

Company Registration No. 02998803

CLOSE ASSET MANAGEMENT (UK) LIMITED

Annual Report and Financial Statements

for the year ended 31 July 2018



CLOSE ASSET MANAGEMENT (UK) LIMITED

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Close Asset Management (UK) Limited (“the Company”) is a wholly-owned subsidiary of Close Brothers Group plc (“CBG”) and operates as part of CBG’s Asset Management division. The Company is authorised and regulated by the Financial Conduct Authority with firm reference 175827. The Company is incorporated in the United Kingdom and registered in England and Wales.

The Company’s principal activity is to act as the authorised corporate director of the following UK authorised investment funds:

Close Discretionary Funds
Close Strategic Alpha Fund
Winchester Fund
Close FTSE techMARK Fund
Beacon Investment Fund

Close Asset Management Limited, a fellow CBG subsidiary and investment adviser to the funds, is paid an investment advisory fee for services provided.

The results for the year ended 31 July 2018 are set out in the statement of profit and loss account on page 7. The financial position of the Company at 31 July 2018 is set out in the balance sheet on page 8. The Company made a profit for the financial year of £5,390,000 (2017: £3,831,000). No interim dividend was paid during the year (2017: £nil). No final dividend is proposed (2017: £nil). The result for the year is considered in line with expectations.

CBG manages its operations on a divisional basis. For this reason, the Company’s directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of its development, performance or position. The performance of CBG’s Asset Management division is presented in CBG’s Annual Report which does not form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

In relation to its principal activities, the Company faces the following risks and uncertainties:

Business and Competition

The Company operates in highly competitive markets and is subject to competitive risks which could result in reduced earnings and cash flows. The Company seeks to mitigate this risk through the development of differentiated propositions which provide value for money for clients, a focus on building lasting relationships, and maintaining a strong financial position and respected brand. In addition the Company has established committees to carry out regular reviews on its products and services to ensure fees are competitive and that they are meeting the needs and objectives of clients.

Operational

Operational risk is the risk of loss or other material adverse impact resulting from inadequate or failed internal processes, people and systems or from external events. The Company mitigates operational risk with a range of rigorous controls to safeguard both client and corporate assets and funds, which are overseen by a robust corporate governance structure including a business-wide Risk and Compliance Committee (RCC).

CLOSE ASSET MANAGEMENT (UK) LIMITED

STRATEGIC REPORT (continued)

Credit

The Company's principal financial assets are bank balances and other debtors. Credit risk on bank balances is limited as they are held with banks which have a high credit-rating as assigned by international credit-rating agencies. Risk relating to other receivables is also minimal as they are all short-term balances and are generally due from either collective funds, clients with whom we have custody of their assets, or other creditworthy counterparties.

Market and economic environment

The Company is exposed to the risk of declining markets and a downturn in economic conditions either of which could result in a reduction of investor risk appetite, demands for the Company's products and services, and its assets under management, which are the basis of much of its revenue. These risks are mitigated by the quality of the Company's investment process and team approach, including asset allocation and investment committees that regularly review investment performance, as well as by seeking to build long-term relationships with clients.

Liquidity

Liquidity risk is managed by the preparation of monthly projections of the Company's cash flows and its liquidity position, which is assessed by comparison to a minimum target requirement which is set by the Board. In addition, the Company undertakes annual stress testing of the Company's liquidity position which assumes a significant and prolonged decline in financial markets, assets under management, and revenues.

People

The calibre, quality and expertise of employees are critical to the success of the Company. The loss of key individuals or teams may have an adverse impact on the Company's operations and ability to deliver its strategy. The Company seeks to attract, retain and develop staff by operating remuneration structures which are competitive and reward performance. The Company invests in training and development for all staff and seeks to foster a culture where people and teamwork are valued.

The Company also falls under CBG's Risk Management Framework. Pillar 3 disclosures for CBG are available on the Investor Relations page at www.closebrothers.com. In addition CBG's risks are discussed in CBG's Annual Report.

UK's departure from the European Union

While UK economic performance has remained resilient in the last year, the current period of uncertainty is likely to continue reflecting ongoing Brexit negotiations. While our business is primarily focussed on the UK and we remain confident in our business model, the impact on the Company is difficult to predict.

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



E B Davis
Director
17 September 2018

CLOSE ASSET MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 July 2018.

GOING CONCERN

Following a review of both the financial position of the company and the current and forecast level of trading, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

EMPLOYEES

The Company has no employees (2017: none). A contractual arrangement with Close Asset Management Holdings Limited ("CAMHL") provides for the provision of CAMHL's staff to undertake the various activities of the Company.

DIRECTORS

Except where noted, the following served as directors of the company throughout the year and to the date of this report:

M Andrew
R I Curry (resigned 16 March 2018)
E B Davis
C Duggan
R Smith
I Wallace

COMPANY SECRETARY

The Company secretary, J Lewis served throughout the year and to the date of this report.

DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

In the forthcoming year, the directors expect the general level of activity in the Company to remain broadly consistent with the current year. There were no subsequent events after the balance sheet date.

CLOSE ASSET MANAGEMENT (UK) LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

DIRECTORS' CONFIRMATIONS

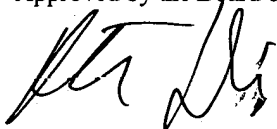
In the case of each director in office at the date the Directors' Report is approved:

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

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



E B Davis
Director
17 September 2018

Registered Office:
10 Crown Place
London
EC2A 4FT

Independent auditors' report to the members of Close Asset Management (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Close Asset Management (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Profit and loss account for the year ended 31 July 2018, the Balance sheet at 31 July 2018, the Statement of changes in equity for the year ended 31 July 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jennifer March (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2018

CLOSE ASSET MANAGEMENT (UK) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Turnover		27,613	22,819
Cost of sales		(17,743)	(15,988)
Gross profit		<u>9,870</u>	<u>6,831</u>
Administrative expenses		(4,483)	(3,005)
Operating profit		<u>5,387</u>	<u>3,826</u>
Interest receivable and similar income		3	5
Profit before taxation		<u>5,390</u>	<u>3,831</u>
Tax on profit	5	(1,025)	(754)
Profit for the financial year		<u><u>4,365</u></u>	<u><u>3,077</u></u>

All results derive from continuing operations. There was no other comprehensive income during the current or prior year.

The notes on pages 10 to 14 form an integral part of these financial statements.

CLOSE ASSET MANAGEMENT (UK) LIMITED

BALANCE SHEET

At 31 July 2018

	Note	2018 £'000	2017 £'000
CURRENT ASSETS			
Debtors	6	35,431	22,779
Cash at bank and in hand		2,587	2,613
		<u>38,018</u>	<u>25,392</u>
CREDITORS: Amounts falling due within one year	7	<u>(25,677)</u>	<u>(17,416)</u>
NET CURRENT ASSETS		12,341	7,976
NET ASSETS		<u>12,341</u>	<u>7,976</u>
CAPITAL AND RESERVES			
Called up share capital	8	500	500
Share premium account		397	397
Capital reduction reserve		1,100	1,100
Profit and loss account		10,344	5,979
TOTAL SHAREHOLDERS' FUNDS		<u>12,341</u>	<u>7,976</u>

The notes on pages 10 to 14 form an integral part of these financial statements.

The financial statements have been approved and authorised by the Board of Directors of Close Asset Management (UK) Limited (company registration number 02998803) on 17 September 2018.

Signed on behalf of the Board by:



E B Davis
Director



M Andrew
Director

CLOSE ASSET MANAGEMENT (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2018

	Called up share capital (note 8) £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
Balance at 1 August 2016	500	397	1,100	2,902	4,899
Profit for the financial year	-	-	-	3,077	3,077
Balance at 31 July 2017	500	397	1,100	5,979	7,976
Profit for the financial year	-	-	-	4,365	4,365
Balance at 31 July 2018	500	397	1,100	10,344	12,341

The notes on pages 10 to 14 form an integral part of these financial statements.

CLOSE ASSET MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General Information and Basis of accounting

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

Close Asset Management (UK) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash-flow statement, standards not yet effective, financial instruments and related party transactions with other wholly owned group member companies. Where required, equivalent disclosures are given in the group accounts of Close Brothers Group plc. The group accounts of Close Brothers Group plc are available to the public and can be obtained as set out in note 9.

These financial statements are prepared in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Going concern

The financial statements are prepared on a going concern basis as disclosed in the Directors' Report on page 3.

Turnover

Fees are recognised as the right to consideration or payment accrues through performance of services. All management fees are derived from services undertaken in the UK.

All fees are shown exclusive of value added tax where applicable

Cost of sales

Relate to investment management advisor services provided to the funds by fellow subsidiary Close Asset Management Limited and payments made to third parties for ongoing services. Cost of sales are recognised over the period the related service is provided.

Investments

Current asset investments are held at fair value through profit or loss and are subsequently carried at fair value, with gains and losses arising from changes in fair value are taken directly to the profit and loss account through interest receivable and other income. The asset is derecognised when the rights to receive cash flows from the asset have expired or the risks and rewards of ownership have been transferred.

Reserves

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. The profit and loss account represents cumulative profit and losses net of dividends paid and other adjustments. The capital reduction reserve was created through the reduction of the authorised share capital of the Company. The reserve represents the amount by which the company's issued share capital is diminished on cancellation of the shares.

CLOSE ASSET MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

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

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3. AUDITOR'S REMUNERATION

During the year all audit fees were borne the Company's immediate parent entity, Close Asset Management Holdings Ltd. The amount incurred on audit fees by CAMHL in respect of the Company was £33,093 (2017: £32,000). The amount incurred on other services pursuant to legislation was £37,000 (2017: £38,000).

CLOSE ASSET MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS' REMUNERATION AND TRANSACTIONS

The emoluments below represent the qualifying services provided to the Company by the Directors. The Directors of the Company are all employed and remunerated by CAMHL.

Directors' remuneration	2018 £'000	2017 £'000
Emoluments	428	479
Company contributions to defined contribution pension schemes	21	25
	<u>449</u>	<u>504</u>

	Number	Number
The number of directors who:		
Are members of a defined contribution pension scheme	4	4
Exercised options over shares in the Company	3	3
Had awards receivable in the form of shares under a long-term incentive scheme	2	2

	2018 £000	2017 £000
Remuneration of highest paid director:		
Emoluments	114	154
Company contributions to defined contribution pension schemes	9	12
	<u>123</u>	<u>166</u>

The currently appointed Directors, as stated on page 3, are all employed and remunerated by Close Asset Management Holdings Limited. No directors exercised options over shares in the Company (2017: none).

CLOSE ASSET MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAX ON PROFIT

The tax charge comprises:

	2018 £000	2017 £000
Current tax		
UK corporation tax	1,025	753
Total current tax	1,025	753
Total deferred tax	-	1
Tax on profit	1,025	754

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2018 £000	2017 £000
Profit before taxation	5,390	3,831
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.67%)	1,025	753
Capital allowances in excess of depreciation	-	1
Tax on profit	1,025	754

6. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Deferred tax asset	2	2
Amounts due from group undertakings	9,038	4,216
Other debtors	23,785	16,494
Prepayments and accrued income	2,606	2,067
	35,431	22,779

Other debtors include £23,785,000 (2017: £16,494,000) of receivables relating to subscriptions and redemptions of units in the authorised investment funds managed by the Company.

CLOSE ASSET MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. CREDITORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade Creditors	79	47
Corporation tax	1,024	753
Other creditors	23,774	16,466
Accruals and deferred income	800	150
	<u>25,677</u>	<u>17,416</u>

Other creditors include £23,774,000 (2017: £16,465,000) of payables relating to subscriptions and redemptions of units in the authorised investment funds managed by the Company.

8. CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised		
500,000 (2017: 500,000) ordinary shares of £1 each	500	500
2,000,000 (2017: 2,000,000) redeemable non-cumulative preference shares of £1 each	2,000	2,000
	<u>2,500</u>	<u>2,500</u>
Allotted, called up and fully paid:		
500,000 (2017: 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

All shares rank pari passu in all respects.

9. CONTROLLING PARTY

The immediate parent undertaking is Close Asset Management Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the Company is a member is CBG, the ultimate parent company. CBG is incorporated in the United Kingdom and registered in England and Wales. Copies of the financial statements of CBG are available to the public at 10 Crown Place, London, EC2A 4FT.

10. RELATED PARTY TRANSACTIONS

As outlined in Note 1, the Company has taken advantage of the disclosure exemption permitted by Financial Reporting Standard 101 with regard to transactions with other wholly owned member companies of CBG. There are no other related party transactions requiring disclosure.

11. SUBSEQUENT EVENTS

There were no subsequent events after the balance sheet date.