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ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

Report and Financial Statements

Year ended 31 December 2018



ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED
REPORT AND FINANCIAL STATEMENTS 2018

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ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Murray

J E Dodd

REGISTERED OFFICE

6th floor

Exchange Plaza

50 Lothian Road

Edinburgh

EH3 9BY

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

STRATEGIC REPORT

The directors present their strategic report for Artemis Strategic Asset Management Limited for the year ended 31 December 2018.

REVIEW OF THE BUSINESS

The Company's principal activity is to act as an intermediate holding company within the Artemis group. The performance of Artemis Strategic Asset Management Limited depends solely on the distribution received from its subsidiary undertaking, Artemis Investment Management LLP.

RESULTS OF THE BUSINESS

The audited financial statements for the year ended 31 December 2018 are set out on pages 8 to 15. The profit for the financial year was £53,786,000 (2017: £49,610,000) and was transferred to reserves. The directors approve the results for the year.

Dividends of £54,227,000 were paid in the year (2017: £48,193,000). These dividends were funded by distributions received from the Company's subsidiary undertaking, Artemis Investment Management LLP. The increase in dividend income is due to the increase in profit generated by Artemis Investment Management LLP.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Artemis group and are not managed separately. The Company's principal activity is to act as a holding company, receiving dividends from its subsidiary Artemis Investment Management LLP (the main operating entity in the Artemis group). Therefore, the Company is not exposed to specific risks that differ from the Artemis group as a whole. The principal risks and uncertainties of the Artemis group, which include those of the Company, are set out in the annual report of Artemis Investment Management LLP and do not form part of this report.

Approved by the Board of Directors
and signed on behalf of the Board



M J Murray
Director
21 March 2019

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Artemis Strategic Asset Management Limited for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

Artemis Strategic Asset Management Limited is a private company limited by shares. It was incorporated, and is domiciled, in Scotland with registration number SC171550. As referred to in the strategic report, the Company is an intermediate holding company within the Artemis group and its future development is dependent on the level of distributions received from its subsidiary undertaking. There are no immediate changes envisaged in the operation of the group.

DIVIDENDS

As stated above, dividends of £54,227,000 were paid during the year (2017: £48,193,000). These dividends were funded by a share of profits received from the Company's subsidiary undertaking, Artemis Investment Management LLP.

POST BALANCE SHEET EVENT

A dividend of £12,512,000 was paid in January 2019. This was funded from a share of profits received from the Company's subsidiary undertaking, Artemis Investment Management LLP, in January 2019.

DIRECTORS

The directors of the Company who served during the year ended 31 December 2018 are listed on page 1.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS INSURANCE

Directors' and Officers' liability insurance cover is held by the Company to cover directors against certain liabilities that may arise when conducting their duties.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, directors' report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

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

INDEPENDENT AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'M J Murray', written over a horizontal line.

M J Murray
Director
21 March 2019

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

Report on the financial statements

Opinion

In our opinion, Artemis Strategic Asset Management Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Lindsay Gardiner (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 March 2019

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Distribution from group undertakings	3	<u>66,403</u>	<u>61,437</u>
Profit before taxation	4	66,403	61,437
Tax on profit	5	<u>(12,617)</u>	<u>(11,827)</u>
Profit for the financial year		<u>53,786</u>	<u>49,610</u>

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and, accordingly, no Statement of Comprehensive Income is shown.

The current and prior year results have been derived wholly from continuing operations.

The notes on pages 12 to 15 form an integral part of these financial statements.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	7	60,772	60,772
Current assets			
Debtors	8	15,445	16,039
Cash at bank and in hand		2,573	2,063
		<u>18,018</u>	<u>18,102</u>
Creditors: Amounts falling due within one year	9	<u>(6,207)</u>	<u>(5,850)</u>
Net current assets		<u>11,811</u>	<u>12,252</u>
Total assets less current liabilities		<u>72,583</u>	<u>73,024</u>
Capital and reserves			
Called up share capital	10	129	129
Share premium account		52,298	52,298
Capital redemption reserve		890	890
Profit and loss account		19,266	19,707
Total shareholders' funds		<u>72,583</u>	<u>73,024</u>

The notes on pages 12 to 15 form an integral part of these financial statements. These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2019.

Signed on behalf of the Board of Directors



M J Murray
Director

Company registration number: SC171550

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2017	129	52,298	890	18,290	71,607
Profit for the financial year	-	-	-	49,610	49,610
Total comprehensive income for the year	-	-	-	49,610	49,610
Dividends	-	-	-	(48,193)	(48,193)
Balance at 31 December 2017	129	52,298	890	19,707	73,024
Profit for the financial year	-	-	-	53,786	53,786
Total comprehensive income for the year	-	-	-	53,786	53,786
Dividends	-	-	-	(54,227)	(54,227)
Balance at 31 December 2018	129	52,298	890	19,266	72,583

Included in the income statement is £nil (2017: £nil) of profits which are not available for distribution as they are unrealised.

The notes on pages 12 to 15 form an integral part of these financial statements.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities	-	-
Taxation	(12,312)	(11,640)
Net cash used in operating activities	(12,312)	(11,640)
Cash flows from investing activities		
Income from group undertaking	67,049	59,816
Net cash generated from investing activities	67,049	59,816
Cash flows from financing activities		
Dividends paid	(54,227)	(48,193)
Net cash used in financing activities	(54,227)	(48,193)
Net increase/(decrease) in cash and cash equivalents	510	(17)
Cash and cash equivalents at the beginning of the year	2,063	2,080
Cash and cash equivalents at the end of the year	2,573	2,063

The notes on pages 12 to 15 form an integral part of these financial statements.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES

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

General information and basis of accounting

Artemis Strategic Asset Management Limited is a company domiciled in Scotland and incorporated under the Companies Act, registration number SC171550. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out on page 2.

These financial statements have been prepared under the historic cost convention (modified to include certain items at fair value), and in accordance with Financial Reporting Standard 102 (FRS 102) and with the Companies Act 2006.

These financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent, Affiliated Managers Group, Inc.

The financial statements are presented in pound sterling, which is the Company's functional and operating currency.

Going concern

The directors have assessed the Company's ability to continue as a going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Investments

Investments in subsidiaries are stated at cost less accumulated impairment. At each balance sheet date an assessment is undertaken to determine if there is any indication of impairment of subsidiaries. If there is an indication of impairment, an estimate of the recoverable amount is made. Any impairment is taken to the income statement.

Revenue is generated from the Company's investment in Artemis Investment Management LLP. This is recognised on a monthly basis as income through the income statement.

Dividends

Dividend receivables and liabilities are only recognised when the dividends have been declared and approved.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 1, 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. As 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. The estimates and underlying assumptions are reviewed on an ongoing basis.

The directors consider that there are no accounting estimates that have been made or sources of uncertainty in the current year that would have a material effect on these financial statements.

3. DISTRIBUTION FROM GROUP UNDERTAKINGS

During the year the Company received distributions of £66,403,000 (2017: £61,437,000) from Artemis Investment Management LLP.

At the year end, the Company had a receivable amount due from Artemis Investment Management LLP of £15,445,000 (2017: £16,039,000) in relation to a contractually agreed allocation of income.

4. PROFIT BEFORE TAXATION

The audit fee for the Company of £2,495 (2017: £2,420) was borne by Artemis Investment Management LLP. No fees were paid to the auditors in respect of non audit services for the current or prior year.

No directors received remuneration for services to the Company in the current or prior year directly from the Company. The directors were also members of Artemis Investment Management LLP during the year.

There were no employees during the current year or prior year. All service contracts are with Artemis Investment Management LLP.

5. TAX ON PROFIT

	2018 £000	2017 £000
Current tax:		
UK corporation tax on profit for the year	12,617	11,827
Tax on profit	<u>12,617</u>	<u>11,827</u>

The tax assessed for the year is equal to (2017: equal to) the standard rate of corporation tax in the UK.

	2018 £000	2017 £000
Reconciliation of tax charge		
Profit before taxation	<u>66,403</u>	<u>61,437</u>
Tax charge on profit at 19% (2017: 19.25%)	<u>12,617</u>	<u>11,827</u>
Tax charge for the year	<u>12,617</u>	<u>11,827</u>

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6. ORDINARY DIVIDENDS PAID

	2018 £000	2017 £000
Dividends on ordinary shares	<u>54,227</u>	<u>48,193</u>

Dividends of £291.06, £280.07, £337.91 and £309.54 per share were paid in January, April, July and October 2018 respectively (2017: £259.20, £266.01, £277.76 and £280.02 per share in January, April, July and October respectively).

7. INVESTMENTS

	2018 £000	2017 £000
Investment in subsidiary undertaking	<u>60,772</u>	<u>60,772</u>

The investment represents the capital contribution by the Company to Artemis Investment Management LLP. This entitles the Company to a proportion of the income generated by Artemis Investment Management LLP. The directors consider the value of the investment to be supported by that entity's underlying assets.

8. DEBTORS

	2018 £000	2017 £000
Amounts owed by group undertakings	<u>15,445</u>	<u>16,039</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Corporation tax	<u>6,207</u>	<u>5,850</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

ARTEMIS STRATEGIC ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
Authorised		
Ordinary shares of £1 each	46	46
0% redeemable preference shares of £1 each	85	85
7% redeemable preference shares of £1 each	1,315	1,315
	<u>1,446</u>	<u>1,446</u>
Allotted and fully paid		
Ordinary shares of £1 each	44	44
0% redeemable preference shares of £1 each	85	85
	<u>129</u>	<u>129</u>

The 0% redeemable preference shares do not carry any right to receive a dividend. The 7% redeemable preference shares carry a right to receive a fixed non-cumulative preferential dividend of 7% per annum. Both classes of redeemable preference shares are redeemable by the Company at par at any time. Neither class of redeemable preference shares has any entitlement to vote at general meetings of the Company.

There is a single class of ordinary shares for which there are no restrictions on the distribution of dividends and the repayment of capital.

11. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Artemis Asset Management Limited, which is incorporated and registered in Scotland. A copy of that Company's financial statements is available from the Company Secretariat, 6th floor, Exchange Plaza, 50 Lothian Road, Edinburgh EH3 9BY.

The Company's ultimate parent undertaking which presents group financial statements in which the Company is included is Affiliated Managers Group, Inc., a company incorporated in the USA. These group financial statements are available from Affiliated Managers Group, Inc., 777 South Flagler Drive, West Palm Beach, Florida 33401, USA.

12. RELATED PARTY TRANSACTIONS

The Company paid dividends of £54,227,000 (2017: £48,193,000) to its parent company, Artemis Asset Management Limited (see note 6).

The Company received income of £66,403,000 (2017: £61,437,000) from its subsidiary undertaking, Artemis Investment Management LLP. At the year end, the Company had a net balance due from Artemis Investment Management LLP of £15,445,000 (2017: £16,039,000) (see note 8).

13. SUBSEQUENT EVENTS

A dividend of £12,512,000 was paid in January 2019. This was funded from a share of profits received from the Company's subsidiary undertaking, Artemis Investment Management LLP, in January 2019.