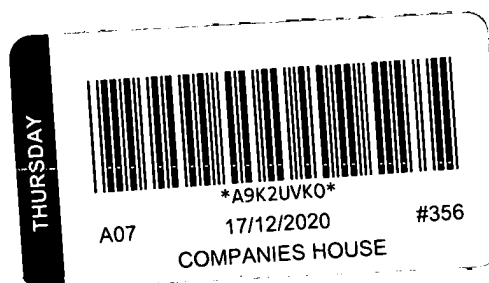


# **JULIUS BAER INTERNATIONAL LIMITED**

## **Annual Report and Financial Statements For the year ended 31 December 2019**

Company Registration Number 1120330



# Directors' Report and Financial Statements

## For the year ended 31 December 2019

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## **General Information**

### **Directors**

J Parrish (Chair)  
D Durlacher  
E Malcolm  
B Coombs  
N Casaulta

### **Registered Office**

1 St Martin's Le Grand  
London  
EC1A 4AS

### **Independent Auditors**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Bank**

HSBC Ltd  
69 Pall Mall  
London  
SW1Y 5EY

### **Solicitor**

Linklaters LLP  
One Silk Street  
London  
EC2Y 8HQ

## **Directors' Report**

The directors present their report and the audited financial statements of Julius Baer International Limited ("the Company") for the year ended 31 December 2019.

### **Principal Activities**

The Company's principal business is the marketing and provision of investment services to clients in the United Kingdom and overseas.

The Company has its head office in London, and regional office locations in Edinburgh, Leeds, Manchester and Belfast.

There have been no changes in the principal activity of the Company during the 2019 year and the directors expect the principal activity to continue unchanged for the foreseeable future.

The Company reported a loss for the year of £7,163,257 (2018: £792,627 loss) that has been taken to reserves.

The directors do not recommend the payment of a dividend in respect of the year under review (2018: Nil).

The Company is regulated by the Financial Conduct Authority in the United Kingdom.

The Company is wholly owned by Julius Baer Group Limited ("the Group"). None of the directors of the Company has a controlling interest in the parent entity.

### **Directors and their Interests**

The directors who held office during the year and up to the date of approving these accounts were as follows:

J Parrish (Chair)  
D Durlacher  
E Malcolm  
B Coombs  
N Casaulta

### **Registered Office**

1 St Martin's Le Grand  
London  
EC1A 4AS

### **Auditor**

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will continue in office.

## **Directors' Report (cont.)**

### **Going Concern**

Since the start of January 2020, global financial markets have been monitoring and reacting to the novel coronavirus (2019-nCoV), see note 20 for more detail. Despite the impact on financial markets, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing these financial statements.

### **Disclosure of Information to Auditor**

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 auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Political Contributions**

The Company made no political donations or incurred any political expenditure in the year (2018: nil).

## Directors' Report (cont.)

### Statement Of Directors' Responsibilities In Respect Of The Strategic Report, The Directors' Report And The Financial Statements

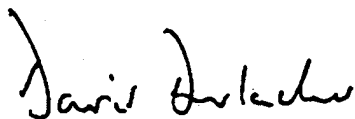
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



D. Durlacher  
Director  
22 April 2020

# Strategic Report

## Operating and Business Environment

The principal activities of the Company are servicing high net worth UK domestic and international clients on behalf of the Julius Baer Group. The Company provides investment management services including relationship management, investment advice, discretionary management and order passing to clients that custody their assets with other Julius Baer Group entities, primarily Bank Julius Baer & Co Ltd in Switzerland and its Guernsey branch. The Company is a service provider to those Group entities and does not custody client assets. The Company is regulated by the Financial Conduct Authority ("the FCA") and required to meet a number of financial resource requirements on an ongoing basis.

At time of writing (April 2020) there are significantly greater levels of uncertainty in the external operating environment than in recent years.

Covid-19 Coronavirus has required the Company to activate pandemic contingency plans, deploying >95% of employees into home-working arrangements, with a small number of key workers continuing to work in the London office to ensure continuity of client service. The infrastructure of the Company along with modifications made to processes have enabled this transition with minimal impact to client service. The Company is maintaining close connections with clients via multiple digital channels to ensure that service levels and relationships are maintained.

Market volatility is currently at heightened levels across all major markets, with key indices demonstrating significant declines on a month-to-date and year-to-date basis. These declines will reduce the value of assets that the Company services, resulting in reductions in revenues generated. These reductions are currently within amounts considered within the Company's capital planning process, and the Company remains confident of its ability to respond effectively to changing market conditions as required. Over the medium term, the Company believes this volatility can present opportunities to clients and underlines the importance of professional investment services.

The departure of the UK from the European Union is expected to have limited impact to the Company. There are no significant contractual relationships between the Company and any European Union service provider or entity of the Group, and the Company does not seek to attract new clients within the European Union.

The business model of the Company and of the Julius Baer Group is comparatively simple, focusing exclusively on providing services to high net worth and ultra high net worth individuals, in a conservative and well-capitalised basis. In line with prior experience during times of uncertainty, this business model is expected to perform well, providing comfort to clients and prospective clients and therefore a competitive advantage for the Company.

## Corporate Objectives and Strategy, Future Outlook and Plans

The company is seeking to become the most reputable and admired wealth manager in the UK, with a focus on sustainable profit growth over a medium-term time frame. To achieve this, the Company will seek to continue growth in the number of clients serviced and the total value of assets under management, and has the necessary resources to achieve this. The client centric nature of the business combined with the broad capabilities of the Julius Baer Group

and dedication to pure wealth management continue to be positive differentiators in the UK marketplace.

The Company focusses on servicing UK resident clients and international clients based in the UK. Consistent to prior years, clients that reside in the European Union are not a strategic growth target. As such, all scenarios regarding the UK's departure from the European Union have limited impact on the ability of the business to continue growth of assets and clients.

During 2019, the Company occupied new premises in Belfast, adding to the offices established in Leeds, Manchester and Edinburgh during 2018. Across these locations, the Company now has an improved ability to build close relationships with clients outside London and the South East. This diversifies the Company's exposure to the UK economy and ensures an ability to benefit from government planned development of the national economy. The Company has achieved significant traction in these new locations, attracting high quality Relationship Managers (RMs) and clients. While no further locations are currently planned, these will be considered in the future based on client demand, accessibility of talent and performance of the overall Company.

## **Business Review**

The value of client assets serviced improved in 2019, increasing from GBP 10.8bn to GBP 13.9bn due to a combination of factors. Net New Money growth represented 17.4% of 2018 client assets, demonstrating success of both RMs recruited in prior years and of established RMs in attracting new clients and developing relationships with existing clients. Improvements in capital market values and FX also increased client assets.

In 2019, the trend toward clients utilising the Company's higher value services continued, with asset inflows to Discretionary management and Investment Advice Advanced services. At year-end 2019, over 75% of client assets were invested in services providing either discretionary management or ongoing investment advice. In line with the businesses strategy, the growth in these services increased the value of revenues derived from ongoing asset-based fees increased.

Political uncertainty, primarily as a result of Brexit negotiations and national elections, resulted in subdued levels of client activity in advised portfolios throughout the majority of the year. The combination of growth in client-asset values and increased utilisation of high value services offset this low level of activity, supporting growth in revenues of £11.6m or 16% versus 2018.

Aligned to the goal of targeting sustainable profit growth, the Company engaged in cost management across the business, including reducing levels of relationship manager recruitment and a reduction in the reliance on contractors. These actions supported a reduction in ongoing business costs, with annualised recurring expenses (stripping out significant one-off cost items) reducing by approximately £1.8m or 2% versus 2018. However, during the year the company increased a provision to a total of £17.7m relating to an investigation by the UK Financial Conduct Authority ('FCA') into the Company. The FCA is investigating in respect to compliance with certain of the FCA's Principles of Businesses and underlying regulatory rules in the context of two legacy matters. The company is fully cooperating with the FCA in its investigative work. This significant provision led to an overall increase in the costs of the company.

While the company generated a pre-tax loss of £7m after this provision, the ongoing business fundamentals are substantially improved versus prior years. On a normalised basis, pre-tax



earnings were approximately £8.5m, reflecting progress made in delivering the businesses strategy and growing the value of client assets served.

## **Risk and Uncertainties**

The risks faced by the Company and the controls to mitigate and manage those risks are kept under ongoing review by the Board. As a limited license investment management firm, which does not deal as principal or hold client monies, the Company's primary exposures are to operational risk (including conduct risk), regulatory risk, reputational risk, intragroup exposure, strategic risk and business risk.

The Company operates a Three Lines of Defence model to provide clarity of roles and responsibilities relating to risk, and ensures that there are clear escalation procedures within the Company. The Company implemented the requirements of the Senior Manager and Certification Regime in 2019. The Board and its Risk and Audit Committee provide oversight of risk management processes throughout the business, with the Executive Committee and the Executive Risk and Conduct Committee providing ongoing oversight of the management and mitigation of risk. The Company maintains a clear Risk Appetite Statement including agreed risk tolerance and thresholds for escalation set by the Board, and is reviewed and monitored on an ongoing basis through regular reporting via the Company's governance fora.

Operational and Reputational risks may arise from poor investment advice or service to clients, a failure to comply with regulatory obligations, data privacy incidents or from inadequate business continuity planning; a key driver of these risks is the conduct of the Company's employees. These risks are mitigated by the company's internal control procedures and a significant investment, across all areas of the business, into experienced and well-qualified employees including their ongoing education and awareness of risk incidents.

Intra group exposure may arise due a material operational event at JB Group level, such as a breach of Group IT infrastructure. This risk is managed by service agreements between Group and the Company and ongoing investments at Group level into its information security infrastructure and its IT and operational resilience.

Regulatory risk exists as the Company operates in a highly regulated sector where failure to comply with regulatory requirements can result in substantial fines or other remedial actions. The company continues to invest significant resources to ensure the Company and its employees maintain compliance to legal and regulatory obligations on an ongoing basis.

While the direct medium to long term impacts of Covid-19 are not yet fully understood it is anticipated that there will be ongoing heightened volatility in global financial markets and currency valuations until globally more normal business activities are resumed. A key driver of the Company's revenues and profitability is the value of Assets Under Management (AUM), thus the firm is exposed to these risks. These factors have been considered by the Board when determining the Company's strategy which is not expected to change. The firm is focused on profitability and prudent capital management, with the growth in revenue seen in 2018 and 2019 and a well-managed cost base in 2019 supporting this objective.

The company's market risk is limited to the balance sheet currency exposure and the company's credit risk exposure is predominantly linked to cash held at third party banks and intragroup exposure.

The Company assesses and monitors its capital adequacy on an ongoing basis via its ICAAP. It uses scenario modelling linked to the key risks and stress testing to assess all risks faced

by the business, taking into account any mitigants that are in place or could realistically be affected. Capital is then set aside to mitigate the potential impact of residual risks to a degree of confidence set by the Board.

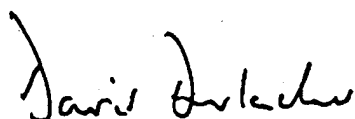
### **Key Performance Indicators**

One key driver of the Company's revenues and profitability is the value of Assets Under Management (AUM). As such, a monthly management pack is prepared detailing the movement in AuM, Net New Money (NNM) and the resultant legal entity revenues received by the local legal entity and the capital resources of the Company. This pack is reviewed on a monthly basis by the Executive Committee in order to track the Company's performance against forecast. The year on year increases in these Key Performance Indicators is shown below:

<b>Key Performance Indicator</b>	<b>2019</b>
Assets Under Management	+ 32%
Net New Money	+ 40%
Legal Entity Revenue	+ 14%

### **Key Personnel and Bonus Plan**

The Company is committed to retaining key personnel, and operates share bonus payment schemes to this effect which are detailed in note 19 to the financial statements.



D. Durlacher  
Director  
22 April 2020

## Section 172 Statement

Section 172 of the Companies Act 2006 requires every Director of the Company to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The Company is required to publish this statement setting out how the Directors have had regard to such matters when performing this duty.

### **Managing Risk to achieve Long-term Success**

The Directors believe that the long-term success of the Company is dependent on managing the risks associated with the Company's business activities well. The Directors also believe that it is important to recognise that these risks include the Company failing to make sufficient profits over the long-term, as that is likely to prove detrimental to all stakeholders in the long run. Failing to do so will mean that the Company may not have the resources to weather adverse economic circumstances or to invest in the development of its services to its clients, of its people, or of initiatives to improve the Company's impact on the community and the environment.

It is therefore incumbent upon the Directors when making strategic decisions, such as developing the Company's strategy and business plan, to understand and be able to balance the different risks the Company faces, including the risks of favouring the interests of one set of stakeholders over the interests of others.

The Directors do this by, amongst other things, setting the Company's appetite for risks of different types and considering this appetite against the the Company's actual activities, as measured by the Company's risk management framework. This framework supports the Directors in this by identifying, monitoring and managing those risks in a structured and systematic way; and then reporting to the Directors on the outcomes.

### **Engaging with our Stakeholders**

The Directors support the principle that the sustained success and consistency of the Julius Baer Group's business rests largely on the principle of retaining shareholders, clients and colleagues for as long as possible and actively nurturing those relationships over time. The Directors therefore recognise that engaging with stakeholders is a crucial factor for the Company's long-term success. Doing so is critical for assessing and managing the continuous changes in the global business and social environment and guides the Directors in focusing on what matters. The Directors and the Company's management more widely use a variety of approaches to engage with stakeholders, as explained further below.

- **Our Clients**

We recognise that delivering what our clients expect for the management of their wealth is the key pre-requisite to a successful business. Therefore understanding our clients' needs and interests is essential to the Company's success.

The Directors use various means to engage with clients and potential clients and understand their needs, including participating in client meetings and social occasions, regularly seeking feedback from clients' relationship managers and conducting periodic client surveys. The Directors also monitor independent research on clients in the wealth management market to understand the market more widely.

- **Our Regulator**

It is a pre-requisite for the Company to be able to pursue its business that it maintains all appropriate regulatory permissions. However, the Directors also recognise that compliance with laws and regulations is not simply a legal obligation but will be beneficial to the business in the longer term, not least by ensuring the Company maintains a reputation for high standards of business conduct.

This objective is supported by the Directors seeking to maintain an open, constructive and positive relationship with the Financial Conduct Authority (FCA) as the Company's regulator in the financial markets, engaging with the FCA on matters of interest as they arise.

- **Our Colleagues**

The Directors also recognise that to be able to deliver against clients' expectations, and in accordance with the Company's legal and regulatory obligations, the Company requires people who are attuned to and motivated to deliver a culture of high standards of client service, compliance with legal and regulatory obligations and effective management of the risks of the business. To this end, the Directors have a strong focus on developing and maintaining an appropriate culture in the Company, focused on the Values of the Julius Baer Group: Care, Passion and Excellence.

The Directors engage with the employees by various means, including regular townhalls, visiting the various offices of the Company, employee surveys and participating in Company social occasions.

- **Our Business Partners**

We recognise that the Company's ability to do business is dependent on those organisations we partner with to provide services to our clients, such as our outsourced service partners and suppliers. Our principal suppliers are all members of the Julius Baer Group, although there are a small number of direct relationships with key third parties as well.

The Directors engage with other members of the Julius Baer Group through regular meetings between each of the Directors and senior members of the management of the Group and in particular members of the Executive Board of the shareholder, Julius Baer Group Ltd.

- **Our Community and the Environment**

In 2019, the Company engaged with a number of local charities through the JB Cares initiative. This included encouraging our employees to take two volunteer days to

support initiatives where they live. The Directors engaged with the charities to collect their input as to where our role in the community can continue to improve. The Company also worked on a number of initiatives focusing on the environment including efforts to improve recycling facilities in our offices, reduce unnecessary travel and promote our ESG offering to clients. Working with our Shareholder, we continue to identify the sustainability topics that matter most to our stakeholders and are most relevant to our long-term success, allowing us to develop our sustainability strategy.

- **Our Shareholder**

Julius Baer Group Ltd. is our sole shareholder. As such, the need to deal fairly as between shareholders is not a matter which arises in the course of our business.

Having said that, we recognise that ultimately the Company exists to generate profit and a return on the capital invested in the Company by Julius Baer Group Ltd.. That may give rise to the possibility of a conflict between the interests of the shareholder and the interest of our other stakeholders. However, we recognise the Company's ability to generate profits over the longer term relies upon our ability to establish, maintain and develop relations with our other stakeholders. It is the view of the Directors that having regard to the interests of all the stakeholders is therefore less a restraint on the Company's ability to generate profits over the longer term but rather an enabler of that objective.

As mentioned above, the Directors engage with the shareholder through regular meetings between each of the Directors and senior members of management, especially members of the Executive Board, of Julius Baer Group Ltd..

## **Our Principal Decisions in 2019**

In the course of 2019, the Directors' major decisions related to the following matters and we explain in relation to each of them how we made those decisions, having regard to the factors above, including the impact on our stakeholders.

- **Approving the Annual Strategy and Business Plan**

The Board of Directors approved the Company's Annual Strategy and Business Plan in February 2019. In considering this, the Strategy and Business Plan focused on the following topics:

- enhancing client outcomes
- developing colleague engagement
- developing the JB Cares strategy that focuses on Julius Baer making a positive community and environment impact

- **Approving the Remuneration Plan**

The Remuneration Committee of the Board of Directors approved the Company's Compensation Policy for 2019 in December 2019. In doing so, the Committee had regard to the following factors:

- the need to appropriately incentivise colleagues to meet or surpass client needs and expectations and to develop the business further in line with the Julius Baer Group's values and risk appetite, including by rewarding behaviour aligned to these outcomes;

- the need to minimise the conflicts that remuneration policy could generate between the interest of stakeholders, such as the personal financial interests of colleagues, the interests of clients, the need to comply with law and regulation and meet regulator's expectations, and the interest of the Company's shareholder in generating a profit and return on capital invested;
- measures that could be undertaken to enhance the Company's contribution to the community and minimise the Company's impact on the environment;

# **Independent Auditor's Report to the Members of Julius Baer International Limited**

## **Opinion**

We have audited the financial statements of Julius Baer International Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Fang Fang Zhou (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square, London, E14 5 GL

24<sup>th</sup> April 2020

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019	2018
		£	£
Revenue	2	84,204,815	72,568,643
Operating expenses	2	(91,298,320)	(79,287,675)
<b>Operating Profit / (Loss)</b>	3	<u>(7,093,505)</u>	<u>(6,719,032)</u>
Financial Income		21,619	153,126
<b>Profit / (Loss) on ordinary activities before taxation</b>		<u>(7,071,886)</u>	<u>(6,565,906)</u>
Tax debit/ (credit) on profit / (loss) on ordinary activities	8	91,371	(527,964)
<b>Profit / (Loss) from continuing operations</b>		<u>(7,163,257)</u>	<u>(6,037,942)</u>
Profit from discontinued operations	4	-	5,245,315
<b>Profit / (Loss) for the year</b>		<u>(7,163,257)</u>	<u>(792,627)</u>

The Company has no recognised gains or losses other than the profit for the financial year, which is reported in the profit and loss account.

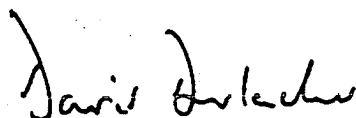
The notes on pages 22 to 47 form an integral part of these financial statements.

# Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	9	8,157,959	2,787,969
<b>Current assets</b>		<u>8,157,959</u>	<u>2,787,969</u>
Trade and other receivables	10	4,206,242	4,288,909
Prepayments	10	1,325,329	1,254,389
Deferred tax assets	8, 15	4,322,000	3,800,000
Other financial assets	11	18,500,000	18,500,000
Cash and cash equivalents		67,304,924	54,882,795
<b>Current assets</b>		<u>95,658,495</u>	<u>82,726,093</u>
<b>Total assets</b>		<u>103,816,454</u>	<u>85,514,062</u>
<b>Equity</b>			
Share capital	13	135,200,000	130,200,000
Capital contribution	13	6,389,381	7,136,814
Capital reserve	13	5,515,731	5,515,731
Share Benefit Reserve	13	(6,389,381)	(7,136,814)
Retained earnings	13	(81,270,938)	(74,107,681)
<b>Total Equity</b>	14	<u>59,444,793</u>	<u>61,608,050</u>
<b>Current Liabilities</b>			
Trade and other payables	12	<u>44,371,661</u>	<u>23,906,012</u>
<b>Total Liabilities</b>		<u>44,371,661</u>	<u>23,906,012</u>
<b>Total equity and liabilities</b>		<u>103,816,454</u>	<u>85,514,062</u>

The financial statements on pages 18 to 47 were approved by the Board of Directors on 22 April 2020 and were signed on its behalf by:



D. Durlacher  
Director  
22 April 2020

The notes on pages 22 to 47 form an integral part of these financial statements.

# Statement of Cash Flows

as at 31 December 2019

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Profit / (Loss) from continuing operations	(7,163,257)	(6,037,942)
Adjustments for:		
- Depreciation	2,364,230	720,131
- Profit from discontinued operations	-	5,245,315
Changes in:		
- (Increase) / decrease in Trade and other receivables	82,667	1,792,933
- (Increase) / decrease in Prepayments	(70,940)	(207,485)
- Increase / (decrease) in Trade and other payables	9,389,621	(890,689)
- (Increase) / decrease in Deferred tax asset	(522,000)	(380,000)
- Tax expense / (credit)	542,286	(102,178)
- Interest paid	196,698	-
<b>Net cash from operating activities</b>	<b>4,819,305</b>	<b>140,085</b>
- Net (additions) of fixed assets	353,398	(219,155)
- (Investment) / sale of other financial assets	-	(8,500,000)
<b>Net cash from investing activities</b>	<b>353,398</b>	<b>(8,719,155)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital	5,000,000	8,000,000
Payment of lease liabilities	2,249,426	-
<b>Net cash from financing activities</b>	<b>7,249,426</b>	<b>8,000,000</b>
<b>Net change in cash</b>	<b>12,422,129</b>	<b>(579,070)</b>
Cash at 1 January	54,882,795	55,461,865
<b>Cash at 31 December</b>	<b>67,304,924</b>	<b>54,882,795</b>

## Statement of Changes in Equity

as at 31 December 2019

	Share Capital £	Capital Contribution £	Share Benefit Reserve £	Capital Reserve £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2019</b>	<b>130,200,000</b>	<b>7,136,814</b>	<b>(7,136,814)</b>	<b>5,515,731</b>	<b>(74,107,681)</b>	<b>61,608,050</b>
Total Comprehensive Income for the Year	-	-	-	-	(7,163,257)	(7,163,257)
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Issue of ordinary shares	5,000,000	-	-	-	-	5,000,000
New share based payment grants	-	2,992,081	-	-	-	2,992,081
Share based payment recharge	-	-	(2,992,081)	-	-	(2,992,081)
Share based payment settled during the period	-	(3,739,514)	3,739,514	-	-	-
<b>Balance at 31 December 2019</b>	<b>135,200,000</b>	<b>6,389,381</b>	<b>(6,389,381)</b>	<b>5,515,731</b>	<b>(81,270,938)</b>	<b>59,444,793</b>

	Share Capital £	Capital Contribution £	Share Benefit Reserve £	Capital Reserve £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2018</b>	<b>122,200,000</b>	<b>8,159,923</b>	<b>(8,159,923)</b>	<b>5,515,731</b>	<b>(73,315,054)</b>	<b>54,400,677</b>
Total Comprehensive Income for the Year	-	-	-	-	(792,627)	(792,627)
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Issue of ordinary shares	8,000,000	-	-	-	-	8,000,000
New share based payment grants	-	3,060,525	-	-	-	3,060,525
Share based payment recharge	-	-	(3,060,525)	-	-	(3,060,525)
Share based payment settled during the period	-	(4,083,634)	4,083,634	-	-	-
<b>Balance at 31 December 2018</b>	<b>130,200,000</b>	<b>7,136,814</b>	<b>(7,136,814)</b>	<b>5,515,731</b>	<b>(74,107,681)</b>	<b>61,608,050</b>

The notes on pages 22 to 47 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2019

(forming part of the financial statements)

## 1. Accounting Policies

### Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

### Reporting Entity

This set of financial statements has been prepared for the reporting entity of Julius Baer International Limited, a private limited company incorporated and domiciled in the UK under Companies Act 2006. The company's immediate parent is Julius Baer Group Limited, a publicly owned company incorporated in Switzerland.

### Basis of Preparation

The financial statements of the Company have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") including the interpretations issued by the International Financial Reporting Interpretations Committee ("the IFRIC") and the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU. The financial statements are prepared on an historical cost basis.

### Going Concern

The going concern basis has been used in the preparation of the financial statements. In considering going concern, the directors have reviewed the capital and liquidity position of the Company, including future plans and cashflow forecasts. They have concluded that there is no significant doubt over the Company's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

With the recent market developments caused by COVID 19, the directors reassessed these factors and have concluded the going concern basis is still appropriate. The reassessment was completed with reference to the stress testing process within ICAAP which demonstrated that the company has sufficient capital and liquidity buffers to withstand the current market conditions.

In terms of capital, the Company holds an adequate capital buffer based on certain stress scenarios using the Company's Key Risk Register to evaluate the severe but plausible financial costs of a risk event, or series of events, occurring. Reverse stress testing was also performed in accordance with regulatory requirements.

The Company does not have any external debt other than trade payables and lease obligations. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. In addition, the Company continues to receive support from the Group in pursuit of its medium term business plan. The support includes a transfer pricing agreement, the revenue from which is disclosed in note 2. The Directors also considered the ability and intention of the Group to continue to support the Company as part of this process.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

#### **Measurement Convention**

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### **Revenue**

Revenue is recognised when the service fees payable from Group booking centres is agreed by the booking centre and the intercompany receivable / payable balance is confirmed by the Group account controlling department. This is then settled by the issue of a monthly service fee invoice directly from the Company to the relevant booking centre.

Revenue received from external custody clients is recognised upon agreement of the monthly payable balance and an invoice is raised on a regular basis according to the contractual agreement in place with the third party.

The implementation of IFRS 15 on the 1st January 2018 has been considered and it is deemed that this has had no material effect on the revenue recognition of the Company.

#### **Foreign Currencies**

Transactions in foreign currencies are translated into Pounds Sterling (the functional currency of the Company) at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

#### **Cash and Liquid Resources**

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds. The Company does not hold client money, and all cash and liquid resources are held in the name of Julius Baer International Limited and are under the day-to-day control of the Company's senior management team.

For the preparation of the Company's cash flow statement, the indirect method has been applied.

#### **Other Financial Assets**

The Company holds cash deposits in two UK-based 95-day notice deposit accounts. These have been opened in order to invest excess cash held for regulatory purposes. These financial assets are not exchange traded, so carrying value is deemed fair value as per the requirements of IFRS 7.

#### **Provisions**

Legal provisions are recognised when the likelihood of future economic liability is assessed as "likely" and an estimated value of the liability can be reliably calculated.

### **Share-Based Payments**

The Company maintains various share-based payment plans in the form of share plans for its employees. When such payments are made to employees, the fair value of these payments at grant date serves as the basis for calculating the personnel expenses.

These share-based payment arrangements are applied to the employees of all subsidiaries of the Group on the basis of the same terms and conditions. The Group hedges its liabilities from share-based payments by purchasing the shares from the market on grant date through the Loteco Foundation ("Loteco"). The Company prepays the arrangement by paying cash to Loteco, through a prepaid recharge arrangement. The cash payment equals the grant date fair value.

Share-based payments are expensed over the respective vesting period starting at grant date. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related services and non-market performance vesting conditions are expected to be met.

Share-based payment plans that are settled in equity instruments are not remeasured for subsequent changes in the fair value of the underlying instruments. The Company applies equity-settled accounting for the services received from its employees, with a corresponding increase recognised in its equity as a contribution from the parent.

### **Share-Based Payment Recharge**

Until vesting, the granted shares are administered by Loteco. The Group does not provide the Company with the shares for the employees for free, but requires the Company to compensate the Group to purchase these shares upfront through Loteco. As part of this recharge arrangement the Company transfers cash to Loteco in the amount of the fair value at grant to enable Loteco to purchase the shares upfront in the open market, and to settle the Company's employees' share-based payment after the vesting period.

This set-up for the Group's sharebased payment plans and the corresponding recharge element are disclosed in the Group's consolidated financial statements. The Group recognises the cash payments to Loteco resulting from the recharge arrangement as "prefinanced share-based payment" in other assets.

The Company accounts for this recharge under IFRS 2. This asset is financed upfront by the Company and then released through the share benefit reserve as and when the recharge arises. The recharge is structured to spread any expense over the vesting period in the same manner as the share based payment.

### **Functional Currency**

The financial statements are prepared in Pounds Sterling which is the Company's functional and presentational currency.

### **Use of Judgements and Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



Key areas in which judgements and estimates must be used include:

- Legal Provisions. External legal opinion is sought in order to quantify the probability and value of any legal provision raised.
- Tax Calculations including the Deferred Tax Asset valuation. This is calculated with assistance from a third party tax advisor.
- Share Based Payments. Fair value at 31 December 2019 is calculated using the Julius Baer Group market price on the SIX exchange in Switzerland.

#### **Trade and Other Debtors / Creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

#### **Pension Costs**

The Company's post-retirement benefit arrangements are described in note 6. The Company participates in both a defined benefits scheme (Julius Baer UK Staff Pension and Life Assurance Scheme) and a defined contribution scheme (Julius Baer UK Stakeholder Pension Scheme). For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the profit and loss account.

The defined benefit scheme in which the Company participates is accounted for by the Sponsoring Company (Julius Baer Group Limited) using the option permitted by IAS 19 - Employment Benefits, whereby actuarial gains and losses are recognised outside profit or loss and presented in the statement of recognised income and expense. The amount recognised in the Sponsoring Company's balance sheet in respect of the defined benefit scheme is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The obligation's present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

However, as there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to the Company, the Sponsoring Company recognises the entire net defined benefit cost of the plan in its accounts. The Company accounts for the deferred benefit scheme as if it is a deferred contributor scheme, and recognises as a cost the contribution payable for the period.

Obligations for contributions to the defined contribution plan are expensed as the related service is provided.

#### **Share Capital**

Any incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### **Capital Reserve**

The capital reserve relates to funds received from JB Group as a contribution to the capital balance of the Company for which no ordinary shares are issued.

**Share Benefit Reserve**

The share benefit reserve relates to the fair value at grant of share based payment schemes administered by the Loteco Foundation, a company in the Julius Baer Group. The value of these shares is treated as an investment into the Company in the form of a Capital Contribution.

**Taxation****i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

**ii. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

**Property, Plant and Equipment****i. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation.

When significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over their estimated useful economic lives, and is recognised in profit or loss. The estimated useful lives of property, plant and equipment for current and comparative periods is shown in the table below.

	Years
Furniture and Equipment	5
Leasehold Improvements	10
Land and Buildings (IFRS 16 related)	As per contracted terms

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**Discontinued operations**

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

**Leases (policy applicable before 1 January 2019)**

Payments made under any operating leases are recognised in profit or loss on a straight-line basis over the full term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the full term of the lease.

**New Accounting Standards**

i. Newly Applied IFRS

There are new or revised Accounting Standards and Interpretations in issue that are effective. The company has adopted the following IFRSs in these financial statements that are applicable to the business of the Company:

• **IFRS 16, Leases (effective for accounting periods beginning on or after 1 January 2019)**

IFRS 16 replaces IAS 17, Leases, and sets out the principles for recognition, measurement, presentation and disclosure of leases for lessees and lessors. It has one model for lessees and will result in almost all leases being included on the statement of financial position. Management has made an assessment and has set up a dedicated team within the Group accounting department to monitor and review the impact of this change of approach on the accounts of all Group entities, including the Company. The impact of this standard has also been reviewed locally and will be reassessed on an ongoing basis. The adoption of IFRS 16 has not had a significant net effect on the income statement of the Company, but has led to an increase of GBP 8.16m in the total fixed assets and liabilities of the Company as declared in the statement of financial position as at 31 December 2019. This is in line with the outstanding leases at the end of 2018.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option;
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Furniture & Equipment' and lease liabilities in 'Land & Buildings' in the statement of financial position.

• IFRS 3 Business Combinations (effective date 1 January 2019). The requirements issued have been considered and are not applicable to the Company.

- IFRS 11 Joint Arrangements (effective date 1 January 2019). The requirements issued have been considered and there is no significant impact to the Company's financial position.
- IAS 12 Income Taxes (effective date 1 January 2019). The requirements issued have been considered and there is no significant impact to the Company's tax position.
- IAS 19 Employee Benefits (effective date 1 January 2019). The requirements issued have been considered and there is no impact to the Company's financial accounting policies.
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019). The requirements issued have been considered as part of the Company's annual review of its income tax requirements. There has been no significant impact to the company's financial position because of this requirement.

ii. New IFRS not yet applied

A number of new standards, amendments to standards and interpretations in issue are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements. These include the following standards that are applicable to the business of the Company:

- IFRS 17 Insurance Contracts (effective date 1 January 2021). No anticipated effect as the Company does not accept insurance risk from other parties.
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020). No expected impact as the amended standards will not change the Company's disclosure requirements.
- Amendments to IFRS 3: Definition of a Business (effective date 1 January 2020). The Company will monitor the amendments but does not expect any change in its disclosure requirements.
- Amendments to IFRS 7: Financial Instruments: Disclosures (effective date 1 January 2020). No effect to the Company's disclosures.
- Amendments to IFRS 9: Financial Instruments (effective date 1 January 2020). No effect to the Company's disclosures.

The Company will adopt these standards when they come into effect.

## 2. Analysis of Turnover and Operating Expenses

	2019	2018
	£	£
<b>Turnover</b>		
Management Fees	83,895,653	71,978,351
Other ordinary income	309,162	590,292
	<u>84,204,815</u>	<u>72,568,643</u>
	2019	2018
	£	£
<b>Operating Expenses</b>		
Staff Costs	(50,472,641)	(56,428,739)
Administrative Expenses	(25,146,373)	(21,966,018)
Provisions	(15,679,306)	(892,918)
	<u>(91,298,320)</u>	<u>(79,287,675)</u>

The aggregate value of any company contributions paid, or treated as paid, to a pension scheme in respect of directors' qualifying services, being contributions by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated (i.e. company contributions to money purchase schemes).

## 3. Operating Profit/(Loss)

	2019	2018
	£	£
<b>Operating profit/(loss) is stated after charging</b>		
Auditor's remuneration - statutory audit	29,829	22,158
Auditor's remuneration - CASS audit	12,500	10,000
Depreciation	2,364,230	720,131

#### 4. Discontinued Operation

During November 2018, the Company sold its Dublin Branch to Bank Julius Baer Europe SA. A gain of £4,406,345 arose in 2018 on the measurement to fair value less cost to sell. During 2019 there was no connection between the Dublin Branch and the Company.

##### Results of the discontinued operations

	2019	2018
	£	£
Revenue	-	4,679,835
Operating expenses	-	(3,560,197)
Profit before tax	-	1,119,638
Tax debit on profit	-	280,668
Gain recognised on measurement to fair value less cost to sell	-	4,406,345
Tax on gain on disposal	-	765,482
- offset against current year losses	-	(765,482)
Profit from discontinued operation after taxation	-	5,245,315

##### Cash flows from discontinued operations

	2019	2018
	£	£
Profit / (Loss) for the financial year	-	838,970
Net cash from operating activities	-	1,883,169
Net cash from investing activities	-	(18,877)
Net cash from financing activities	-	(3,294,797)
<b>Net change in cash</b>	-	<b>(1,430,506)</b>
Cash at 1 January	-	2,981,666
<b>Cash at 31 December</b>	-	<b>1,551,160</b>

The cash outflow from financing activities was due to a transfer of retained earnings carried forward into 2018 being transferred to UK based accounts held in the name of Julius Baer International Limited prior to the sale of the branch.

## Effect of the disposal on individual assets and liabilities

	2019	2018
	£	£
Property, plant and equipment	-	214,882
Prepayments	-	19,526
Intercompany debtors	-	0
Other debtors	-	510,668
Tax receivables	-	62,180
Employee share schemes	-	190,126
Cash	-	1,551,160
Intercompany creditors	-	(201,858)
Other creditors	-	(1,426,691)
Net identifiable assets and liabilities	-	919,993
Consideration received, satisfied in cash	-	5,326,338
Net gain on disposal	-	4,406,345

## 5. Directors Emoluments

The Directors' emoluments for management services to the Company were as follows:

	2019	2018
	£	£
Emoluments (including compensation costs)	1,276,116	2,249,511
Pension contributions	34,776	44,213

The number of directors who had retirement benefits accruing in respect of qualifying services to a pension scheme was 2 (2018:3).

The number of directors who received shares under long term incentive schemes in respect of qualifying services was 2 (2018:3).

The highest paid director received emoluments of £752,892 (2018: £834,816).

The highest paid director did receive long-term incentive shares of £100,000 (2018:£100,000).

During the financial period, the highest paid director did not exercise share options.

The number of directors to whom retirement benefits were accruing in relation to these was Nil (2018:Nil)

Note – this information includes employees of the Company only



## 6. Employee Numbers and Costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

<b>Employee numbers:</b>	<b>2019</b>	<b>2018</b>
Management	3	4
Marketing and Asset Management	113	118
Middle Office	48	50
Support Staff	99	99
	<b>263</b>	<b>271</b>

This figure includes contractors and external staff. The total number of permanent employees at 31st December 2019 was 223 (2018: 229).

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Employee costs:</b>		
Salaries and benefits	<b>40,095,678</b>	44,403,218
Social security costs	<b>5,635,063</b>	6,565,160
Share Based Payments Compensation	<b>19 2,470,200</b>	3,311,485
Other pension costs (see note 6)	<b>2,271,700</b>	2,148,876
	<b>50,472,641</b>	<b>56,428,739</b>

## 7. Pension Costs

The Company is a member of a Group defined benefits scheme, the Julius Baer UK Staff Pension and Life Assurance Scheme, which is operated by the Group for the benefit of employees of certain Julius Baer Group companies in the United Kingdom. The scheme was closed to new entrants in April 2005, and a defined contribution scheme was established with effect from April 2005. The assets of the Schemes are held separately from those of the Group and are administered by trustees. As there is no contractual relationship for the Company to meet the obligations arising from the defined benefits scheme, the IAS 19 disclosures concerning this scheme are made only at group level.

As there is no contractual agreement or stated policy for charging the net defined benefit cost to participating Group companies including Julius Baer International Limited, the Company only recognises in its accounts the contributions it makes during any given financial period. The Company has not contributed to this scheme during 2019 (2018: zero).

With effect from 31 July 2013, the Scheme closed to future accrual of benefit so that all active members of the Scheme at this time became deferred members. Their benefits accrued to the

date of closure are no longer linked to future increases in salary; instead, they will receive statutory increases up to their retirement.

The Company's total pension charge in the period amounted to £2,271,700 (2018: £2,148,876) all of which related to the defined contribution scheme.

## 8. Tax Credit on Profit/(Loss) on Ordinary Activities

### Analysis of Charge in Period

	2019 £	2018 £
<b>Continuing Operations</b>		
<b>Current tax</b>		
Current tax on profits for the year	613,371	-
Adjustment in respect of prior years	-	(141,232)
Tax credit on ordinary activities	613,371	(141,232)
<b>Deferred tax</b>		
Current year	(747,460)	(486,400)
Effect of changes in tax rates	225,460	99,669
	(522,000)	(386,732)
<b>Total tax debit / (credit) on ordinary activities</b>	<b>91,371</b>	<b>(527,964)</b>
<b>Discontinued Operations</b>		
Foreign tax suffered	-	280,668
<b>Total tax debit / (credit) activities</b>	<b>91,371</b>	<b>(247,296)</b>

## Factors affecting the tax charge for the period

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	£	£
Profit / (Loss) on ordinary activities before tax	(7,071,886)	(6,565,906)
Loss on ordinary activities multiplied by the effective rate of corporation tax accrued by the Company of 19% (2018: 19%)	(1,343,658)	(1,247,522)
Effects of:		
Adjustments in respect of prior years	-	(147,352)
Expenses not deductible	3,389,072	707,896
Income not taxable	(58,757)	(16,227)
Tax rate changes	225,460	99,669
Effects of overseas tax rates	-	280,668
Amounts not recognised	(2,224,804)	(361)
Share options	104,058	(204,734)
Total Tax from Continuing Operations	91,371	(527,963)
Sale of branch	-	1,046,150
Offset against current year losses	-	(765,482)
Total Tax from Discontinued Operations	-	280,668
Total Tax	91,371	(247,295)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted and applied to our most recent reforecasting exercise undertaken at the current balance sheet date the deferred tax asset would have been increased by £702,000. The original unadjusted figure has been disclosed as this is the more conservative view.

## 9. Property, plant and equipment

	Furniture & Equipment	Leasehold Improvements	Land & Buildings	Total
<b>Cost</b>				
<b>As at 01.01.2019</b>	<b>2,598,101</b>	<b>5,306,690</b>	<b>-</b>	<b>7,904,791</b>
Recognition of right-of-use asset on initial application of IFRS 16	72,003	-	8,015,615	8,087,618
<b>Adjusted balance at 01.01.2019</b>	<b>2,670,104</b>	<b>5,306,690</b>	<b>8,015,615</b>	<b>15,992,409</b>
Additions	-	-	-	-
Disposals	(353,398)	-	-	(353,398)
<b>As at 31.12.2019</b>	<b>2,316,706</b>	<b>5,306,690</b>	<b>8,015,615</b>	<b>15,639,011</b>
<b>Depreciation</b>				
<b>As at 01.01.2019</b>	<b>2,114,720</b>	<b>3,002,102</b>	<b>-</b>	<b>5,116,822</b>
Recognition of right-of-use asset on initial application of IFRS 16	31,215	-	1,978,767	2,009,982
<b>Adjusted balance at 01.01.2019</b>	<b>2,145,935</b>	<b>3,002,102</b>	<b>1,978,767</b>	<b>7,126,804</b>
Charge for the year	199,740	507,906	-	707,646
Disposals	(353,398)	-	-	(353,398)
<b>As at 31.12.2019</b>	<b>1,992,277</b>	<b>3,510,008</b>	<b>1,978,767</b>	<b>7,481,052</b>
<b>Net Book Value</b>				
<b>As at 31.12.2019</b>	<b>324,429</b>	<b>1,796,682</b>	<b>6,036,848</b>	<b>8,157,959</b>
<b>As at 01.01.2019</b>	<b>483,381</b>	<b>2,304,588</b>	<b>-</b>	<b>2,787,969</b>

## 10. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	698,323	759,730
Share based payments debtor balance	2,353,082	2,390,593
Other debtors	1,154,836	1,138,586
<b>Trade and other receivables</b>	<b>4,206,242</b>	<b>4,288,909</b>
Prepayments and accrued income	1,325,329	1,254,389
	<b>5,531,571</b>	<b>5,543,298</b>

## 11. Other Financial Assets

	2019 £	2018 £
Cash held on 95-day notice deposit accounts	18,500,000	18,500,000

The financial assets listed above are made up of cash placed in 95-day notice accounts. This is valued at carrying value equal to the original amount invested as these investments are cash deposits that are not exchange traded or exposed to any other market risk.

## 12. Creditors: Amounts Falling Due Within One Year

	2019 £	2018 £
Amounts due to group undertakings	775,794	0
Accruals and deferred income	42,972,558	23,824,989
Corporation tax due	623,309	81,023
<b>Trade and other creditors</b>	<b>44,371,661</b>	<b>23,906,012</b>

## 13. Capital and Reserves

<i>Share Capital</i>	2019 £	2018 £
In issue at 1 January 2019	130,200,000	122,200,000
Issued for cash	5,000,000	8,000,000
<b>In issue at 31 December 2019 - fully paid</b>	<b>135,200,000</b>	<b>130,200,000</b>
 <i>Capital Contribution</i>	 2019 £	 2018 £
At 1 January 2019	7,136,814	8,159,923
Changes in share benefit schemes	-	-
New share based payment grants	2,992,081	3,060,525
Share based payment settled during the period	(3,739,514)	(4,083,634)
<b>At 31 December 2019</b>	<b>6,389,381</b>	<b>7,136,814</b>

<i>Reserves</i>	<b>Capital reserve</b>	<b>Share Benefit Reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2019	5,515,731	(7,136,814)	(74,107,681)	(75,728,764)
Profit on ordinary activities after taxation	-	-	(7,163,257)	(7,163,257)
Share based payment recharge	-	(2,992,081)	-	(2,992,081)
Share based payment settled during the period	-	3,739,514	-	3,739,514
<b>At 31 December 2019</b>	<b>5,515,731</b>	<b>(6,389,381)</b>	<b>(81,270,938)</b>	<b>(82,144,588)</b>

## 14. Reconciliation of Movements in Equity Shareholders' Funds

	<b>2019 £</b>	<b>2018 £</b>
Profit / (loss) for the financial year	(7,163,257)	(792,627)
Share Capital Injections	5,000,000	8,000,000
Net (reduction in)/addition to shareholders' funds	<u>(2,163,257)</u>	<u>7,207,373</u>
Opening equity shareholders' funds	61,608,050	54,400,677
Closing equity shareholders' funds	<u>59,444,793</u>	<u>61,608,050</u>

## 15. Unrecognised Deferred Taxation

	<b>2019 £</b>	<b>2018 £</b>
Temporary differences trading	(117,725)	854
Unused tax losses	(4,962,068)	(6,488,470)
Fixed asset timing differences	(369,596)	(411,205)
Share options	(702,949)	(487,141)
Foreign tax	-	-
<b>Total Unrecognised Deferred Taxation</b>	<b><u>(6,152,338)</u></b>	<b><u>(7,385,962)</u></b>

The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. This is reviewed by the Company on a half-yearly basis.

Total unrealised losses carried forward at the end of 2019 amount to £29.2m.

## 16. Leases

### Right-of-use assets

Right-of-use assets (Land & Buildings) relate to lease properties that do not meet the definition of investment properties (see note 9).

#### Amounts recognised in the income statement

<b>Leases under IFRS 16</b>	<b>2019</b>
Depreciation charge	2,009,982
Interest expense on lease liability	196,698
<b>Total</b>	<b><u>2,206,680</u></b>
<b>Operating Leases under IAS 17</b>	<b>2018</b>
Lease expense	2,173,012
<b>Total</b>	<b><u>2,173,012</u></b>

#### Total cash outflows for leases

<b>Leases under IFRS 16</b>	<b>2019</b>
Maturity analysis – contractual undiscounted cash flows	
- Less than one year	631,998
- One to five years	5,708,927
- More than five years	-
<b>Total undiscounted lease liabilities</b>	<b><u>6,340,925</u></b>
<b>Operating Leases under IAS 17</b>	<b>2018</b>
Maturity analysis – contractual undiscounted cash flows	
- Less than one year	2,176,310
- One to five years	5,987,405
- More than five years	-
<b>Total undiscounted lease liabilities</b>	<b><u>8,163,715</u></b>

## 17. Parent Undertakings

The Company's immediate and ultimate parent company and controlling party is Julius Baer Gruppe AG ("Julius Baer"), a company incorporated in Switzerland. The parent company of the largest and smallest groups that include the company and for which group financial statements are prepared is Julius Baer Gruppe AG. Copies of Julius Baer's financial statements can be obtained from the Company Secretary at Bahnhofstrasse 36, 8010 Zurich. The financial results of the Company are consolidated into the results of the Group on an annual basis.

## 18. Related Parties

During 2019 the Company entered into transactions with other entities within the Julius Baer Group. These include revenue booked as service fee invoices issued to Julius Baer Group booking centres and recharges for costs incurred centrally for providing group infrastructure services to the Company (for example, IT platform costs). The Company also pays an annual licence fee to Julius Baer Group in order to use the brand name of Julius Baer for marketing activities.

	Revenue 2019	Operating Cost 2019	Revenue 2018	Operating Cost 2018
Related Party	£	£	£	£
Julius Baer Group (parent)	-	3,709,578	-	4,032,295
Julius Baer Zurich	23,704,003	4,578,657	22,015,267	4,496,387
Julius Baer Guernsey	50,264,611	21,450	47,298,324	29,909
Other Julius Baer Group entities	4,707,927	40,191	6,806,648	157,757
<b>Total Related Party Transactions</b>	<b>78,676,541</b>	<b>8,349,876</b>	<b>76,120,239</b>	<b>8,716,348</b>

	Debtors 2019	Creditors 2019	Debtors 2018	Creditors 2018
Related Party	£	£	£	£
Julius Baer Group (parent)	-	-	-	-
Other Julius Baer Group entities	698,323	775,794	759,730	-
<b>Total Related Party Transactions</b>	<b>698,323</b>	<b>775,794</b>	<b>759,730</b>	<b>-</b>



## 19. Share Based Payments

Julius Baer operates several employee compensation plans that provide eligible employees with equity-based compensation. The programmes described below reflect the plan landscape as at 31 December 2019. All plans are reviewed annually to reflect any regulatory changes and/or market conditions. For each of these plans, Julius Baer Group is the rewarding and settling entity and Julius Baer International is the receiving entity for the services provided by the employer.

Until vesting, the granted shares are administered by the Loteco Foundation. Loteco Foundation hedges its liabilities on the grant date by purchasing the shares from the market.

### i. Staff Participation Plan

Through this plan, participants have the opportunity to purchase shares of Julius Baer Gruppe AG at market price and for every three shares purchased, they will receive one share free of charge. These free shares vest after three years, subject to continued employment. Purchases through the Staff Participation Plan is possible once a year.

The objective of this plan is to strengthen the employee's identification with the Group, to encourage entrepreneurial spirit and generate greater interest in the business through ownership, and to provide employees with financial recognition for their long-term dedication to the Group and Company.

Movement in shares granted under this plan is as follows:

<b>Staff Participation Plan</b>	<b>2019</b>	<b>2018</b>
Unvested shares outstanding, at the beginning of the year	1,040	1,221
Granted during the year	762	395
Vested during the year	(340)	(276)
Transfer to/from other group company	14	(218)
Forfeited during the year	(94)	(82)
Unvested shares outstanding, at the end of the year	1,382	1,040
Weighted average fair value per share granted (GBP)	32.15	45.77
Fair value of outstanding shares at the end of the year (GBP)	53,795	29,001
Compensation expense recognised in the profit and loss account	16,521	12,925

### ii. Equity Performance Plan

The Equity Performance Plan (EPP) is a three-year deferred equity plan which applies to senior members of staff whose variable compensation amounts to CHF 125,000 or more (or the local currency equivalent). An EPP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis. The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the Group through its share price. At the start of the plan period, 15% to 40% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the employee's variable incentive is deferred to the EPP, and the employee is then granted a number of shares equal in value to the deferred element.

The EPP is an annual rolling equity grant (made in February each year) for Senior Management that awards Performance Units to eligible participants subject to individual performance in the reporting period and future performance-based requirements. Eligibility for

the EPP is based on various factors, which include nomination by the CEO, overall role within Julius Baer, total variable compensation and individual contribution in the reporting period. The EPP award reflects the value of the individual for the current and future success of the business and more closely links an individual's compensation to his or her contribution to the future performance of the Group.

The goal of the EPP is to incentivise participants in two ways:

Firstly, by the nature of its construction, the ultimate value of the award to the participants fluctuates with the market value of Julius Baer Group Ltd. shares.

Secondly, the Performance Units are contingent on continued service and two key performance indicators (KPIs); cumulative Economic Profit (cEP) and relative Total Shareholder Return (rTSR). The service condition requires that the participant remains with the Group for three years after the grant (through a cliff-vesting mechanism).

The service condition requires that the participant remains with Julius Baer for three years after the grant. The performance of the two KPIs determines the number of shares the participant ultimately receives. The number of shares delivered under the EPP is between 0% and 150% of the number of Performance Units granted in any given year (with each individual KPI being capped at a maximum multiplying factor of 200%). The cEP target is set based on the strategic three-year budget/plan that is approved by the Board of Directors on an annual basis. To calculate rTSR, the Julius Baer Group's TSR is compared against the performance of the STOXX Europe 600 Banks Index.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage. No special dividends or capital increases were allocated in the fiscal year 2019.

The value of the Performance Units granted during 2019 is expensed across the service period of four years starting in the reporting year (2019). No special dividends or capital increases were allocated in the fiscal year 2019.

Movement in shares granted under this plan is as follows:

<b>Equity Performance Plan</b>	<b>2019</b>	<b>2018</b>
Unvested shares outstanding, at the beginning of the year	42,716	8,671
Granted during the year	11,512	13,744
Vested during the year	(10,244)	(2,166)
Transfer to/from other group company	(7,827)	22,467
Forfeited during the year	(8,047)	-
Unvested shares outstanding, at the end of the year	28,110	42,716
Weighted average fair value per share granted (GBP)	31.39	52.35
Fair value of outstanding shares at the end of the year (GBP)	1,094,202	1,191,162
Compensation expense recognised in the profit and loss account	165,658	787,150

### iii. Premium Share Plan

The Premium Share Plan (PSP) is a three-year deferred equity plan which applies to staff whose variable compensation amounts to CHF 125,000 or more (or the local currency equivalent). A PSP grant is made once a year as part of annual variable compensation and participation is determined on an annual basis. The plan is designed to link and tie a portion of the employee's variable compensation to the long-term development and success of the

Group through its share price. At the start of the plan period, 20% to 50% (the maximum deferral percentage applies to variable compensation of CHF 1.0 million and above or the local currency equivalent) of the employee's variable incentive is deferred to the PSP, and the employee is then granted a number of shares equal in value to the deferred element.

These shares vest in equal one-third tranches over a three-year plan period. At the end of the plan period, subject to continued employment, the employee receives an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan period.

Until vested, the shares are subject to forfeiture in certain circumstances including resignation by the employee, termination for cause, substantial breaches of legal or regulatory requirements, financial losses and a variety of other events where the employee's behaviour has substantially contributed to a financial loss of the Group or caused reputational damage. No special dividends or capital increases were allocated in the fiscal year 2019.

Movement in shares granted under this plan is as follows:

<b>Premium Share Plan</b>	<b>2019</b>	<b>2018</b>
Unvested shares outstanding, at the beginning of the year	108,556	144,032
Granted during the year	74,903	45,396
Vested during the year	(58,758)	(68,693)
Transfer to/from other group company	3,715	(11,138)
Forfeited during the year	(700)	(1,041)
Unvested shares outstanding, at the end of the year	127,716	108,556
Weighted average fair value per share granted (GBP)	31.27	44.17
Fair value of outstanding shares at the end of the year (GBP)	4,971,439	3,027,151
Compensation expense recognised in the profit and loss account	2,094,206	1,884,175

iv. Integration Incentive Award (for former Merrill Lynch financial advisors only)

As part of the Bank of America Merrill Lynch acquisition, key financial advisors from Bank of America Merrill Lynch were offered participation in the Integration Incentive Award (IIA, a cash- and equity-based plan) which was designed to incentivise individuals to join Julius Baer and move clients and assets to Julius Baer.

The IIA ran over a five-year plan period with cash being delivered on a rolling six-month basis over the first three years and shares being delivered to participants on the fourth and fifth anniversaries of the grant date. At the end of the plan period, subject to continued employment, the employee received an additional share award representing one third of the number of shares granted to him/her at the beginning of the plan.

In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested cash and/or shares were forfeited.

The IIA was concluded during 2018 in line with the conditions described above.

Movement in shares granted under this plan is as follows:

<b>Integration Incentive Award</b>	<b>2019</b>	<b>2018</b>
Unvested shares outstanding, at the beginning of the year	-	37,272
Vested during the year	-	(37,272)
Compensation expense recognised in the profit and loss account	-	111,596

v. Long-Term Incentive Plan

In some specific situations the Group may offer incentives outside the annual compensation round. Situations such as compensating new hires for deferred awards forfeited by their previous employer due to resignation and retention payments to key employees during extraordinary or critical circumstances may be addressed by granting individuals an equity-based long-term incentive. A Long-Term Incentive Plan (LTI) granted in these circumstances generally runs over a three-year plan period. The Group currently operates two different vesting schedules for this plan: (1) three equal one-third tranches vesting over a three-year period, or (2) cliff-vesting of all granted shares in one single tranche at the end of a three-year period.

The shares are transferred to participants at vesting, subject to continued employment and any other conditions set out in the plan rules. In case of termination of employment before the end of the plan period for any other reason than death, disability or retirement, unvested shares are forfeited.

No special dividends or capital increases were allocated in the fiscal year 2019.

Movement in shares granted under this plan is as follows:

<b>Long-Term Incentive Plan</b>	<b>2019</b>	<b>2018</b>
Unvested shares outstanding, at the beginning of the year	24,497	68,465
Granted during the year	12,067	13,906
Vested during the year	(4,114)	(55,605)
Transfer to/from other group company	(3,715)	(572)
Forfeited during the year	(8,863)	(1,697)
Unvested shares outstanding, at the end of the year	19,872	24,497
Weighted average fair value per share granted (GBP)	32.67	45.51
Fair value of outstanding shares at the end of the year (GBP)	773,532	683,114
Compensation expense recognised in the profit and loss account	193,815	515,639

A summary of the Company's Share Based Payment Plans as at 31 December 2019 is shown below:

<b>Plan Name</b>	<b>Unvested Shares</b>	<b>Value of Unvested Shares at Grant Price</b>	<b>Value of Unvested Shares at Market Price</b>	<b>Compensation expense</b>
Staff Participation Plan	1,382	52,063	53,795	16,521
Long-Term Incentive Plan	19,872	748,951	773,532	193,815
Premium Share Plan	127,716	4,582,772	4,971,439	2,094,206
Integration Incentive Award	-	-	-	-
Equity Performance Plan	28,110	1,005,596	1,094,202	165,658
<b>Total</b>	<b>177,080</b>	<b>6,389,381</b>	<b>6,892,969</b>	<b>2,470,200</b>

## **20. Subsequent Events**

Since the start of January 2020, global financial markets have been monitoring and reacting to the novel coronavirus (2019-nCoV) that is believed to have originated in Wuhan, China. As of mid-April 2020, the virus has sickened around 2.4 million people, resulting in around 165,000 deaths. The virus has spread across the Globe, with major outbreaks across the Middle East, Europe and America, resulting in widespread restrictions on the ability of people to travel, socialise and leave their homes. Global financial markets have reacted sharply to this news, with concerns regarding the economic impact this may have on a global scale. The eventual impact on the global economy and markets will largely depend upon the scale and the duration of the outbreak. The impact on the Company will take longer to assess, however the Julius Baer Group has enacted its business continuity plans and continues to monitor this situation closely.

## **21. Financial Risk Management**

The risk framework of the Company is explained in detail in section 2 of the Strategic Report. Specifically, the Company faces the following types of risk:

- changes in general economic environment
- government regulations and tax rules
- strategic and business risk
- operational risk (including legal, compliance and personnel risk)
- liquidity and financing risk
- reputational risk
- credit risk
- market risk

### **Credit risk:**

#### **i. Trade and other receivables**

The large majority of the Company's revenue is received from other Group companies, which reduces the credit risk faced in this area. All receivable balances from third parties are monitored on a monthly basis, and there has been no bad debt provision booked in the accounting period or in prior periods to date.

#### **i. Cash and cash equivalents**

The Company cash and other financial assets are held with bank counterparties which are rated at least AA based on Fitch or Aa based on Moody's ratings.

### **Liquidity risk:**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial asset. The Company's approach to managing liquidity is to

ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains a cash flow forecast that is updated on a monthly basis to foresee any liquidity constraints that may arise in future periods and so plan accordingly.

The following are the contractual maturities of financial liabilities:

	Carrying amount £	2019				2018			
		Contractual cash flows	1 year or less	2 to <5 years	5 years and over	Contractual cash flows	1 year or less	2 to <5 years	5 years and over
<b>Non-derivative financial liabilities</b>									
Operating lease liabilities	6,340,925	6,340,925	631,998	5,708,927	0	8,163,715	2,176,310	5,987,405	0
Trade and other payables	38,030,736	38,030,736	38,030,736	0	0	23,906,012	23,906,012	0	0

## Market risk:

### i. Currency risk

The Company is exposed to currency risk to the extent that the parent company is based in Switzerland so many of the Company's payables and receivable are denominated in Swiss Francs. The Company also faces currency risk if foreign currency balances held as cash are allowed to become excessive.

The Company reduces this risk exposure as much as possible by ensuring that as many assets and liabilities as possible are converted into Pounds Sterling.

### Sensitivity analysis

A five percent weakening of the following currencies against the pound sterling at 31 December 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for the year ending 31 December 2018.

	Equity 2019	Equity 2018	Profit or loss 2019	Profit or loss 2018
Currency	£	£	£	£
US Dollar	(21,366)	(8,160)	(21,366)	(8,160)
Euro	(37,619)	264,003	(37,619)	264,003
Swiss Franc	(53,054)	(33,222)	(53,054)	(33,222)
<b>Total Related Party Transactions</b>	<b>(112,039)</b>	<b>222,621</b>	<b>(112,039)</b>	<b>222,621</b>

A five percent strengthening of the above currencies against the pound sterling at 31 December 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### ii. Market price risk

The Company is exposed to financial instrument price risk, as the value of the holdings of the assets held at booking centre have a direct relationship to the amount of revenue that will be received by the Company.

The Company conducts stress-testing to evaluate the impact of a sudden change in the value of these assets, which is included in the Company's ICAAP document. This is prepared on an annual basis.

**Credit risk:**

The Company's principal financial assets are cash and receivables. The credit risk on cash and bank balances is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has a significant concentration of credit risk as income is generated from other Group entities that are related parties. The directors review the credit exposure on a regular basis by reviewing the creditworthiness and financial position of Group.

At 31 December 2019 and 2018, the amount due from related party and receivables were neither past due or impaired.

**Capital management:**

The Company's capital management is overseen on a monthly basis by the executive committee and the overall risk, stress testing and capital management processes are challenged and approved on an annual basis by the directors.

**Brexit:**

The 2016 vote for the UK to leave the European Union could effect the Company. While this is assumed to be certain to take place, the anticipated effects following the first year of negotiations between the UK and the EU are not expected to impact the Company's business model to a substantial degree.