

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report For the year ended 31 December 2022**

Registered number 07099556



# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

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# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Directors and other information**

#### **Directors**

Hubert Keller  
Jeremy Bailey  
Peter Clarke  
Stephen Fitzgerald  
Annika Falkengren (until 10 March 2022)  
Jean-Pascal Porcherot (as from 10 March 2022)

#### **Independent auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
United Kingdom

#### **Regulator**

Financial Conduct Authority  
12 Endeavour Square,  
London E20 1JN  
United Kingdom

#### **Registered office**

Queensberry House  
3 Old Burlington Street  
London W1S 3AB  
United Kingdom

#### **Company number**

07099556

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Strategic report**

**Registered number: 07099556**

The Directors present their Strategic report on Lombard Odier Asset Management (Europe) Limited (the "Company") for the year ended 31 December 2022.

#### **Review of the business and risk management**

##### **Review of business**

The Company's key performance indicators, defined by management, are (i) Assets Under Management ("AUM"), (ii) turnover, (iii) headcount, and (iv) operating results.

At 31 December 2022, the number of staff employed by the Company was 135 (2021: 133).

Total AUM decreased by 14.5% to £14.989bn (2021: £17.524bn). Funds and segregated mandates accounted for 91.5% and 8.5% respectively of the total at 31 December 2022 (2021: 90.4% and 9.6% respectively). Funds AUM decreased by 13.4% to £13.717bn (2021: £15.837bn). Segregated mandates decreased by 24.6% to £1.273bn (2021: £1.687bn).

Turnover decreased by 42.7% from £119.429m to £68.470m comprising of management fee income of £53.061m (2021: £55.115m), performance fees of £1.203m (2021: £52.816m), advisory fees of £0.713m (2021: £1.228m), operating lease rental income of £0.957m (2021: £1.166m) and other fee income of £12.536m (2021: £9.104m).

Administration expenses decreased by 13.9% to £65.982m (2021: £76.616m). The net profit for 2022 was £2.764m (2021: £35.411m). As at 31 December 2022, Shareholders' Funds stood at £43.305m (2021: £52.541m); which exceeded the Company's regulatory capital requirement by £23.056 (2021: £32.032m).

The financial results for the year are set out on page 16 onwards and in the Notes to the financial statements.

##### **Principal risks and uncertainties**

The section below provides a summarised description of the principal risks and uncertainties facing the Company.

##### *Principal risk in relation with the conflict in Ukraine*

Russia's invasion of Ukraine started on 24 February 2022 and has introduced significant market disruption in local and foreign exposed financial instruments. Funds and segregated mandates managed by the Company had, at the date of reporting, either no or extremely limited exposure to Russia, Ukraine or Belarus financial instruments.

Aware of the impact of government actions on market operations and liquidity, the Company is constantly monitoring the situation as it evolves and will continue to keep clients informed on an ongoing basis.

Moreover, and despite a drop in the financial markets at the end of the 1st quarter of 2022, the Company had also not experienced any decline in the quality of its debtors and their abilities to meet their payments obligations.

The Company could be adversely impacted by falls in financial market levels and adverse investor sentiment affecting AUM. The length and severity of the impact remains unclear but the Company would not expect these to significantly change the underlying medium to long-term prospects of the budget, as the solvability and liquidity positions remain strong.

##### *Operational risks*

The risk of loss arising from deficiencies or failures relating to internal procedures, people, or systems or following external events due to intentional, accidental or natural causes. The Company manages risk through pre-emptive risk reviews of new products/policies, escalation of operational incidents and maintenance of an operational risk database, performance of risk and control self-assessments and tracking of key risk indicators. The Company implements processes to mitigate future risks where appropriate.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Strategic report (continued)**

#### ***Principal risks and uncertainties (continued)***

##### ***Market risks***

The risk of loss resulting from changes in general market factors and from events specific to individual issuers of debt and equity instruments, which may negatively impact AUM and ultimately revenues related to investment management. The Company manages risk through the diversification of products on offer to its clients, and by the activities of risk management professionals who use a range of tools to monitor the activities of investment.

The Company can be exposed to adverse impacts due to volatility in financial markets and adverse investor sentiment affecting Assets under Management. The length and severity of such impacts remain unclear but the firm does not expect them to adversely change the underlying medium to long-term prospects of the Company.

##### ***Foreign currency exchange risks***

The risk of an adverse impact on the Company's results due to fluctuations in foreign currency exchange rates. The Company manages risk on its balance sheet by forecasting non-functional currencies, and maintaining sufficient cash balances in appropriate currencies to meet liabilities as they fall due.

##### ***Credit and counterparty risks***

The risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations, including settlement risk. The Company's strategy is to be conservative and as such the Company deals with financial institutions of very high credit quality (in general a minimum external rating of A (Fitch) is required for any cash deposits). The Company mitigates further risk through active credit control, with timely management escalation of aged receivables.

The Company over the period, did not experience any failures as a result of a deterioration in the quality of its debtors or in their ability to meet or service any of their payments obligations.

##### ***Liquidity risks***

The risk that the Company is unable to meet efficiently both expected and unexpected, current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. To mitigate this risk, the Company maintains a liquidity reserve and follows a prudent balance sheet management approach. The Company monitors Liquidity Risk on a monthly basis, and undertakes Liquidity Stress Testing on an annual basis or more often if the circumstances demand.

##### ***Political risks***

The risk that the Company's operations are adversely affected by changes stemming from Brexit. The Company continues to monitor any prospective changes to legislation in the EU which might directly or indirectly affect the ability of the Company to manage EU funds or mandates delegated by EU entities.

##### ***Staff retention***

The financial services industry is an extremely competitive market and the Company recognises the need to employ and retain the best talent. The Company is committed to providing a rewarding and stimulating environment for all its employees.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Strategic report (continued)**

#### **SECTION 172(1) STATEMENT**

##### **1. Statutory context**

This statement is made for the purposes of section 414CZA of the Companies Act 2006 (the "Companies Act") and describes how the Directors of the Company have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act (copied below) when performing their duties under section 172.

##### Section 172 of the Companies Act

##### *Duty to promote the success of the Company*

*A Director of a Company must act in the way he considers, 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:*

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

##### **2. Background**

The Company is the UK asset management arm of the Lombard Odier group ("LO Group"), a global private banking, asset management and banking technology infrastructure group headquartered in Geneva, Switzerland. The principal business activity of the Company is the management of collective investment funds and discretionary investment mandates for institutional clients.

##### **3. Considering consequences of decisions in the long term**

Asset management is a business which depends upon building long term and trusted relationships with clients and intermediaries. Forward looking planning and decision making is therefore essential for the ongoing viability of the Company. Decision making and planning of the Directors takes into consideration (amongst other things) the following long-term factors:

- anticipating client needs,
- anticipating changes to Laws and regulation which may affect the future operations of the Company,
- developing new business lines and enhancing existing business operations,
- investing in IT, Communications and Security infrastructure,
- investing in strong sales and portfolio management teams,
- incorporating sustainability as a central pillar of our business,
- retaining staff.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Strategic report (continued)**

#### **SECTION 172(1) STATEMENT (CONTINUED)**

##### **4. Considering the interests of the Company's employees**

The Company's employees are one of the most important assets of the Company and staff development and retention is an essential consideration for the senior management (and ultimately the Directors) of the Company. The Company has committed itself to *stronger gender balance, pay equity, a solid framework for gender equality policies and practices, as well as to an inclusive workplace culture* and will participate in the Inclusive Employers, National Inclusion Standard as a framework to help deliver Company's commitment to diversity and inclusion.

In addition to the existing initiatives/policies designed to improve the quality of working lives of our employees including wellness days and activities and mental health awareness, the Company also made a significant investment by providing our employees with access to a global online wellbeing digital solution, Helix Resilience and this reflects our commitment to their wellbeing. The Company also provides support for employees undertaking voluntary work within their communities and sabbatical leave.

##### **5. Considering the need to foster the Company's business relationships with suppliers, customers and others**

In common with all service-based businesses, the Company's ability to build and maintain trusted long-term relationships with clients and intermediaries is essential to the economic viability of the Company. Decisions by the Board of Directors focus on the high-level key infrastructure required to ensure that our clients and distribution network remain happy with the level and quality of service provided to them, including:

- that appropriately qualified and experienced staff are employed to service clients,
- that an appropriate control infrastructure (risk, compliance, finance etc.) is in place to monitor the standard and quality of service provided to clients,
- that an appropriate operational infrastructure (including internal and outsourced functions) is in place to support the services provided to clients.

In respect of suppliers, the focus of the Board of Directors is around selecting and monitoring the quality of key third parties engaged to provide services to the Company in the normal course of its business (IT platforms, middle office providers, advisory consultants etc.).

##### **6. Considering the impact of the Company's operations on the community and the environment**

Consideration of the Company's operations on the community and the environment is central to the business strategy of the Company. The Board of the Company has made the decision to invest heavily in a team of sustainable/stewardship investment professionals and has integrated sustainability and stewardship into all of its investment processes (including the implementation of restrictions (above certain thresholds) on investments in companies whose revenues are generated from tobacco, coal and unconventional oil and gas and controversial weapons). Through its investments (on behalf of its clients) the Company will seek to try and influence the future social and environmental impact of the companies in which it invests.

The Company has procurement and other policies in place to ensure that its supply chain has adopted solid corporate responsibility policies and programs that cover and actively support ethical conduct, diversity, social responsibility and environmental sustainability.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Strategic report (continued)**

#### **SECTION 172(1) STATEMENT (CONTINUED)**

**7. Considering the desirability of the Company maintaining a reputation for high standards of business conduct**

As mentioned above at length, trusted long term relationships with clients is essential to the economic viability of the Company. The Company's reputation in terms of compliance with Laws, performance and quality of services is central to creating and maintaining these relationships. The Company is part of the LO Group whose strong reputation in the banking and financial services world has been created through 226 years of business. Maintaining this reputation is a key consideration for the Board of Directors of the Company.

**8. Considering the need to act fairly as between members of the Company**

The Company is a privately owned 100% subsidiary of the LO Group, which is in turn ultimately owned and controlled by its managing partners. In view of this fact, the Board of Directors of the Company is not faced with considerations linked to fair treatment amongst its members that would otherwise be relevant to a Company with multiple shareholders.

**By order of the Board**



**Peter Clarke**  
**Director**  
19 April 2023



# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Directors' report**

The Directors present their report and the audited financial statements of Lombard Odier Asset Management (Europe) Limited for the year ended 31 December 2022.

The Directors are ultimately responsible for the management of risks facing the Company. The Directors meet this responsibility by establishing and monitoring suitable governance frameworks for material risks faced.

The Directors disclose the Company risks/exposures listed below in the appendices to the financial statements on pages 31-33.

- Financial risk management objectives and policies,
- Exposure to price, credit and liquidity risks.

These financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102).

Where there are matters that are Directors' report disclosure requirements but considered by the Directors to be of strategic importance to the group, these have been included in the strategic report in line with Section 414C(11) of the Companies Act 2006.

#### **Dividends**

The Directors recommend the payment of a dividend of £1.000m in respect of the year ended 31 December 2022.

#### **Directors**

The Directors of the Company who held office during the year and up to the date of signing the financial statements are disclosed on page 3.

#### **Directors' indemnities**

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. Qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the year ended 31 December 2022 and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company.

#### **Independent auditors**

As permitted by the Companies Act 2006, being a private Company, the Company does not appoint auditors annually and therefore PricewaterhouseCoopers LLP will be deemed to be re-appointed as auditors at the end of their term of office in accordance with Section 485 of the Companies Act 2006.

#### **Research and development**

There was no research and development during the year.

#### **Future developments**

The Company intends to continue to develop its asset management capabilities, which may require the hiring of additional investment management professionals and the acquisition of investment books that are strategically aligned with the Company and which compliment existing strengths.

#### **Financial instruments**

Details of the Company's financial risk management objectives and policies are provided in the Strategic report on page 4 under the heading "Principal risks and uncertainties". Further detail of the Company's risk and capital management policies can be found in Appendix 1 to the financial statements.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Directors' report (continued)**

#### **Disclosure of information to auditors**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware,
- each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself 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 Section 418 of the Companies Act 2006.

#### **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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, 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 102 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.

#### **Section 172**

The Director's Report must contain a statement summarising how the Directors of the Company have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

This information has been included within paragraphs 4 and 5 of the section 172(1) Statement included in the Strategic Report to better link it to the wider information provided in relation to the way in which the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act (which includes, inter alia, the way in which the Directors consider the need to foster the Company's business relationships with suppliers, customers and others).

# Lombard Odier Asset Management (Europe) Limited

## Annual Report for the year ended 31 December 2022

### Directors' report (continued)

#### Streamlined energy and carbon reporting ("SECR")

	Emissions Scope	2022 t CO <sub>2</sub> e	2021 t CO <sub>2</sub> e
Emissions from combustion of gas	1	46	21
Emissions from combustion of fuel for transport purposes	1	0	0
Emissions from purchased electricity	2	42	48
Scope 1 + 2		88	69
Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel	3	0	0
Scope 1 + 2 + 3		88	69
Underlying energy (kWh)		469 639	337 682
t CO <sub>2</sub> e / 000s sq ft office space (Scope 1 + 2)		4.4	5.1
t CO <sub>2</sub> e / 000s sq ft office space (Scope 1 + 2 + 3)		4.4	5.1
t CO <sub>2</sub> e / employee (Scope 1 + 2)		0.6	0.5
t CO <sub>2</sub> e / employee (Scope 1 + 2 + 3)		0.6	0.5

#### Methodology

UK energy use covers the office activities of Lombard Odier Asset Management (Europe) Limited's entities in the UK. There are no emissions from transport for the year 2022 that should be included in SECR.

A location-based calculation of CO<sub>2</sub> equivalent emissions was made using energy (electricity and natural gas) data collected from Lombard Odier Asset Management (Europe) Limited. In 2022, Lombard Odier Asset Management (Europe) Limited operated no transport as defined for disclosure under Streamlined Energy and Carbon Reporting. For the gas usage, the reported gas consumption Lombard Odier Asset Management (Europe) Limited was only for the period January to September 2022, so the remaining three months was estimated by using the monthly average for the first nine months. This provided an estimated yearly natural consumption.

The emissions factors for location-based electricity and natural gas come from BEIS's Greenhouse gas reporting: conversion factors 2022, published on 22 June 2022 and last updated 20 September 2022.

The methodology is consistent with the 2021 edition of the UK Government GHG Conversion Factors for Company Reporting and GHG Reporting Protocol - Corporate Standard.

# **Lombard Odier Asset Management (Europe) Limited**

## **Annual Report for the year ended 31 December 2022**

### **Directors' report (continued)**

#### **Streamlining energy and carbon reporting ("SECR") (continued)**

##### Narrative of energy efficiency measures over the year

Lombard Odier Asset Management (Europe) Limited have worked closely with the landlord to increase the energy efficiency of the office space.

Examples of changes that have taken place by the managing agent of the landlord are: all common areas now have LED, BMS changes to improve flushing, boiler no longer operates above 16°C during summer months and improvements to set points for the HVAC system. The landlord reported that the combination of all measures have resulted in an 18.1% electricity and 7.4% natural gas saving which equates to a £21,895 saving to the service charge for the tenants like Lombard Odier Asset Management (Europe) Limited.

**On behalf of the Board**



**Peter Clarke**  
**Director**  
19 April 2023



# Independent auditors' report to the members of Lombard Odier Asset Management (Europe) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Lombard Odier Asset Management (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including 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, which comprise: statement of financial position as at 31 December 2022; statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.



Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiring with those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes including those of the board of directors;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Identifying and testing journal entries which meet our specified risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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.

A handwritten signature in black ink, appearing to read 'J. Lochab'.

Jasmit Lochab (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
19 April 2023

# Lombard Odier Asset Management (Europe) Limited

## Statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 Continued operations £ '000	2021 Continued operations £ '000
Revenue	5	68 470	119 429
Administrative expenses	6	(65 982)	(76 616)
Other operating gains/(losses)	6	(213)	(27)
Interest receivable and similar income	7	164	20
Finance costs	7	(37)	(40)
<b>Profit before taxation</b>	<b>6</b>	<b>2 402</b>	<b>42 766</b>
Tax on profit	9	362	(7 355)
<b>Profit for the financial year</b>		<b>2 764</b>	<b>35 411</b>
<b>Total comprehensive income for the year</b>		<b>2 764</b>	<b>35 411</b>

The Notes on pages 19 to 30 form an integral part of these financial statements. Further comments on the statement of comprehensive income line items are presented in the Notes to the financial statements.



# Lombard Odier Asset Management (Europe) Limited

## Statement of financial position as at 31 December 2022

	Notes	2022 £ '000	2021 £ '000
<b>Fixed assets</b>			
Tangible assets	10	197	264
		<u>197</u>	<u>264</u>
<b>Financial assets</b>		61	61
<b>Current assets</b>			
Debtors	11	57 654	54 370
Investments	12	6 955	7 000
Cash at bank and in hand		16 707	29 570
		<u>81 316</u>	<u>90 940</u>
<b>Creditors: amounts falling due within one year</b>	13	(38 169)	(38 624)
<b>Provisions for liabilities</b>	14	<u>(100)</u>	<u>(100)</u>
<b>Net current assets</b>		<u>43 047</u>	<u>52 216</u>
<b>Total assets less Current liabilities</b>		<u>43 305</u>	<u>52 541</u>
<b>Net assets</b>		<u>43 305</u>	<u>52 541</u>
<b>Capital and reserves</b>			
Called up share capital	16	20 000	20 000
Retained earnings		23 305	32 541
<b>Total equity</b>		<u>43 305</u>	<u>52 541</u>

The Notes on pages 19 to 30 form an integral part of these financial statements. The financial statements on pages 16 to 33 were approved and authorised for issue by order of the Board on 19 April 2023 and signed on its behalf by:



**Peter Clarke**  
**Director**  
 Lombard Odier Asset Management (Europe) Limited  
 Registered number: 7099556

# Lombard Odier Asset Management (Europe) Limited

## Statement of changes in equity for the year ended 31 December 2022

	Notes	Called up share capital £ '000	Retained earnings/ (Accumulated losses) £ '000	Total equity £ '000
<b>Balance as at 1 January 2021</b>		<b>20 000</b>	<b>33 130</b>	<b>53 130</b>
Profit for the financial year		-	35 411	35 411
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>35 411</b>	<b>35 411</b>
Dividends	16	-	(24 000)	(24 000)
Interim Dividends	16	-	(12 000)	(12 000)
Total transactions with owners, recognised directly in equity		-	(36 000)	(36 000)
<b>Balance as at 31 December 2021</b>		<b>20 000</b>	<b>32 541</b>	<b>52 541</b>
Profit for the financial year		-	2 764	2 764
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>2 764</b>	<b>2 764</b>
Dividends	16	-	(12 000)	(12 000)
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>(12 000)</b>	<b>(12 000)</b>
<b>Balance as at 31 December 2022</b>		<b>20 000</b>	<b>23 305</b>	<b>43 305</b>

# **Lombard Odier Asset Management (Europe) Limited**

## **Notes to the financial statements for the year ended 31 December 2022**

### **1. General information**

The principal activity of the Company is the provision of asset management services. The Company is an active international investor with a global institutional client focus. The Company is a private Company, limited by its Shares authorised and regulated by the Financial Conduct Authority ("FCA") and as such is subject to regulatory capital requirements.

The Company was incorporated on 9 December 2009 in the United Kingdom, and obtained its Financial Services Act 2000 Part IV Permission with effect from 5 August 2010. It is a wholly owned subsidiary of LO Holding SA, incorporated in Switzerland. The Company's ultimate holding entity is Compagnie Lombard Odier SCmA, a Swiss corporate partnership with various financial services businesses across more than 25 offices.

Given the continuing building of strategic marketing and sales activities in addition to the continued support from the ultimate parent, the Directors remain confident about the long term prospects of the Company. Further details regarding the adoption of the going concern basis can be found in the accounting policies Note 3(b) of the financial statements.

### **2. Statement of compliance**

The individual financial statements of Lombard Odier Asset Management (Europe) Limited have been prepared in compliance with United Kingdom Accounting Standards and the Companies Act 2006 and in accordance to the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

### **3. Summary of significant accounting policies**

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

#### **a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 4.

#### **b) Going concern**

After reviewing forecasts, the Directors have a reasonable expectation that the Company has sufficient financial resources to continue in operational existence for a period of at least twelve months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The Company has taken advantage of certain exemptions.

These exemptions are:

- the requirement to prepare a statement of cash flows. [Section 7 of FRS 102 paragraph 3.17(d)];
- a reconciliation of the number of Shares outstanding at the beginning and end of the year. [FRS 102 paragraph 4.12(a)(iv)]; [FRS 102 paragraph 1.12(b)];
- the disclosure of key management personnel compensation in total. [FRS 102 paragraph 33.7];
- the requirement to disclose details of transaction with entities that are part of the same group in accordance with FRS 102 paragraph 33.9, since it is a subsidiary of a group which is wholly owned and the group's financial statements are publicly available.

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

### 3. Summary of significant accounting policies (continued)

#### d) Foreign currency

##### (i) Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

Foreign currency transactions are translated into functional currency using spot exchange rates at the dates of the transactions.

At each year-end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and nonmonetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses resulting from the retranslation of opening net assets of the Company's European branches are recognised through other comprehensive income.

#### e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and rebates allowed by the Company and value added taxes.

The Company recognises revenue when:

- (a) the significant risks and rewards of ownership have been transferred to the buyer;
- (b) the Company retains no continuing involvement or control over the goods or services;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that future economic benefits will flow to the entity and
- (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

##### (i) Sale of services

Revenue is recognised in the accounting period in which the services are rendered.

##### (ii) Interest income

Interest income is recognised using the effective interest rate method.

##### (iii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straightlined basis over the lease term.

#### f) Employee benefits

##### (i) Employee deferral scheme

The Company operates multiple employee deferral schemes eligible to certain employees whereby a portion of their total compensation is deferred. All scheme amounts are accounted for on a straight line basis over a vesting period of up to three years, and are subject to forfeiture conditions.

##### (ii) Defined contribution pension scheme

The Company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered Funds.

# **Lombard Odier Asset Management (Europe) Limited**

## **Notes to the financial statements for the year ended 31 December 2022**

### **3. Summary of significant accounting policies (continued)**

#### **g) Taxation**

##### *(i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and Laws that have been enacted or substantively enacted by the year-end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax Regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *(ii) Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on timing differences at the reporting date, to the extent that management deem it probable that such tax losses and other deferred assets will be recovered through the reversal of deferred tax liabilities and/or future taxable profits.

Deferred tax is measured using tax rates and Laws that have been enacted or substantively enacted by the year-end and that are expected to apply to the reversal of the timing difference.

#### **h) Tangible assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their estimated useful lives as follows:

- Office equipment and furniture – 1-2 years
- Short-term leasehold improvements – over the period of lease

#### **i) Share capital**

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

#### **j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### **k) Provisions and contingencies**

##### *(i) Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

# **Lombard Odier Asset Management (Europe) Limited**

## **Notes to the financial statements for the year ended 31 December 2022**

### **3. Summary of significant accounting policies (continued)**

#### **k) Provisions and contingencies (continued)**

##### *(ii) Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefit is probable.

#### **l) Related party transactions**

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned in accordance with FRS 102 1AC.34.

#### **m) Operating leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

#### **n) Financial instruments**

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *(i) Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for impairment. If an asset is deemed as impaired, the impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised in the statement of comprehensive income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

### 3. Summary of significant accounting policies (continued)

#### n) Financial instruments (continued)

##### (ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### (iii) Hedging arrangements

The entity applies hedge accounting for transactions entered into to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign currency contracts are held to manage the foreign exchange rate exposures and are designated as cash flow hedges of future revenue.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

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

The preparation of financial statements may require management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying Notes. In such cases, management believes that the estimates and judgements utilised in preparing its financial statements are reasonable, but actual results could differ from estimates. There were no significant accounting judgements and estimates taken in the year ended 31 December 2022.

5. Revenue	2022 £ '000	2021 £ '000
Analysis by category:		
Management fee	53 061	55 115
Advisory fee	713	1 228
Performance fee	1 203	52 816
Rental income	957	1 166
Services provided to affiliated undertakings	12 536	9 104
	<b>68 470</b>	<b>119 429</b>

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

<b>5. Revenue (continued)</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Analysis of revenue by geography:		
Luxembourg	45 489	45 215
United States	13 927	64 478
Other countries	9 054	9 736
	<b>68 470</b>	<b>119 429</b>

<b>6. Operating profit</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>

### Profit before taxation, stated after charging:

Wages and salaries	40 364	53 932
Social security costs	5 786	7 532
Other pension costs	1 535	1 387

<b>Total personnel Costs</b>	<b>47 685</b>	<b>62 851</b>
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Operating lease rentals	3 873	3 828
Foreign currency exchange gains/(losses)	555	386
Depreciation and Amortisation	212	140
Other administrative expenses	13 657	9 411

<b>Total Administrative expenses</b>	<b>65 892</b>	<b>76 616</b>
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Other operating gains/(losses)	(213)	(27)
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<b>Total Other operating gains/(losses)</b>	<b>(213)</b>	<b>(27)</b>
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### Services provided by the Company's auditors and its associates

During the year, the Company obtained the following services from the Company's auditors and associates.

	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Audit of the Company*	69	69
Audit related assurance services	123	116
<b>Total fees</b>	<b>192</b>	<b>185</b>

- \* The audit of the Company fee is comprised of £12k for Client Assets Sourcebook (CASS) reporting (2021: £12k) with the remaining £57k relating to the statutory audit (2021: £57k).



# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

<b>7. Net interest result</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Bank interest received	164	20
Bank charges paid	(37)	(40)
<b>Net interest income/(expense)</b>	<b>127</b>	<b>(20)</b>

## 8. Employees and Directors

The average monthly number of persons (including executing Directors) employed by the Company during the year was:

<b>By activity</b>	<b>2022</b>	<b>2021</b>
	<b>No</b>	<b>No</b>
Production	45	43
Selling and distribution	41	40
Administration	49	50
	<b>135</b>	<b>133</b>

The personnel costs (including Directors) during the year are disclosed on the previous page in Note 6.

The Company made contributions of £5k (2021: £5k) on behalf of 2 Directors (2021: 2) who were members of a defined contribution scheme during the year.

<b>Details of Directors' aggregate emoluments are as follows:</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Aggregate emoluments	400	401
<b>Details relating to the highest paid Director are as follows:</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Aggregate emoluments	136	136

## 9. Tax on profit

<b>Current tax</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
UK corporation tax on profit for the year	(1 873)	(8 989)
Adjustments in respect of previous years	370	(5)
<b>Total current tax</b>	<b>(1 503)</b>	<b>(8 994)</b>
<b>Deferred tax</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Origination and reversal of timing differences	(1 842)	(1 159)
Adjustment in respect of prior periods	(23)	-
Impact of change in rate of tax	-	(480)
<b>Total deferred tax</b>	<b>(1 865)</b>	<b>(1 639)</b>
<b>Tax on profit</b>	<b>362</b>	<b>(7 355)</b>

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

9. Tax on profit (continued)	2022 £ '000	2021 £ '000
<b>Profit before tax</b>	<b>2 402</b>	<b>42 747</b>
Profit multiplied by standard rate of tax in the UK of 19% (2021: 19%)	456	8 122
Effect of:		
Income not subject to tax	(1)	-
Expenses not deductible for tax purposes	14	5
Depreciation in excess of capital allowances	6	4
Other short-term timing differences	-	(3)
Group relief claimed	-	(20)
Difference in tax rates	(444)	(758)
Adjustment in respect of previous years deferred tax	(23)	-
Adjustment in respect of previous years	(370)	5
<b>Tax charge for the year</b>	<b>(362)</b>	<b>7 355</b>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 10. Tangible assets

	Short-term leasehold improvements £ '000	Office Equipment and Furniture £ '000	Total £ '000
At 1 January 2022			
Cost	1 442	144	1 586
Accumulated depreciation	(1 178)	(144)	(1 322)
<b>Net book amount</b>	<b>264</b>	<b>-</b>	<b>264</b>
Year ended 31 December 2022			
Opening net book amount	264	-	264
Additions	144	-	144
Disposals	(529)	(144)	(673)
Depreciation	(211)	-	(211)
Impairment	529	144	673
<b>Closing net book amount</b>	<b>197</b>	<b>-</b>	<b>197</b>
At 31 December 2022			
Cost	1 057	-	1 057
Accumulated depreciation	(860)	-	(860)
<b>Net book amount</b>	<b>197</b>	<b>-</b>	<b>197</b>

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

<b>11. Debtors</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Trade debtors	187	120
Amounts owed by group undertakings	42 686	44 883
Other debtors	3 512	3 057
Prepayments and accrued income	6 246	3 153
Deferred Tax (refer to Note 14)	5 023	3 158
	<b>57 654</b>	<b>54 370</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

<b>12. Investments</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Treasury Bills	6 955	7 000
	<b>6 955</b>	<b>7 000</b>

Investments in Treasury Bills have an original maturity of 12 months between 7 September 2022 to 7 September 2023. The interest rate is 2.25%.

<b>13. Creditors: amounts falling due within one year</b>	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Trade creditors	1 195	1 861
Amounts owed to group undertakings	26	45
Taxation and social security	101	9
Other creditors	516	506
Corporate Tax	-	2 483
Accruals and deferred income	36 331	33 721
	<b>38 169</b>	<b>38 624</b>

Accrued expenses and other financial liabilities are non-interest bearing and normally settled within 30 days. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 14. Provisions for liabilities

	<b>Deferred Tax Provision £ '000</b>	<b>Dilapidations payable at the end of an operating lease £ '000</b>	<b>Total £ '000</b>
<b>At 1 January 2022</b>	-	100	100
Additions dealt with in profit or loss	-	-	-
Amounts utilised	-	-	-
Unused amounts reversed to the profit and loss	-	-	-
<b>At 31 December 2022</b>	-	100	100

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

### 14. Provisions for liabilities (continued)

#### Dilapidations payable at the end of an operating lease

In 2013, the Company signed a ten year non-cancellable operating lease which included a clause to make good any dilapidations that have occurred by the end of the lease term. The current provision is considered adequate based on the good condition of the building, and the current market costs associated with such office repairs.

Deferred tax asset	2022 £ '000	2021 £ '000
The provision for deferred tax consists of the following tax assets:		
Deferred compensation	(5 023)	(3 158)
	<u>(5 023)</u>	<u>(3 158)</u>

The deferred tax asset is classified under debtors in Note 11 to the financial statements.

### 15. Financial Instruments

	2022 £ '000	2021 £ '000
Financial assets that are debt instruments measured at amortised cost.		
Trade debtors	187	120
Amounts owed by group undertakings	42 686	44 882
Other debtors	3 512	3 057
Prepayments and accrued income	6 246	3 153
Investments in treasury bills	6 955	7 000
	<u>59 586</u>	<u>58 212</u>
Financial liabilities measured at amortised cost		
Trade creditors	1 195	1 861
Amounts owed by group undertakings	26	45
Taxation and social security	101	9
Other creditors	516	506
	<u>1 838</u>	<u>2 421</u>

#### Derivative financial instruments – Forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2022, the outstanding contracts all mature within 9 months of the year end. The Company is committed to sell US\$12.300m and €5.511m and receive a fixed sterling amount (2021: buy US\$12.300m and €5.500m).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The fair value of the forward-foreign currency contracts is £-160,336 (2021: £289,298).

# Lombard Odier Asset Management (Europe) Limited

## Notes to the financial statements for the year ended 31 December 2022

### 16. Share capital and other reserves

As at 31 December 2022, there were 20 000 000 Shares (31 December 2021: 20 000 000 Shares) issued and outstanding. Allotted Shares are fully paid up.

A Dividend per Share of £0,60 (£12,000) was paid in April 2022 (2021: £1,20 (£24,000m) and £0,60 (£12,000)).

Ordinary Shares of £1 each:	2022 £ '000	2021 £ '000
Allotted, and fully paid at 1 January	20 000	20 000
Transfer to profit and loss reserve	-	-
Allotted during the year: nil of £1	-	-
<b>At 31 December</b>	<b>20 000</b>	<b>20 000</b>

	Retranslation Reserve 2022 £ '000	2021 £ '000
<b>Other Reserves</b>		
Other Reserves consist of the following amount:		
At 1 January	-	-
Exchange losses on retranslation of opening balances	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

### 17. Defined contribution scheme

The Company provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme was:

	2022 £ '000	2021 £ '000
Current year contributions	989	912
Contributions payable	(127)	(233)

### 18. Financial commitments

Commitments of lease payments under non-cancellable operating leases are as follows:

Premises cost	2022 £ '000	2021 £ '000
Payable within one year	1 633	2 177
Payable between two and five years	-	1 633
Payable after five years	-	-

# **Lombard Odier Asset Management (Europe) Limited**

## **Notes to the financial statements for the year ended 31 December 2022**

### **18. Financial commitments (continued)**

#### **Deferred bonuses**

During the year, the Company awarded long term deferred bonuses to a number of key employees. The amount awarded is charged on a straight line basis to the profit and loss account from the date when service by the employee first leads to the award, until the date when no further service by the employee is required to receive the award. The commitments under these bonus arrangements are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ '000</b>	<b>£ '000</b>
Payable within one year	3 995	6 317
Payable between two and five years	33 705	34 941
Payable after five years	642	579

### **19. Event after the end of the reporting period**

There is no event to report.

### **20. Ultimate holding Company and controlling party**

The immediate parent undertaking is LO Holding S.A., incorporated in Switzerland.

The ultimate parent undertaking and controlling party is Compagnie Lombard Odier SCmA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The consolidated financial statements of Compagnie Lombard Odier SCmA are available from its registered address, 11 rue de la Corraterie, 1204 Geneva, Switzerland and the Company's website: [www.lombardodier.com](http://www.lombardodier.com).

# Lombard Odier Asset Management (Europe) Limited

## Appendix to the financial statements for the year ended 31 December 2022

### Appendix 1 – Risk and capital management policies (unaudited)

Risks facing the Company and the effectiveness of existing controls are assessed regularly. The Company has an established governance framework, with clear terms of reference for the Board and management committee and a clear organisation structure, with documented delegated authorities and responsibilities.

#### a) **Approach to capital management**

Capital is managed within the regulatory framework in which the Company operates with the purpose of maintaining a strong capital base to uphold investor, creditor and market confidence and sustain future development of the business. This framework uses the Internal Capital Adequacy and Risk Assessment ("ICARA") of the Financial Conduct Authority, to identify the risks to which the business, its clients and markets are exposed and to quantify their impact on the Company's capital and changes thereto by way of stress and scenario tests. The ICARA estimates how much capital is needed to mitigate the risks inherent to its business model, even under stressed conditions.

#### b) **Approach to operational risk management**

**Definition:** operational risk is defined as the risk of loss arising from deficiencies or failures relating to internal procedures, people, or systems or following external events due to intentional, accidental or natural causes. They include legal, tax, regulatory and compliance risks.

**Strategy/policy for operational risk:** operational risks are identified as part of the Company's risk assessment on an annual basis. The assessment results in a view of the inherent material risks the Company is facing and its residual risks, taking into account the current control environment. The risk profile for each material type of risk is prepared to ensure an informed exchange between senior management, business stakeholders, risk owners and the Risk function. The results provide an input to the setting of risk tolerance and to the development of relevant stress scenarios as part of LOAME's ICARA.

The Company use Key Risk Indicators (KRIs) to measure their operational risk exposure, including for non-quantifiable risks. Notification thresholds can be defined for some of these KRIs. Every operational error has to be notified by the affected employee, with relevant data (including potential gains or losses associated with the error) entered into the Company's incident operational risk database. The entries are analysed and validated in order to define, as necessary, mitigating actions or improvement projects. Monthly reports are produced to inform management committees about the level of operational risk and actual operational errors. These reports combine qualitative and quantitative aspects. A summary of information on operational errors and their financial impact is included in the the Company's Risk Reports on a monthly basis.

#### c) **Approach to financial risk management**

Financial risks comprise credit, market and liquidity risk. Financial risks in client portfolios are not included in this definition as they represent an indirect risk for the firm that manifests itself in a potential loss of earnings due to lower revenue from client business.

##### *(i) Market risk and sensitivities*

**Definition:** market risk is defined as the risk of loss resulting from changes in general market factors (e.g. interest rates, exchange rates, equity prices, commodity prices and credit spreads) and from factors and events specific to individual issuers of debt and equity instruments.

# Lombard Odier Asset Management (Europe) Limited

## Appendix to the financial statements for the year ended 31 December 2022

### Appendix 1 – Risk and capital management policies (unaudited) (continued)

#### c) Approach to financial risk management (continued)

##### (i) Market risk and sensitivities (continued)

**Strategy/policy for market risk:** the Firm does not have a Trading Book. The only potential exposures are Non-Trading Book Exposures, i.e. to Foreign Currency held on deposit and assets or liabilities held in a non-Reporting Currency, such as Debtors, in a non-functional currency. The Firm's appetite for Market Risk is low so the Firm only holds a minimum level of foreign currency assets to cover further expenses. Surpluses of assets in foreign currency are converted to the Firm's Reporting Currency. The firm may also be exposed to market risk due to operational incidents such as an incorrect trade being executed or a process failure such as an incorrect Share Class hedge being applied.

##### (ii) Credit and counterparty risk

**Definition:** credit risk is defined as the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations. The definition includes settlement risk.

**Strategy/policy for credit risk:** the Company's strategy with respect to credit risk, both direct and indirect is to be conservative. This implies that financial institution counterparties have to be of very high credit quality (in general a minimum external rating of A Fitch) is required for any cash deposits.

The Company neither holds client money nor assets nor deals in investment as principal, and is, therefore, not exposed to credit risk in its traditional sense. The Company's exposure to credit risk is the risk that investment management fees cannot be collected and the exposure to banks where revenues and cash used for day to day operations is deposited. The Company's credit risk appetite is low so the Company only holds significant cash with banks assigned high credit ratings (long term minimum rating AA-/ short-term F1+, as per the Lombard Odier Group counterparty risk management policy).

##### (iii) Liquidity risk

**Definition:** liquidity risk is defined as the risk that the Company is unable to meet efficiently both expected and unexpected, current and future cash flow and collateral needs without affecting either its daily operations or its financial condition, Liquidity risk is only considered as funding liquidity and not market liquidity risk.

**Strategy/policy for liquidity risk:** the Company's strategy is to have a highly liquid balance sheet. In addition to always meeting regulatory liquidity requirements the Company must also show positive net liquidity in line with an internal liquidity stress scenario at all times. To meet these objectives, the Company has to maintain a liquidity reserve and follow a prudent balance sheet management approach. Liquidity risk is governed by the ICARA framework which sets out the governance arrangements, risk management principles, limit and reporting framework and the liquidity contingency plan for the the Company.

The Company monitors Liquidity Risk on a monthly basis. The Company subsequently undertakes Liquidity Stress Testing on an annual basis or more often if the circumstances demand. The Financial controller monitors weekly reports showing the Company's cash holdings in its bank accounts.

#### d) Regulatory compliance

The FCA regulates the Company's business. The FCA has broad powers including the authority to grant, vary the terms of, or cancel a regulated Company's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources.

The Directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable Regulations or have not undertaken corrective action as required.



# **Lombard Odier Asset Management (Europe) Limited**

## **Appendix to the financial statements for the year ended 31 December 2022**

### **Appendix 1 – Risk and capital management policies (unaudited) (continued)**

#### **d) Regulatory compliance (continued)**

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current and potential customers. Regulatory action against the Company could result in adverse publicity, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

#### **e) Regulatory capital**

The disclosure requirements in MIFIDPRU 8 as per the FCA's Prudential sourcebook for MiFID Investment Firms apply to the Company. The Company is a non-small and non-interconnected FCA investment firm ("non-SNI investment firm") and its own funds requirements are the highest of (1) its permanent minimum capital requirements ("PMR"), (2) its fixed overheads requirements, or (3) its k-factor requirement as per MIFIDPRU 4.3.

For the Company, the higher of these is the fixed overhead requirement and therefore, forms its own funds requirements.

The Company met all of its regulatory capital requirements during the year.

The Company's MIFIDPRU 8 disclosures are published on an annual basis and are accessible via the Lombard Odier Group website ([www.lombardodier.com](http://www.lombardodier.com)), under the asset management regulatory disclosures section.