

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

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# Smith & Williamson I M Limited

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# Smith & Williamson I M Limited

## Strategic report

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### Business overview

The principal activity of Smith & Williamson I M Limited ('the company') is to operate as an intermediate holding company and a corporate member of Smith & Williamson Investment Management LLP, from which it receives a profit share.

### Strategic objectives and key performance indicators

The company acts as an intermediate holding company. Therefore, an analysis of key performance indicators is not considered to be relevant for the company.

### Financial review

Profit before tax for the year was £43.0 million (2019: £10.4 million). Operating cash inflow before movements in operating assets and liabilities was £43.0 million (2019: £10.4 million).

The profit before tax and operating cash inflow reflects the profit share received from Smith & Williamson Investment Management LLP.

Tax charge for the year was £9.2 million (2019: £3.0 million). A full reconciliation is set out in note 5.

At 30 April 2020, the company had net assets of £33.4 million (2019 £20.6 million).

### Going concern

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

Despite the global economic impact of the COVID-19 induced lockdown, the company has access to adequate financial resources and therefore, the directors believe that the company is well placed to manage its financial risks successfully.

The directors have a reasonable expectation that the company 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 financial statements.

### Principal risks and uncertainties

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

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

### Corporate responsibility and environmental policy

The corporate responsibility and environmental policy of the company is as set out in Smith & Williamson Holdings Limited's annual report and accounts, which does not form part of this report.

### Section 172 statement

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

# Smith & Williamson I M Limited

## Strategic report (continued)

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### Events after the balance sheet date

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

On behalf of the board



**G T Hotson**  
Director

30 September 2020

# Smith & Williamson I M Limited

## Directors' report

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

### Directors

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

G T Hotson  
D M Cobb  
K P Stopps

### Dividends

Dividends of £21.0 million were paid during the year (2019: £10.2 m). The directors do not recommend the payment of a final dividend (2019: £nil).

### Indemnity

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

### Principal risks and uncertainties

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

### Future outlook

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

### Independent auditors

During the year, PricewaterhouseCoopers LLP resigned as auditors. On 28 May 2020, Mazars LLP were appointed as auditors.

### Statement of directors' responsibilities

The directors are responsible for preparing the 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 prepared to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# Smith & Williamson I M Limited

## Directors' report (continued)

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

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

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

On behalf of the board



**D A Saunders**  
Company Secretary  
25 Moorgate,  
London,  
EC2R 6AY

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30 September 2020

# Independent auditor's report

to the members of Smith & Williamson I M Limited

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## Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

## Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

# Independent auditors' report (continued)

to the members of Smith & Williamson I M Limited

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## Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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

1 October 2020

# Smith & Williamson I M Limited

## Statement of comprehensive income

for the year ended 30 April 2020

|                                                | Note | Year ended<br>30 April 2020<br>£'000 | Year ended<br>30 April 2019<br>£'000 |
|------------------------------------------------|------|--------------------------------------|--------------------------------------|
| Investment income                              | 3    | 43,043                               | 10,387                               |
| Operating expenses                             | 4    | (6)                                  | (2)                                  |
| <b>Profit before tax</b>                       |      | <b>43,037</b>                        | <b>10,385</b>                        |
| Taxation                                       | 5    | (9,248)                              | (2,965)                              |
| <b>Profit for the year</b>                     |      | <b>33,789</b>                        | <b>7,420</b>                         |
| <b>Total comprehensive income for the year</b> |      | <b>33,789</b>                        | <b>7,420</b>                         |

The accompanying notes to the financial statements on pages 11 to 18 form an integral part of the financial statements.

# Smith & Williamson I M Limited

## Balance sheet

as at 30 April 2020

|                                                          | Note | As at<br>30 April 2020<br>£'000 | As at<br>30 April 2019<br>£'000 |
|----------------------------------------------------------|------|---------------------------------|---------------------------------|
| <b>Assets</b>                                            |      |                                 |                                 |
| <b>Non-current assets</b>                                |      |                                 |                                 |
| Investments in subsidiaries                              | 6    | 33,888                          | 31,402                          |
| Deferred tax assets                                      | 9    | 525                             | 6,315                           |
|                                                          |      | <u>34,413</u>                   | <u>37,717</u>                   |
| <b>Current assets</b>                                    |      |                                 |                                 |
| Cash and cash equivalents                                | 7    | 44                              | 29                              |
| Current tax assets                                       |      | 842                             | -                               |
|                                                          |      | <u>886</u>                      | <u>29</u>                       |
| <b>Total assets</b>                                      |      | <u>35,299</u>                   | <u>37,746</u>                   |
| <b>Liabilities</b>                                       |      |                                 |                                 |
| <b>Current liabilities</b>                               |      |                                 |                                 |
| Accruals, deferred income, provisions and other payables | 8    | 1,923                           | 15,587                          |
| Current tax liabilities                                  |      | -                               | 1,572                           |
|                                                          |      | <u>1,923</u>                    | <u>17,159</u>                   |
| <b>Total liabilities</b>                                 |      | <u>1,923</u>                    | <u>17,159</u>                   |
| <b>Net assets</b>                                        |      | <u>33,376</u>                   | <u>20,587</u>                   |
| <b>Equity</b>                                            |      |                                 |                                 |
| Share capital                                            | 10   | -                               | -                               |
| Other reserves                                           |      | 24,976                          | 24,976                          |
| Retained earnings/(accumulated losses)                   |      | 8,400                           | (4,389)                         |
| <b>Total equity</b>                                      |      | <u>33,376</u>                   | <u>20,587</u>                   |

The accompanying notes to the financial statements on pages 11 to 18 form an integral part of the financial statements.

The financial statements on pages 7 to 18 were approved by the board and authorised for issue on 30 September 2020 and signed on its behalf by:



G T Hotson  
Director

Company Registration Number: 7837708

# Smith & Williamson I M Limited

## Cash flow statement

for the year ended 30 April 2020

|                                                                                  | Note | Year ended<br>30 April 2020<br>£'000 | Year ended<br>30 April 2019<br>£'000 |
|----------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>                                      |      |                                      |                                      |
| Profit before tax                                                                |      | 43,037                               | 10,385                               |
| <b>Operating cash flows before movements in operating assets and liabilities</b> |      | <b>-43,037</b>                       | <b>10,385</b>                        |
| <b>Changes in operating assets and liabilities</b>                               |      |                                      |                                      |
| (Decrease)/increase in accruals, deferred income, provisions and other payables  |      | (13,664)                             | 7,493                                |
| <b>Cash generated from operations</b>                                            |      | <b>29,373</b>                        | <b>17,878</b>                        |
| Tax paid                                                                         |      | (5,872)                              | (4,524)                              |
| <b>Net cash inflow from operating activities</b>                                 |      | <b>23,501</b>                        | <b>13,354</b>                        |
| <b>Cash flow from investing activities</b>                                       |      |                                      |                                      |
| Increase in investments in subsidiaries                                          |      | (2,486)                              | (3,217)                              |
| <b>Net cash used in investing activities</b>                                     |      | <b>(2,486)</b>                       | <b>(3,217)</b>                       |
| <b>Cash flows from financing activities</b>                                      |      |                                      |                                      |
| Dividends paid                                                                   |      | (21,000)                             | (10,240)                             |
| <b>Net cash used in financing activities</b>                                     |      | <b>(21,000)</b>                      | <b>(10,240)</b>                      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                      |      | <b>15</b>                            | <b>(103)</b>                         |
| Cash and cash equivalents at beginning of the year                               |      | 29                                   | 132                                  |
| <b>Cash and cash equivalents at the end of the year</b>                          | 7    | <b>44</b>                            | <b>29</b>                            |

The accompanying notes to the financial statements on pages 11 to 18 form an integral part of the financial statements.

# Smith & Williamson I M Limited

## Statement of changes in equity

for the year ended 30 April 2020

|                                                             | Share<br>capital<br>£'000 | Retained<br>earnings/<br>(accumulated<br>losses)<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|-------------------------------------------------------------|---------------------------|-----------------------------------------------------------|-------------------------------------------|--------------------------|
| Equity at 30 April 2018                                     | -                         | (1,569)                                                   | 24,976                                    | 23,407                   |
| Total comprehensive income for the year ended 30 April 2019 | -                         | 7,420                                                     | -                                         | 7,420                    |
| Equity dividends paid                                       | -                         | (10,240)                                                  | -                                         | (10,240)                 |
| Equity at 30 April 2019                                     | -                         | (4,389)                                                   | 24,976                                    | 20,587                   |
| Total comprehensive income for the year ended 30 April 2020 | -                         | 33,789                                                    | -                                         | 33,789                   |
| Equity dividends paid                                       | -                         | (21,000)                                                  | -                                         | (21,000)                 |
| Equity at 30 April 2020                                     | -                         | 8,400                                                     | 24,976                                    | 33,376                   |

The accompanying notes to the financial statements on pages 11 to 18 form an integral part of the financial statements.

# Smith & Williamson I M Limited

## Notes to the financial statements

for the year ended 30 April 2020

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### 1. Principal accounting policies

Smith & Williamson I M Limited is a company incorporated and domiciled in the United Kingdom.

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

#### New standards and interpretations not yet adopted

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

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

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

#### Going concern

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

Despite the global economic impact of the COVID-19 induced lockdown, the company has access to adequate financial resources and therefore, the directors believe that the company is well placed to manage its financial risks successfully.

In forming this view, the directors have considered the company's prospects for a period of at least 12 months. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Basis of consolidation

The company has elected not to prepare consolidated financial statements in accordance with the IAS 27 'Consolidated and Separate Financial Statements' exemption. The financial statements are separate financial statements for Smith & Williamson I M Limited. Smith & Williamson Holdings Limited incorporated in the UK is the ultimate parent entity of the company and has prepared publicly available financial statements which comply with IFRSs. A copy can be obtained from the Company Secretary at 25 Moorgate, London EC2R 6AY. Details of subsidiaries are included in note 6.

#### Foreign currencies

##### Functional and presentation currency

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

##### Transactions and balances

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

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

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### Income recognition

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

#### Net interest income

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

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

#### Investment income

Income arising from the investment in Smith & Williamson Investment Management LLP is recognised when profits are allocated.

### Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

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

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

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

### Cash and cash equivalents

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

### Investments in subsidiaries

Investments in subsidiaries are held at cost less any accumulated impairment losses.

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

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### Financial instruments

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

### Financial assets

#### Classification of financial instruments

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

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

#### *Financial assets measured at amortised cost*

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

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

#### Impairment of financial assets

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

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

#### Stage 1: 12-months ECL

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

#### Stage 2: Lifetime ECL – not credit impaired

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

#### Stage 3: Lifetime ECL – credit impaired

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

#### *Measurement of ECLs*

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

Other receivables are generally short term and do not contain significant financing components. ECLs are based on actual credit loss experience adjusted by forward-looking estimates.

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

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

### Presentation

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

### Financial liabilities

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

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

### Share capital

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

### Dividends

Distributions payable to the company's shareholders are recognised as a liability and deducted from equity in the period in which the shareholders' right to receive payment is established.

## 2. Critical accounting judgements and key sources of estimation uncertainty

The company makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no accounting judgements and key sources of estimation uncertainty which are determined to be significant to the financial statements in the current or prior year.

## 3. Investment income

|                                              | 2020   | 2019   |
|----------------------------------------------|--------|--------|
|                                              | £'000  | £'000  |
| Allocation of profits from related parties   |        |        |
| Smith & Williamson Investment Management LLP | 43,043 | 10,387 |

## 4. Operating expenses

|                                                                            | 2020  | 2019  |
|----------------------------------------------------------------------------|-------|-------|
|                                                                            | £'000 | £'000 |
| Auditors' remuneration for the audit of the company's financial statements | 2     | 2     |
| Other operating expenses                                                   | 4     | -     |
|                                                                            | 6     | 2     |

## 5. Taxation

|              | 2020  | 2019    |
|--------------|-------|---------|
|              | £'000 | £'000   |
| Current tax  | 3,458 | 3,980   |
| Deferred tax | 5,790 | (1,015) |
|              | 9,248 | 2,965   |

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

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

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

|                                                   | 2020   | 2019   |
|---------------------------------------------------|--------|--------|
|                                                   | £'000  | £'000  |
| Profit before tax                                 | 43,037 | 10,385 |
| Tax calculated at UK tax rate 19.0% (2019: 19.0%) | 8,177  | 1,973  |
| Tax on unallocated profit from group partnerships | 1,071  | 992    |
|                                                   | 9,248  | 2,965  |

### 6. Investments in subsidiaries

| Name                                                      | Place of incorporation | Ordinary shares/ share units % held | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------------------------------------|------------------------|-------------------------------------|---------------|---------------|
| Smith & Williamson Investment Management LLP              | England and Wales      | 89                                  | 33,888        | 31,402        |
| Smith & Williamson Investment Management (Europe) Limited | Ireland                | -                                   | -             | -             |
|                                                           |                        |                                     | 33,888        | 31,402        |

The registered office for Smith & Williamson Investment Management LLP is 25 Moorgate, London, EC2R 6AY, England.

During the year, the company purchased 272,032 share units (2019: 273,069 share units) for £2.3 million (2019: £2.4 million) and £0.2 million (2019: £0.8 million) of B capital from individual members of Smith & Williamson Investment Management LLP.

During prior year, the company acquired 99.9% of the issued shares in Smith & Williamson Investment Management (Europe) Limited, an investment management firm based in Dublin, from Smith & Williamson Investment Management LLP for a consideration of £1.3 million which was then transferred to Smith & Williamson Holdings Limited at carrying value.

### 7. Cash and cash equivalents

|              | 2020  | 2019  |
|--------------|-------|-------|
|              | £'000 | £'000 |
| Cash at bank | 44    | 29    |

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

### 8. Accruals, deferred income, provisions and other payables

|                               | 2020  | 2019   |
|-------------------------------|-------|--------|
|                               | £'000 | £'000  |
| Amount due to group companies | 1,921 | 15,585 |
| Accruals                      | 2     | 2      |
| Current liability             | 1,923 | 15,587 |

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

### 9. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company, and the movements thereon, during the current and prior reporting years.

|                                             | Allocation of profits<br>£'000 |
|---------------------------------------------|--------------------------------|
| At 30 April 2018                            | 5,300                          |
| Debit to the income statement for the year  | 1,015                          |
| At 30 April 2019                            | 6,315                          |
| Credit to the income statement for the year | (5,790)                        |
| At 30 April 2020                            | 525                            |

|                     | 2020<br>£'000 | 2019<br>£'000 |
|---------------------|---------------|---------------|
| Non-current assets  |               |               |
| Deferred tax assets | 525           | 6,315         |

### 10. Share capital

|                  | Authorised<br>Ordinary shares of £1 each |   | Allotted and fully paid<br>Ordinary shares of £1 each |   |
|------------------|------------------------------------------|---|-------------------------------------------------------|---|
|                  | Number                                   | £ | Number                                                | £ |
| At 30 April 2019 | 1                                        | 1 | 1                                                     | 1 |
| At 30 April 2020 | 1                                        | 1 | 1                                                     | 1 |

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

### 11. Contingent liabilities and commitments

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

### 12. Events after the balance sheet date

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

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

The High Court of Justice sanctioned the scheme at a hearing held on 6 August 2020. The transaction completed on 1 September 2020 at which point the entire issued and to be issued share capital of Smith & Williamson Holdings Limited was acquired by entities within the Tilney Group.

There have been no other material post balance sheet events.

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

### 13. Related party transactions

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

|                                                      | 2020   | 2019   |
|------------------------------------------------------|--------|--------|
|                                                      | £'000  | £'000  |
| Intercompany charges receivable from group companies | 43,043 | 10,387 |
| Intercompany charges payable to group companies      | -      | -      |

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

|                                                            | 2020  | 2019   |
|------------------------------------------------------------|-------|--------|
|                                                            | £'000 | £'000  |
| Smith & Williamson Investment Management LLP               | 1,923 | 15,175 |
| Smith & Williamson Holdings Limited Employee Benefit Trust | -     | 410    |
| Total amount due to group companies                        | 1,923 | 15,585 |

### 14. Directors' remuneration

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

|                               | 2020  | 2019  |
|-------------------------------|-------|-------|
|                               | £'000 | £'000 |
| Salaries and other emoluments | 3,101 | 2,586 |
| Pension scheme contributions  | -     | -     |
| Total emoluments              | 3,101 | 2,586 |

|                                                                | 2020  | 2019  |
|----------------------------------------------------------------|-------|-------|
|                                                                | £'000 | £'000 |
| The highest paid director received the following remuneration: |       |       |
| Salaries and other emoluments                                  | 1,218 | 1,038 |
| Pension scheme contributions                                   | -     | -     |
| Total emoluments                                               | 1,218 | 1,038 |

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

The company did not have any contractual employees during the current or prior year.

### 15. Capital management

Accounting capital is defined as the total of share capital, retained earnings and other reserves. Total capital at 30 April 2020 was £33.4 million (2019: £20.6 million). The company's objectives when managing capital are to:

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

# Smith & Williamson I M Limited

## Notes to the financial statements (continued)

for the year ended 30 April 2020

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### 16. Financial risk management

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

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

#### a) Credit risk

The only credit risk the company is exposed to is cash balances, and as such credit risk is not considered to be material.

#### b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due. The directors are of the opinion that the company does not have any significant liquidity risk.

#### c) Market risk

##### Interest rate risk

The company has no significant interest rate risk.

##### Foreign exchange risk

The company has no significant foreign exchange risk.

### 17. Ultimate controlling party

At 30 April 2020, the company's immediate parent company was Smith & Williamson Group Holdings Limited.

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

On 1 September 2020, the entire issued and to be issued share capital of Smith & Williamson Holdings Limited was acquired by entities within the Tilney group (note 12). Since 1 September 2020, the ultimate parent undertaking is Platinum L.P. Guernsey Limited, a company incorporated in Guernsey.

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