

Eight Roads Capital Advisors (UK) Limited

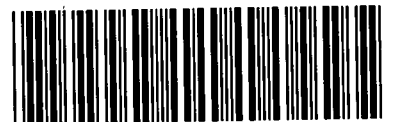
Company number: 06605826

Annual Report and Financial Statements

Year ended

30 June 2019

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Eight Roads Capital Advisors (UK) Limited

**Annual report and financial statements
For the year ended 30 June 2019**

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Directors

K Isherwood
R Kearsley
J McKie

Secretary and registered office

G Marshall
Oakhill House, 130 Tonbridge Road, Hildenborough, Kent, TN11 9DZ

Company number

06605826

Independent Auditors

PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

Eight Roads Capital Advisors (UK) Limited

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their Strategic Report of Eight Roads Capital Advisors (UK) Limited (the "Company") for the year ended 30 June 2019.

Business review and principal activities

The principal activity of the Company is to provide investment research services and ancillary and general administration services for Eight Roads GP (formerly known as FIL Capital Management Limited), a company incorporated in Bermuda, including the provision of factual information, research reports and investment proposals as Eight Roads GP may require from time to time.

The results for the Company are set out on page 8. The Company's profit for the financial year is £483,000 (2018: £419,000). The Directors do not recommend the payment of a dividend.

Development of the business

The Company's activities are expected to continue during the coming year.

Financial risk management

The Company is subject to operational risks and financial risks. The latter include the effect of changes in market risk, credit risk and liquidity risk, which make up the principal risks and uncertainties facing the Company. The Company does not use derivative financial instruments and does not apply hedge accounting.

The Company is committed to a business strategy which supports the proactive identification and assessment of risk, and uses risk information to enhance informed decision making and develop appropriate mitigation strategies. The directors monitor risks associated with the Company and work closely with the risk management department of another FIL Limited group Company to identify potential risks and deal with them.

The Company was part of the FIL Limited group and throughout the year had access to various oversight functions which provide a global and independent perspective to assist senior management with establishing policies and procedures for effective control and risk management. These functions include a central risk management, compliance, internal audit and investigation and intelligence departments.

Market risk

The Company is exposed to various types of market risk: interest rate risk and foreign currency exchange risk.

Interest rate risk applies to interest bearing assets in the form of deposits and cash held with the Company's banks. Term deposit balances earn fixed rates of interest, and overnight deposits are subject to the interest rate available on the day.

Foreign currency exchange rate risk exists on certain costs incurred but the potential impact of this is immaterial to the Company.

Eight Roads Capital Advisors (UK) Limited

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Financial risk management (continued)

Credit Risk

Financial instruments exposure may only be to counterparties under guidelines approved by the FIL Limited ("FIL") Head of Treasury or FIL Group Chief Financial Officer. Surplus cash is carefully considered for placement with liquidity funds to improve credit risk exposure and reduce direct exposure to banks. Cash balances are held only with banks and liquidity funds with whom the FIL Group has strong, well-established relationships. Counterparty limits are used to manage the counterparty exposure. Internal ratings are maintained by the Fidelity Counterparty Research & Analytics Group.

Authority is delegated by the Company and other Group boards to the Head of Treasury to carry out the day-to-day management and reporting of the Group liquidity ensuring that it at all times complies with Group requirements, regulatory requirements as advised by Finance and FIL Group policy.

Liquidity risk

The liquidity risk policy requires the Company to maintain a framework for the management of liquidity risk which ensure that the Company has sufficient surplus liquid resources to meet operational requirements. Accordingly, working capital balances are monitored closely on an ongoing basis.


Key performance indicators ("KPIs")

The Directors use several financial key performance indicators ("KPIs") when reviewing the performance of the Company. Employee costs are the largest individual category of cost, and both total cost and headcount numbers are monitored closely. The total employee cost for the year and the headcount are shown in note 4.

At this time, non-financial KPIs are not a significant element of the business performance review; however the directors will continue to review their appropriateness.

Approval

The Strategic Report was approved by on behalf of the Board on 11 February 2020.



K Isherwood
Director

Eight Roads Capital Advisors (UK) Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report together with the audited financial statements of the Company for the year ended 30 June 2019.

Directors

The Directors of the Company during the year ended 30 June 2019 and up to the date of signing the financial statements (unless otherwise stated) are listed below:

Melanie Louise Halsey (resigned 15 March 2019)
Cyrus David Jilla (resigned 31 March 2019)
John Fraser Milne Mckie
Kristina Maria Isherwood (appointed 27 March 2019)
Ranjani Kearsley (appointed 27 March 2019)

Dividends

The directors do not recommend the payment of an interim or final dividend (2018: £nil).

Future developments

Information on future developments in the business of the Company has been included in the Strategic Report on page 1.

Financial risk management

Information on the financial risk management of the Company has been included in the Strategic Report on pages 1 and 2.

Post balance sheet events

Management do not consider there to be any material post balance sheet events requiring additional disclosure within these financial statements.

Qualifying third party and pension scheme indemnity provisions

The Directors of the Company have qualifying third party and pension scheme indemnity provisions, as defined by Sections 234 and 235 of the Companies Act 2006, put in place through other associated companies of which they are also directors.

Charitable and political contributions

The Company did not make any charitable or political contributions during the year (2018: £nil).

Overseas Branch

During the year the company established a branch in Italy.

Statement of Directors' responsibilities

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

Eight Roads Capital Advisors (UK) Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

Statement of Directors' responsibilities (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). 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 year.

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

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

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

Disclosure of information to auditors

So far as the directors are 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting.

Approval

The Directors' Report was approved on behalf of the Board on 11 February 2020.



K Isherwood
Director

Eight Roads Capital Advisors (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EIGHT ROADS CAPITAL ADVISORS (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Eight Roads Capital Advisors (UK) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2019; the Profit and loss account, the Statement of Comprehensive Income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Eight Roads Capital Advisors (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EIGHT ROADS CAPITAL ADVISORS (UK) LIMITED

Report on the audit of the financial statements

(Continued)

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 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, 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.

Eight Roads Capital Advisors (UK) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EIGHT ROADS CAPITAL ADVISORS (UK) LIMITED

Report on the audit of the financial statements (continued)

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.



Thomas Norrie (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 February 2020

Eight Roads Capital Advisors (UK) Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2019

| | <u>Note</u> | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-------------|-----------------------------|-----------------------------|
| Turnover | | 6,392 | 5,688 |
| Administrative expenses | | (5,810) | (5,171) |
| Operating profit | 3 | 582 | 517 |
| Interest receivable and similar income | 6 | 21 | 16 |
| Profit before taxation | | 603 | 533 |
| Tax on profit | 7 | (120) | (114) |
| Profit for the financial year | | 483 | 419 |

The results for the current and previous financial year derive from continuing operations.

The notes on pages 13-22 form an integral part of these financial statements.

Eight Roads Capital Advisors (UK) Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|---|---|
| Profit for the financial year | 483 | 419 |
| Currency translation differences on overseas branches | <u>(4)</u> | <u>-</u> |
| Total other comprehensive expense for the year | <u>(4)</u> | <u>-</u> |
| Total comprehensive income for the year | <u>479</u> | <u>419</u> |

The notes on pages 13-22 form an integral part of these financial statements.

Eight Roads Capital Advisors (UK) Limited

BALANCE SHEET AS AT 30 JUNE 2019

| | | 2019 | *(Restated) |
|---|-------------|----------------|--------------------|
| | Note | £'000 | 2018 |
| | | £'000 | £'000 |
| Current assets | | | |
| Debtors amounts falling due within one year | 8a | 656 | 2,152 |
| Debtors amounts falling due after more than one year | 8b | 31 | 28 |
| Investments | 9 | 3,795 | 2,184 |
| Cash at bank and in hand | | 339 | 78 |
| | | <u>4,821</u> | <u>4,442</u> |
| Creditors: amounts falling due within one year | 10 | <u>(2,461)</u> | <u>(2,561)</u> |
| Net current assets | | <u>2,360</u> | <u>1,881</u> |
| Net assets | | <u>2,360</u> | <u>1,881</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 10 | 10 |
| Profit and loss account | | 2,350 | 1,871 |
| Total shareholders' funds | | <u>2,360</u> | <u>1,881</u> |

* See note 8a and 10 for further details

The financial statements on pages 8 to 22 were approved by the Board of Directors on 11 February 2020 and signed on its behalf by:



K Isherwood
Director

Company registration number: 06605826

The notes on pages 13-22 form an integral part of these financial statements.

Eight Roads Capital Advisors (UK) Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

| | <u>Called up share Capital</u> £'000 | <u>Profit and loss account</u> £'000 | <u>Total shareholders' funds</u> £'000 |
|---|--|--|--|
| At 1 July 2017 | 10 | 1,452 | 1,462 |
| Profit for the financial year | - | 419 | 419 |
| Other comprehensive income/(expense) for the year | - | - | - |
| Total comprehensive income/(expense) for the year | - | 419 | 419 |
| At 30 June 2018 | <u>10</u> | <u>1,871</u> | <u>1,881</u> |
| Profit for the financial year | - | 483 | 483 |
| Other comprehensive expense for the year | - | (4) | (4) |
| Total comprehensive income/(expense) for the year | - | 479 | 479 |
| At 30 June 2019 | <u>10</u> | <u>2,350</u> | <u>2,360</u> |

The notes on pages 13-22 form an integral part of these financial statements.

Eight Roads Capital Advisors (UK) Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| | | 2019 | *(Restated) |
|---|-------------|--------------|--------------------|
| | Note | £'000 | 2018 |
| | | | £'000 |
| Cash flows from operating activities | | | |
| Profit for the financial year | | 483 | 419 |
| Adjustments for: | | | |
| Interest receivable and similar income | 6 | (21) | (16) |
| Taxation | 7 | 120 | 114 |
| Decrease / (increase) in trade and other debtors | | 1,544 | (925) |
| (Decrease) / increase in trade and other creditors | | (97) | 367 |
| | | <hr/> | <hr/> |
| Cash generated from / (used in) operating activities | | 2,029 | (41) |
| Tax paid | | (178) | (72) |
| | | <hr/> | <hr/> |
| Net cash generated from / (used in) operating activities | | 1,851 | (113) |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Income from current asset investments | | 21 | 16 |
| Net cash generated from investing activities | | 21 | 16 |
| | | <hr/> | <hr/> |
| Net increase / (decrease) in cash and cash equivalents | | 1,872 | (97) |
| Cash and cash equivalents at the beginning of the year | | 2,262 | 2,359 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | | <u>4,134</u> | <u>2,262</u> |
| Cash and cash equivalents comprise: | | | |
| Cash at bank and in hand | | 339 | 78 |
| Investments | | 3,795 | 2,184 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents | | <u>4,134</u> | <u>2,262</u> |

* See note 8a and 10 for further details

The notes on pages 13-22 form an integral part of these financial statements.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 Principal accounting policies

General information

Eight Roads Capital Advisors (UK) Limited is a private Company limited by shares and incorporated in England and Wales. The registered office is Oakhill House, 130 Tonbridge Road, Hildenborough, Kent TN11 9DZ.

Statement of compliance

The financial statements of Eight Roads Capital Advisors (UK) Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards on the historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements are prepared in Pound Sterling which is the functional currency of the Company and rounded to the nearest £'000.

Turnover

Turnover, which arises primarily from the Company's principal activity, represents fees receivable for the provision of investment advisory services to a fellow subsidiary undertaking, Eight Roads GP, a Company incorporated in Bermuda, net of any value-added tax. Turnover is recognised as earned on an accrual basis.

Current asset investments

Current asset investments comprise investments in money market funds. Current asset investments are measured at fair value with changes in fair value recognised in profit or loss. Interest income arising on these funds is recognised on an accrual basis.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

1 Principal accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank and in hand, short term deposits and investments with an original maturity date of three months or less, net of outstanding bank overdrafts.

Debtors

Short-term debtors, with no stated interest rate and receivable within one year, are measured at transaction price less any impairment. Any losses arising from impairment are recognised in the profit and loss account. All debt instruments which are basic financial instruments are measured at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term creditors, with no stated interest rate and payable within one year, are measured at transaction price. Other financial liabilities are measured at amortised cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement accrued at the balance sheet date.

Foreign currency translation

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

1 Principal accounting policies (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Pension costs

A pension scheme is provided by FIL Investment Management Limited ("FILML"), which operates a self-administered defined contribution pension scheme in which eligible employees of FILML and the Company participate. The Company is recharged an amount of FILML's expense.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

- Taxation (see note 7)

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of future planning strategies.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

3 Operating profit

This is arrived at after crediting / (charging):

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Intra-group allocations -turnover | 6,392 | 5,688 |
| Occupancy Cost | (259) | (247) |
| Employee Compensation and Benefits | (4,007) | (3,658) |
| Other Operating Expenses | (1,544) | (1,266) |
| Foreign exchange differences | - | - |
| | <hr/> | <hr/> |

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP for the audit of the Company were £7,594 (2018: £7,566). There were no fees for other services in the year (2018: £nil).

4 Employee Information

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Staff costs (including directors) consist of: | | |
| Wages and salaries | 3,347 | 3,036 |
| Social security costs | 449 | 427 |
| Other pension costs | 211 | 195 |
| | <hr/> | <hr/> |
| | 4,007 | 3,658 |
| | <hr/> | <hr/> |

There were no outstanding or prepaid contributions to the pension scheme at 30 June 2019 (2018: £nil).

The average monthly number of employees during the current and previous year was:

| | <u>2019</u> <u>Number</u> | <u>2018</u> <u>Number</u> |
|----------------------------------|------------------------------|------------------------------|
| Investment professionals | 11 | 8 |
| Administration | 4 | 4 |
| Employed under service contracts | 0 | 0 |
| | <hr/> | <hr/> |
| | 15 | 12 |
| | <hr/> | <hr/> |

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

5 Directors' remuneration

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Aggregate Directors' emoluments/compensation for loss of office | 146 | 76 |
| Aggregate amounts receivable under long term incentive plans | 29 | 18 |
| Company pension contributions to defined contribution schemes | 7 | 7 |
| | <u>181</u> | <u>101</u> |

One of the Directors (2018: one) was a Director of the Company and a number of fellow subsidiaries within the FIL Group during the year. It is not possible to make an accurate apportionment of their remuneration in respect of each of these subsidiaries. Accordingly, the above details include no remuneration of this Director. The other Directors receives a salary from the Company and other entities within the FIL Limited group of which they are also a Director. The figures included above are the allocated salaries for this entity.

During the year, retirement benefits were accruing for three of the directors (2018: two) under a defined contribution scheme. No benefits accrued to directors under the defined benefit scheme (2018: none).

Emoluments of the highest paid Director were £152,302 (2018: £76,242).

Company pension contributions of £6,415 (2018: £7,425) were made on their behalf.

6 Interest receivable and similar income

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Other interest receivable | 10 | 12 |
| Income from current asset investments | 11 | 4 |
| | <u>21</u> | <u>16</u> |

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

7 Tax on profit

(a) The charge for tax on profit is made up as follows:

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Current taxation | | |
| UK corporation tax on profit for the year | 111 | 116 |
| Overseas corporation tax on profit for the year | 4 | - |
| Adjustments in respect of prior years group relief | (6) | (1) |
| Total current tax | <u>109</u> | <u>115</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | 11 | (1) |
| Tax on profit | <u>120</u> | <u>114</u> |

(b) The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year of 19% (2018: 19%). The differences are explained below:

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Profit before taxation | <u>603</u> | <u>533</u> |
| UK corporation tax on profit at 19% (2018: 19%) | 115 | 101 |
| Adjustments: | | |
| Rate differences in overseas tax | 1 | - |
| Adjustments in respect of prior years | (8) | (1) |
| Expenses not deductible for tax purposes | 1 | - |
| Prior year deferred tax movement | 11 | 14 |
| Total tax charge for year | <u>120</u> | <u>114</u> |

(c) The movements on the deferred tax assets are as follows:

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Provision at 1 July | 49 | 47 |
| Deferred tax (charge)/ credit in the profit and loss account for the year | (11) | 2 |
| Provision at 30 June | <u>38</u> | <u>49</u> |

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

7 Tax on profit (Continued)

(d) The deferred tax asset in the balance sheet consists of:

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Bonus - prior year short term timing differences | 38 | 49 |
| | <u>38</u> | <u>49</u> |

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

The net reversal of deferred tax assets and liabilities recognised in 2019 is £6,755 (2018: £20,597.) This is expected to arise because of the unwinding of timing differences within staff bonus. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. Following a Budget 2016 announcement, there will be further reductions in the main rate of UK corporation tax to 17% from 1 April 2020.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

8 Debtors

8a Debtors: amounts falling due within one year

| | <u>2019</u> <u>£'000</u> | *(Restated) <u>2018</u> <u>£'000</u> |
|---|-----------------------------|--|
| Amounts owed by fellow group undertakings | 23 | 560 |
| Other debtors | 551 | 1,500 |
| VAT recoverable | 31 | 71 |
| Corporation tax recoverable | 44 | - |
| Deferred tax asset (note 7) | 7 | 21 |
| | <u>656</u> | <u>2,151</u> |

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

*The prior year disclosure for amounts owed by fellow group undertakings has been restated from £321,948 to £559,854 as amounts receivable from and payable to various fellow group undertakings were presented net. These amounts are now presented on a gross basis.

8b Debtors: amounts falling due after more than one year

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Deferred tax asset (note 7) | <u>31</u> | <u>28</u> |

9 Investments

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Mutual and collective fund investments | <u>3,795</u> | <u>2,184</u> |

The above current asset investments are all in FIL Institutional Liquidity Funds. The Directors believe that the carrying value of the current asset investments is supported by their underlying net assets.

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

10 Creditors : amounts falling due within one year

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Trade creditors | 58 | 26 |
| Other creditors and accrued expenses | 1,762 | 2,231 |
| Amounts owed to fellow group undertakings | 554 | 238 |
| Other taxation and social security costs | 87 | 63 |
| Corporation tax payable | - | 3 |
| | <u>2,461</u> | <u>2,561</u> |

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

*The prior year disclosure for amounts owed to fellow group undertakings has been restated from Nil to £237,905 as amounts receivable from and payable to various fellow group undertakings were presented net. These amounts are now presented on a gross basis.

11 Called up share capital

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Allotted, called up and fully paid | | |
| 10,000 (2018: 10,000) ordinary shares of £1 each | <u>10</u> | <u>10</u> |

12 Reserves

Profit and loss account

This reserve includes all current and prior periods retained profits and losses.

13 Contingent amounts

The Company does not have any contingent liabilities as at 30 June 2019 (2018: nil).

14 Financial instruments

| | <u>2019</u> <u>£'000</u> | <u>2018</u> <u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Financial assets | | |
| Financial assets held at fair value through profit or loss | 3,795 | 2,184 |
| Financial assets held at amortised cost | 913 | 2,138 |
| | <u>4,708</u> | <u>4,322</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 2,374 | 2,495 |
| | <u>2,374</u> | <u>2,495</u> |

Eight Roads Capital Advisors (UK) Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 JUNE 2019

14 Financial instruments (Continued)

Financial assets measured at fair value through profit or loss comprise current asset investments held in FIL Institutional Liquidity Funds.

Financial assets measured at amortised cost comprise cash at bank and in hand, notes receivable and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise accounts payable and accrued liabilities.

15 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Eight Roads Holdings Limited, a company registered in Bermuda.

The ultimate parent undertaking and controlling party at 30 June 2019 was FIL Limited, a company incorporated in Bermuda. FIL Limited was the parent undertaking of the largest group of undertakings to consolidate these financial statements. From 30 September 2019 Eight Roads Shareholders Limited, a company incorporated in Bermuda, became the ultimate parent undertaking and controlling party.

16 Related party transactions

The company has also taken advantage of the exemption permitted by section 33.1A of FRS 102 not to disclose related party transactions with entities that are wholly owned subsidiaries of the FIL Limited group.

Amounts owed by and amounts due to fellow subsidiary undertakings are disclosed in notes 8a and 10.

Key management personnel include all directors and senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the company. No compensation, other than as disclosed in note 5, was paid to key management personnel for services provided to the group.

17 Subsequent Events

On 30 September 2019, the immediate parent undertaking of the Company 'Eight Roads Holdings Limited ("ERHL") demerged from FIL Limited.

There were no other events through February 12, 2020, which is the date the financial statements were available to be issued that required adjustments to the financial statements or disclosures in the notes.