of these financial statements.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Company Financial Statements

For the year ended 31 December 2020

40. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are the same as those set out in the Consolidated Financial Statements except as noted below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The impairment testing performed considered the net assets of the subsidiaries held and whether this exceeded the carrying value. In instances where the net asset value is lower than the carrying value, a value in use assessment is performed using discounted forecast cash flows for the relevant subsidiary to assess whether an impairment has arisen.

Financial instruments

Financial assets measured at amortised cost

Financial assets in note 46 are measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss (ECL) model described in note 3 (financial instruments - impairment of financial assets).

Financial assets measured at fair value through profit and loss

Derivatives are recorded at fair value at each reporting date. Changes in the fair value of derivatives are recognised immediately in the income statement. The Company has taken out a forward interest rate cap to manage its exposure to interest rate and market movement.

Measurement of ECLs

The Company's intercompany receivables do not contain significant financing components. Therefore, the Company has applied a practical expedient by using a provision matrix to calculate lifetime ECLs based on actual credit loss experience over the past two years adjusted by forward-looking estimates.

The provision matrix used to calculate lifetime ECLs is based on historical observed default rates, and is adjusted by forward-looking estimates that include the probability of a worsening economic environment within the next year. The loss rates are applied to balances on a collective basis in each segment, net of specific allowances calculated on an individual basis.

The Company has applied the simplified approach to measuring ECLs on intercompany receivables. Under this approach there is no requirement to determine the stage of the intercompany receivable because the impairment loss is measured at lifetime ECL.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Company Financial Statements

For the year ended 31 December 2020

41. Operating loss

The auditor's remuneration for audit and other services is disclosed in note 9 to the Consolidated Financial Statements.

Operating loss for the year has been arrived at after charging:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Depreciation of right-of-use assets	114	99

42. Investment revenue

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest receivable from subsidiaries	12,434	13,409
Total investment revenue	12,434	13,409

43. Finance costs

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest on bank overdrafts and loans	16,946	25,848
Interest payable to group companies	582	182
Interest on lease payments	-	1
Total interest expense	17,528	26,031
Fair value loss arising on derivatives	194	34
Unwinding of discount on deferred payments	80	-
Total finance costs	17,802	26,065

Tilney Smith & Williamson Limited
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Notes to the Company Financial Statements
For the year ended 31 December 2020

44. Tax

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Corporation tax:		
Current year	-	-
Adjustments in respect of prior years	-	-
	-	-
Deferred tax:		
Current year	2	(688)
Adjustments in respect of prior years	676	954
Effect of changes in tax rates	(25)	(82)
Tax charge for the year	653	184

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year. The charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit/(loss) before tax	839	(12,755)
Tax charge/(credit) at the current tax rate of 19% (2019: 19%)	159	(2,423)
Expenses not deductible	3,588	-
Income not taxable	(4,789)	-
Effects of other tax rates	(25)	82
Group relief	1,044	1,571
Adjustments in respect of prior years	676	954
Tax charge for the year	653	184

The prior year adjustment of £0.7 million relates to the release of the deferred tax asset in respect of interest expense disallowed under the Corporate Interest Restriction provisions.

Tilney Smith & Williamson Limited

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Notes to the Company Financial Statements

For the year ended 31 December 2020

44. Tax (continued)

Deferred tax

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

	Interest expense £000	Leases £000	Total £000
At 1 January 2019	1,144	4	1,148
Adjustment in respect of prior year	(954)	-	(954)
Credit/(charge) for the year to the income statement	772	(2)	770
At 31 December 2019	962	2	964
Tax rate change	25	-	25
Adjustment in respect of prior year	(676)	-	(676)
Charge for the year to the income statement	(2)	-	(2)
At 31 December 2020	309	2	311

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax liabilities	-	-
Deferred tax assets	311	964
	311	964

A deferred tax asset amounting to £828,000 (31 December 2019: £2,146,000) for losses carried forward has not been recognised because in the opinion of the Directors no suitable taxable profits are anticipated in the foreseeable future against which the asset may be offset.

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Company Financial Statements

For the year ended 31 December 2020

45. Investments in subsidiaries

	£000
At 1 January 2019	632,529
Acquisition of subsidiary	5,506
At 31 December 2019	638,035
Acquisition of subsidiary	624,000
At 31 December 2020	1,262,035

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, the country of incorporation, registered office address and percentage of equity owned as at 31 December 2020 is disclosed below. All of these subsidiaries have been included in the Consolidated Financial Statements.

Company Name	Share Class	% held by Group	Registered office
1 Riding House Street Limited	£1.00 Ordinary shares	100	9
25 Moorgate Limited	£1.00 Ordinary shares	100	9
Aitchison & Colegrave Trustees Limited	£1.00 Ordinary shares	100	3
Ashcourt Holdings Limited	£0.02 Ordinary shares £1.00 Preference shares	100 100	2
Ashcourt Rowan Financial Planning Limited (dissolved 9 February 2021)	£0.000027 Ordinary shares	100	2
Ashcourt Rowan Investment Management LLP (in liquidation)	Members' capital	100	2
Ashcourt Rowan Limited	£0.20 Ordinary shares	100	2
Athenaeum Directors Limited	£1.00 Ordinary shares	100	9
Athenaeum Secretaries Limited	£1.00 Ordinary shares	100	9
Bestinvest (Brokers) Limited	£1.00 Ordinary shares	100	2
Bestinvest (Consultants) Limited	£1.00 Ordinary shares	100	1
Bestinvest (Holdings) Limited	£0.00002 Ordinary shares	100	1
Cunningham Coates Limited	£1.00 Ordinary shares	100	10
DS Aslan Midco Limited	£1.00 Ordinary shares	100	2
HW Financial Services Limited	£1.00 Ordinary shares £1.00 Ordinary A shares	100 100	1
Index Fund Advisors Limited	£1.00 Ordinary shares	100	1
Index Professional Partners LLP	Members' capital	75	1
Index WM (Holdings) Limited	£1.00 A Ordinary Gbp1 shares £1.00 B Ordinary Gbp1 shares £1.00 Preference shares	100 100 100	1

Tilney Smith & Williamson Limited

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Notes to the Company Financial Statements

For the year ended 31 December 2020

45. Investments in subsidiaries (continued)

Company Name	Share Class	% held by Group	Registered office
Index WM EBT Limited	£1.00 Ordinary Gbp1 shares	100	1
Investment Management Holdings Limited	£0.001 Ordinary shares	100	2
LHM Casey Mc Grath Limited	€1.00 Ordinary shares	100	11
M & A International Limited	£1.00 Ordinary shares	100	9
M & A Partners Limited	£1.00 Ordinary shares	100	9
NCL (Nominees) Limited	£1.00 Ordinary shares	100	9
NCL (Securities) Limited	£0.10 Ordinary 'A' shares £0.10 Ordinary 'B' shares	100 100	9
NCL Investments Limited	£1.00 Ordinary shares	100	9
Oakfield Trustees Limited	£1.00 Ordinary shares	100	12
Paragon Trustees Ltd	£1.00 Ordinary shares	100	2
Savoy Asset Management Limited (dissolved 28 February 2021)	£0.10 Ordinary shares	100	2
Saga Investment Services Limited (in liquidation)	£1.00 Ordinary shares	100	4
Smith & Williamson (Channel Islands) Limited	£1.00 Ordinary shares	100	13
Smith & Williamson Corporate Finance Limited	£0.10 Ordinary shares	100	9
Smith & Williamson Corporate Services Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Financial Services Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Freaney (UK) Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Freaney Employment Services Limited	£1.00 Ordinary shares	100	11
Smith & Williamson Freaney Limited	€1.00 Ordinary shares	100	11
Smith & Williamson Fund Administration Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Group Holdings Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Holdings Limited	£0.10 Ordinary 'A' shares £0.10 Ordinary 'D' shares	100 100	9
Smith & Williamson I M Limited	£1.00 Ordinary shares	100	9

Tilney Smith & Williamson Limited

Financial Statements

Notes to the Company Financial Statements

For the year ended 31 December 2020

45. Investments in subsidiaries (continued)

Company Name	Share Class	% held by Group	Registered office
Smith & Williamson International Limited	£1.00 Ordinary shares	100	13
Smith & Williamson Investment Management (Europe) Limited	€1.00 Ordinary shares	100	14
Smith & Williamson Investment Management (Ireland) Limited	€1.00 Ordinary shares US\$1.00 Ordinary shares	100	15
Smith & Williamson Investment Management LLP	Members' capital (share units)	100	9
Smith & Williamson Investment Services Limited	£0.10 Ordinary shares	100	9
Smith & Williamson LLP	Members' capital (share units)	100	9
Smith & Williamson Nominees Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Pensioner Trustee Limited	€1.00 Ordinary shares	100	14
Smith & Williamson Services Limited	£0.10 Ordinary shares	100	9
Smith & Williamson Tax LLP	Members' capital	100	9
Smith & Williamson TBS Holdings Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Trust Corporation Limited	£1.00 Ordinary shares	100	9
Smith & Williamson Trustees Limited	£1.00 Ordinary shares	100	9
St Vincent St Fund Administration Limited	£1.00 Ordinary shares	100	9
Tilney US Services LLP	Members' capital	100	1
Tilney (Holdings) Limited	£0.10 Ordinary shares	100	1
Tilney Asset Management Group Limited	£0.05 Ordinary shares	100	1
Tilney Asset Management Holdings Limited	£0.00001 Ordinary A shares £0.00001 Ordinary B shares	100 100	1
Tilney Asset Management Limited	£1.00 Ordinary shares	100	1
Tilney Asset Management (Guernsey) Limited	£1.00 Ordinary shares	100	5
Tilney Asset Management Services Limited	£1.00 Ordinary shares	100	1
Tilney Bestinvest Group Limited	£1.00 Ordinary shares	100	2
Tilney Discretionary Investment Management Limited	£1.00 Ordinary shares	100	1
Tilney Discretionary Portfolio Management Limited	£1.00 Deferred Ordinary shares £1.00 Ordinary shares	100 100	1
Tilney Financial Planning Limited	£1.00 Ordinary shares £1.00 Ordinary A shares £1.00 Preference shares	100 100 100	1
Tilney Fund Managers Limited (dissolved 28 February 2021)	£1.00 Ordinary shares	100	1

Tilney Smith & Williamson Limited

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Notes to the Company Financial Statements

For the year ended 31 December 2020

45. Investments in subsidiaries (continued)

Company Name	Share Class	% held by Group	Registered office
Tilney Fund Managers Ireland Limited	€1.00 Ordinary shares	100	7
Tilney Global IDF G.P. Limited	US\$1.00 Ordinary shares	100	8
Tilney Group Limited	£1.00 Ordinary shares	100	2
Tilney Investment Management	£1.00 Ordinary shares	100	1
Tilney Investment Management Services Limited	£1.00 Ordinary shares	100	1
Tilney Nominees Limited	£1.00 Ordinary shares	100	1
Tilney Nominees No.2 Limited	£1.00 Ordinary shares	100	1
TL Jerseyco Finance Limited	NPV Unlimited Ordinary shares	100	6
Towry Asset Management Limited	£1.00 Ordinary shares	100	2
Towry Finance Company Limited	£1.00 Ordinary shares	100	2
Towry Group Limited	£1.00 Ordinary shares	100	2
Towry Holdings Limited	£0.10 Ordinary shares	100	2
Towry Law Limited (dissolved 28 February 2021)	£0.0000001 Ordinary shares	100	2
Towry Limited	£1.00 Ordinary shares	100	2
Towry Nominees No.2 Limited	£1.00 Ordinary shares	100	2
Towry Security Company Limited	£1.00 Ordinary shares	100	2
Towry Services Limited	£1.00 Ordinary shares	100	2
TS&W Services Limited	£1.00 Ordinary shares	100	1
UK Portfolio Management Limited	£0.10 Ordinary shares	100	2
UK Wealth Management Limited	£1.00 Ordinary shares	100	2
YIGAM Holdings Limited	£1.00 Ordinary shares	100	2

- 6 Chesterfield Gardens, London W1J 5BQ, England
- The Observatory, Western Road, Bracknell, Berkshire RG12 1TL, England
- 220 St Vincent Street, Glasgow G2 5SG, Scotland
- Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, England
- Oak House, Hirzel Street, St Peter Port, GY1 2NP, Guernsey
- 44 Esplanade, St Helier, JE4 9WG, Jersey
- 25/28 North Wall Quay, International Financial Services Centre, Dublin 1 D01H104, Republic of Ireland
- c/o Estera Services (Bermuda) Limited, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda
- 25 Moorgate, London, EC2R 6AY, England
- 32-38 Linenhall Street, Belfast, County Antrim, BT2 8BG, Northern Ireland
- Paramount Court, Corrig Road, Sandyford Business Park, Dublin 18, D18 R9C7, Ireland
- 4th Floor Portwall Place, Portwall Lane, Bristol, BS1 6NA, England
- 3rd Floor, Weighbridge House, Liberation Square, St Helier, JE2 3NA, Jersey
- Alexandra House, 3 Ballsbridge Park, Ballsbridge, Dublin 4, D04 C7H2, Ireland
- Trinity Point, 10/11 Leinster Street South, Dublin 2, D02 EF85, Ireland

Tilney Smith & Williamson Limited

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Notes to the Company Financial Statements

For the year ended 31 December 2020

46. Loans to other group entities

	2020 £000	2019 £000
Balance as at 1 January	195,743	195,743
Repayment of loan	(9,600)	-
Balance as at 31 December	<u>186,143</u>	<u>195,743</u>

The loans to subsidiaries carry interest rates between 5% and 6% above 3 months LIBOR and are repayable on demand. During the year, the loan of £9.6 million issued to Tilney (Holdings) Limited was settled by netting off the intercompany balance due to Tilney (Holdings) Limited.

47. Financial assets

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Derivatives

Details of the derivative financial instruments are given in note 19 to the Consolidated Financial Statements.

Trade and other receivables

	2020 £000	2019 £000
Amounts owed by group undertakings	90,510	45,822
Prepayments and accrued income	-	202
	<u>90,510</u>	<u>46,024</u>

The carrying amount of amounts owed by group undertakings approximates to their fair value. There are no past due or impaired receivable balances.

48. Trade and other payables

	2020 £000	2019 £000
Amounts owed to group undertakings	184,548	122,965
Other taxes and social security	-	26
Accruals and deferred income	-	144
Other creditors	1,028	1,935
	<u>185,576</u>	<u>125,070</u>

Amounts in Other creditors are for deferred payments relating to the acquisition of Index Wealth Management.

Tilney Smith & Williamson Limited
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Notes to the Company Financial Statements

For the year ended 31 December 2020

49. Borrowings

	2020 £000	2019 £000
Unsecured borrowing at amortised cost		
Loans from parent undertakings	28,500	3,500
Secured borrowing at amortised cost		
Bank loans	-	383,460
	<hr/>	<hr/>
Total borrowings	28,500	386,960
	<hr/>	<hr/>
Amount due for settlement within 12 months	28,500	13,434
Amount due for settlement after 12 months	-	40,514
Amount due for settlement after 5 years	-	333,012
	<hr/>	<hr/>

Details of borrowings are given in note 23 to the Consolidated Financial Statements.

Loans from parent undertakings are repayable on demand.

Tilney Smith & Williamson Limited
Financial Statements

Notes to the Company Financial Statements

For the year ended 31 December 2020

49. Borrowings (continued)

Reconciliation of movements of liabilities to cash flows from financing activities

	Loans from group entities £000	Bank loans £000	Lease liabilities £000	Total £000
At 1 January 2019	3,500	384,263	145	387,908
Changes from financing cash flows				
Interest paid	-	(23,168)	-	(23,168)
Repayments of borrowings	-	(3,250)	-	(3,250)
Payments of lease liabilities	-	-	(140)	(140)
Refinancing costs	-	(43)	-	(43)
Total changes from financing cash flows	-	(26,461)	(140)	(26,601)
Changes in fair value	-	-	-	-
Other non-cash changes				
Interest expense	-	25,802	-	25,802
New lease recognised	-	-	121	121
Refinancing costs payable	-	(144)	-	(144)
Total other changes	-	25,658	121	25,779
At 31 December 2019	3,500	383,460	126	387,086
Changes from financing cash flows				
Interest paid	-	(15,330)	-	(15,330)
Repayments of borrowings	-	(6,175)	-	(6,175)
Payments of lease liabilities	-	-	(122)	(122)
Proceeds from borrowings	-	25,000	-	25,000
Total changes from financing cash flows	-	3,495	(122)	3,373
Changes in fair value	-	-	-	-
Other changes				
Interest expense	-	16,947	-	16,947
Refinancing costs transferred to parent	-	11,673	-	11,673
Novation of loan to parent entity	25,000	(25,000)	-	-
Issue of shares	-	(390,575)	-	(390,575)
Total other changes	25,000	(386,955)	-	(361,955)
At 31 December 2020	28,500	-	4	28,504

Tilney Smith & Williamson Limited
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Notes to the Company Financial Statements

For the year ended 31 December 2020

50. Leases

Right-of-use assets

	Equipment £000
Cost	
At 1 January 2019	320
Additions	121
	<hr/>
At 31 December 2019	441
Additions	-
	<hr/>
At 31 December 2020	441
	<hr/>
Accumulated depreciation	
At 1 January 2019	200
Charge for the year	99
	<hr/>
At 31 December 2019	299
Charge for the year	114
	<hr/>
At 31 December 2020	413
	<hr/>
Carrying amount	
At 31 December 2020	28
	<hr/>
At 31 December 2019	142
	<hr/>

Lease liabilities

	2020 £000	2019 £000
Maturity analysis – contractual undiscounted cash flows		
Within one year	24	121
In the second to fifth years inclusive	-	24
	<hr/>	<hr/>
Total undiscounted lease liabilities at 31 December	24	145
	<hr/>	<hr/>
Lease liabilities included in the balance sheet at 31 December		
Current	4	102
Non-current	-	24
	<hr/>	<hr/>
	4	126
	<hr/>	<hr/>

Amounts recognised in the income statement

	2020 £000	2019 £000
Interest on lease liabilities	-	1
	<hr/>	<hr/>

Tilney Smith & Williamson Limited

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For the year ended 31 December 2020

50. Leases (continued)

Amounts recognised in the statement of cash flows

	2020 £000	2019 £000
Total cash outflow for leases	122	140

51. Share capital

The movement on share capital is disclosed in note 28 of the Consolidated Financial Statements.

52. Notes to the cash flow statement

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit/(loss) before tax	839	(12,755)
Adjustments for:		
Investment revenue	(12,434)	(13,409)
Finance costs	17,608	26,031
Fair value loss arising from derivatives	194	34
Depreciation of right-of-use assets	114	99
Operating cash flows before movements in working capital	6,321	-
Increase in trade and other receivables	(32,814)	(15,671)
Increase in trade and other payables	18,771	32,980
Cash (used in)/generated from operations	(7,722)	17,309
Interest paid	-	(10)
Net cash (used in)/generated from operating activities	(7,722)	17,299

Dividend distribution during the year of £42.7 million is a non-cash transaction and therefore not included within financing activities in the Company Cash Flow Statement.

53. Financial risk management

The Company's financial risk management is consistent with the Group's approach as set out in note 34. The sections relevant to the Company have been included below.

Maximum exposure to credit risk

The only credit risk the Company is exposed to is on intercompany balances and cash balances, and as such credit risk is not considered to be material.

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54. Related party transactions

Trading transactions

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

Interest on intercompany loans	Amounts owed by related parties		Amounts owed to related parties	
	2020 £000	2019 £000	2020 £000	2019 £000
Parent undertaking				
Violin Equityco Limited	-	-	262	182
Subsidiary undertaking				
Tilney (Holdings) Limited	323	566	-	-
TL JerseyCo Finance Limited	800	849	-	-
Towry Finance Company Limited	11,310	11,994	-	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2020 £000	2019 £000	2020 £000	2019 £000
Parent undertaking				
Violin Debtco Guernsey Limited	11,634	-	25,000	-
Violin Topco Limited	25	-	-	1,575
Violin Debtco Limited	-	-	15	15
Violin Equityco Limited	-	-	47,136	4,200
Subsidiary undertaking				
Bestinvest (Holdings) Limited	22,329	-	-	2,878
Tilney Investment Management Services Limited	-	-	3,947	947
Bestinvest (Consultants) Limited	200	200	-	-
Tilney (Holdings) Limited	2,253	11,530	-	-
HW Financial Services Limited	-	-	250	-
Tilney Investment Management	-	1,734	1,766	-
Tilney Asset Management Group Limited	-	-	2,889	2,889
Tilney Asset Management Holdings Limited	-	-	41	41
Tilney Asset Management Limited	-	-	1,251	501
Tilney US Services LLP	-	-	1,000	1,000
Index WM (Holdings) Limited	485	485	-	-
Tilney Services Limited	-	-	129,753	112,420
TL JerseyCo Finance Limited	16,208	15,408	-	-
Towry Finance Company Limited	223,519	212,209	-	-

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

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55. Directors' remuneration

The emoluments of those Directors whose executive services were provided to the Company during the year ended 31 December 2020 are presented in note 38.

The Directors of the Company are employed by fellow subsidiary undertakings of the Tilney Smith & Williamson Limited group.

The Company has no employees.

56. Controlling party

At 31 December 2020, the Company's ultimate parent undertaking is Platinum L.P. Guernsey Limited, a company incorporated in Guernsey.

Symmetry Topco Guernsey Limited, a company incorporated in the Guernsey, is the parent undertaking of the largest group for which group financial statements are produced.

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