

Saranac Partners Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 09587905

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Saranac Partners Limited

Company Information

Directors	R J Elliott R D A Berliand T P Davda J R Walsh M F Witter D J Bloom M J Gilbert B F Seery J D Missier
Registered number	09587905
Registered office	Third Floor 16 St. James's Street London England SW1A 1ER
Auditor	RSM UK Audit LLP 25 Farringdon Street London United Kingdom EC4A 4AB
Accountants	BDO LLP 55 Baker Street London W1U 7EU

Saranac Partners Limited

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Saranac Partners Limited

Strategic Report For the Year Ended 31 December 2021

Principal activity

The principal activity of Saranac Partners Limited (the 'Company') is the provision of wealth and investment management services to private clients and family offices.

The Company is authorised and regulated by the Financial Conduct Authority (FCA).

Financial and operational review

During the year the Company realised revenue of £10,784,628 (2020: £7,455,080), and losses for the year totalled £7,910,645 (2020: £7,903,534).

The business grew materially in 2021 in spite of the continued impact of COVID-19. The business continued to win new mandates and grew recurring revenue throughout the year as well as significantly growing income from financing transactions.

Future developments

For the year ending 31 December 2022, the Directors expect the Company to continue to grow the number of clients, assets and revenue. The Company is also in the process of opening an office in Spain which will allow the business to operate and grow in European markets.

Key performance indicators

As a new and growing business, the Directors consider revenue growth to be an important KPI. Revenue is split by investment and non-investment services to reflect different elements of the proposition. In the year ended 31 December 2021 the Company realised recurring investment and advisory revenue of £8,983,345 (2020: £7,346,181) and non recurring fee revenue of £1,800,281 (2020: £99,495).

Financial instruments

The Company holds the majority of its liquid assets as cash or cash equivalents with high credit quality banks £2,357,519 as at 31 December 2021 (2020: £4,260,803).

Section 172 statement

The Directors have a legal responsibility under section 172 of the Companies Act 2006 to act, in good faith, in the manner most likely to promote the Company's success for the benefit of its members as a whole, and to have regard to the long-term effect of decisions on the Company and its stakeholders.

Business decisions are made with the needs of key stakeholders in mind, in particular, clients, shareholders, employees and partners and suppliers.

Our clients are the central focus of the business and it is essential that we understand their needs so we can deliver appropriate solutions to them. We endeavour to engage with our clients on an ongoing basis and we continue to work to enhance our client experience. In regards to shareholders, the Company's objective is to generate long term returns which involves growing revenues and becoming profitable. In regards to employees, the Company strives to recruit and retain talented people and provide an environment in which they can be successful. The Company recognises the importance of our partners and suppliers in delivering services to our clients and treats all partners and suppliers fairly and with respect. The Company requests that all partners and suppliers conform with the Modern Slavery Act.

Depending on the nature of issues that arise, the relevant interests of each stakeholder group may differ and, as such, the directors seek to understand the interest and priorities of stakeholders.

Saranac Partners Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties

The Board of Directors has implemented a robust risk management framework to ensure appropriate assessment, mitigation and monitoring of risks. The Company maintains a strong compliance and risk management culture and has implemented the three lines of defence model. The Company maintains a comprehensive set of policies and procedures to ensure that risks are minimised. The Board of Directors receive regular updates on the risks faced by the Company.

The principal risks facing the Company are considered to be the following:

Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Robust policies and procedures are implemented to minimise the operating risk faced by the Company. The Company holds comprehensive insurance policies which cover a variety of operational risk events.

Conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, stakeholders, the Company or its employees because of the inappropriate execution of our business activities. The Company promotes a strong culture of transparency and integrity. There is a comprehensive training and competency framework which is closely monitored and the Company undertakes regular compliance monitoring.

Credit risk

Credit risk is the risk of suffering financial loss should any of its customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. The Company does not extend credit to clients and regularly monitors the banks with which it holds deposits.

Reputational risk

Reputation risk is the risk of damage to the Company's brand arising from any association, action, or inaction which is perceived by stakeholders to be inappropriate or unethical. Reputation risk is regularly assessed as part of the Company's risk management framework.

Funding risk

Funding risk is the risk that the Company is unable to maintain appropriate capital or liquidity levels, which could lead to i) an inability to support business activity; ii) a failure to meet regulatory requirements; or iii) insufficient resources to meet its financial obligations. The Company closely monitors its funding position to ensure it meets regulatory requirements and is a going concern at all times.

This report was approved by the board and signed on its behalf.

M. Witter

M F Witter
Director

Date: 27/04/22

Saranac Partners Limited

Directors' Report For the Year Ended 31 December 2021.

The Directors present their report, together with the audited financial statements, on Saranac Partners Limited (referred to hereafter as the 'Company') for the year ended 31 December 2021.

Directors

The Directors who served during the year were:

R J Elliott
R D A Berliand
T P Davda
G J Neilly (resigned 22 October 2021)
J R Walsh
M F Witter
D J Bloom
M J Gilbert
B F Seery (appointed 24 June 2021)
J D Missier (appointed 10 November 2021)

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Company after providing for income tax amounted to £7,910,645 (31 December 2020: £7,903,534).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

As of 31 December 2021 the Company had a commitment for £2.5m of additional equity capital which was drawn in March 2022. No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Going concern

The financial statements have been prepared on a going concern basis.

Having reviewed the business plan and recent financial performance the Board expect that the business will be able to continue as a going concern for the foreseeable future, being at least 12 months from the date of approval of the financial statements. As part of this assessment, the Board also consider the minimum regulatory capital requirement that the Company is required to meet at any time. The Company is anticipating continued growth in 2022 and reaching break-even over the next 12 months. The Board will closely monitor performance and if it is materially adverse to exceptions would seek to raise additional equity to fund the business to break-even. The Board has also considered management actions which may be taken if the business underperforms relative to expectations.

Future developments

Details of future developments are given in the strategic report.

Saranac Partners Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Financial instruments

Disclosure of the use of financial instruments is given in the strategic report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability.

Auditor

The auditors, RSK UK Audit LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M. Witter

M F Witter
Director

Date: 27/04/22

Saranac Partners Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected under company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act to present fairly the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 requirements of 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.

Saranac Partners Limited

Independent Auditor's report to the members of Saranac Partners Limited

Opinion

We have audited the financial statements of Saranac Partners Limited (the 'company') for the year ended 31 December 2021 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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.

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

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Saranac Partners Limited

Independent Auditor's report to the members of Saranac Partners Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

Saranac Partners Limited

Independent Auditor's report to the members of Saranac Partners Limited (continued)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are International Accounting Standards in conformity with the requirements of the Companies Act 2006, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to FCA compliance. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations, and inspected correspondence with the FCA.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Piroquet

MALCOLM PIROUET (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

Date: 27/04/22

Saranac Partners Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Revenue	5	10,784,628	7,455,080
Cost of sales		(124,053)	(73,949)
Gross profit		10,660,575	7,381,131
Expenses			
Employee expenses		(13,418,045)	(10,553,845)
Office costs		(437,903)	(464,221)
Travel and entertaining		(113,409)	(41,678)
Office running expenses		(455,206)	(498,679)
Professional services and consultants		(1,211,439)	(907,607)
Software and market data		(1,358,183)	(1,408,968)
Other general expenses		(292,715)	(132,684)
Depreciation of property, plant and equipment		(95,050)	(94,344)
Depreciation of right-of-use assets		(506,065)	(515,650)
Amortisation		(349,742)	(349,742)
Fair value movements - lease modifications		-	141,371
Operating loss	6	(7,577,182)	(7,444,916)
Fair value movements		77,684	-
Interest payable and other expenses	10	(411,147)	(458,618)
Loss before income tax expense		(7,910,645)	(7,903,534)
Income tax expense	11	-	-
Loss after income tax expense for the year attributable to the owners of Saranac Partners Limited		(7,910,645)	(7,903,534)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Saranac Partners Limited		(7,910,645)	(7,903,534)

All results above are from continuing operations.

The notes on pages 14 to 40 form part of these financial statements.

Saranac Partners Limited

Registered number: 09587905

Statement of Financial Position As at 31 December 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Investments	12	228,019	150,335
Property, plant and equipment	13	365,575	446,430
Right-of-use assets	13	2,229,611	2,378,389
Intangible assets	14	-	349,742
Deposits	16	949,930	895,389
Total non-current assets		3,773,135	4,220,285
Current assets			
Cash and cash equivalents	15	2,357,519	4,260,803
Trade and other receivables	16	3,605,511	2,343,743
Total current assets		5,963,030	6,604,546
Total assets		9,736,165	10,824,831
Liabilities			
Non-current liabilities			
Lease liabilities	17	1,866,158	2,168,121
		1,866,158	2,168,121
Current liabilities			
Trade and other payables	18	2,733,086	2,688,043
Borrowings	19	-	2,292,108
Lease liabilities	17	746,156	373,079
Total current liabilities		3,479,242	5,353,230
Total liabilities		5,345,400	7,521,351
Net assets		4,390,765	3,303,480

Saranac Partners Limited

Registered number: 09587905

Statement of Financial Position (continued) As at 31 December 2021

	Note	2021 £	2020 £
Capital and reserves			
Share capital	20	60,803,058	55,318,820
Share premium		14,349,445	10,164,671
Shares to be issued		-	12,602
Convertible loan reserve		-	658,480
Accumulated losses		(70,761,738)	(62,851,093)
Total equity		<u>4,390,765</u>	<u>3,303,480</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27/04/22

M. Witter

M F Witter
Director

The notes on pages 14 to 40 form part of these financial statements.

Saranac Partners Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Issued capital £	Share premium £	Shares to be issued £	Convertible loan reserve £	Accumulated losses £	Total equity £
At 1 January 2021	55,318,820	10,164,671	12,602	658,480	(62,851,093)	3,303,480
Loss after income tax expense for the year	-	-	-	-	(7,910,645)	(7,910,645)
Conversion of interest	-	-	(12,602)	-	-	(12,602)
Conversion of loan	-	-	-	(658,480)	-	(658,480)
Shares issued during the year (note 20)	5,484,238	4,184,774	-	-	-	9,669,012
At 31 December 2021	60,803,058	14,349,445	-	-	(70,761,738)	4,390,765

Statement of Changes in Equity For the Year Ended 31 December 2020

	Issued capital £	Share premium £	Shares to be issued £	Convertible loan reserve £	Accumulated losses £	Total equity £
At 1 January 2020 (as previously stated)	48,792,133	8,796,932	-	-	(54,947,559)	2,641,506
Prior year adjustment	-	-	3,233	658,480	-	661,713
At 1 January 2020 (as restated)	48,792,133	8,796,932	3,233	658,480	(54,947,559)	3,303,219
Loss after income tax expense for the year	-	-	-	-	(7,903,534)	(7,903,534)
Equity component of convertible loans	-	-	9,369	-	-	9,369
Shares issued during the year	6,526,687	1,367,739	-	-	-	7,894,426
At 31 December 2020	55,318,820	10,164,671	12,602	658,480	(62,851,093)	3,303,480

The notes on pages 14 to 40 form part of these financial statements.

Saranac Partners Limited

Statement of Cash Flows For the Year Ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(7,910,645)	(7,903,534)
Adjustments for:		
Amortisation of intangible assets	349,742	349,742
Depreciation of property, plant and equipment	546,244	624,218
Interest paid	411,147	458,618
Increase in trade and other receivables	(1,269,869)	(429,865)
Decrease in trade and other payables	45,043	(2,024,629)
Lease modifications	-	594,474
Fair value movements	(77,684)	-
Net cash used in operating activities	(7,906,022)	(8,330,976)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,195)	(355)
Purchase of unlisted and other investments	-	(137,135)
Net cash used in investing activities	(14,195)	(137,490)
Cash flows from financing activities		
Issue of ordinary shares	8,411,611	7,894,426
Repayment of other loans	(1,834,874)	-
Conversion of interest	-	9,369
Repayment of lease liabilities	(446,348)	(1,029,499)
Interest paid	(113,456)	(140,384)
Net cash generated from financing activities	6,016,933	6,733,912
Net (decrease) in cash and cash equivalents	(1,903,284)	(1,734,554)
Cash and cash equivalents at beginning of year	4,260,803	5,995,357
Cash and cash equivalents at the end of year	2,357,519	4,260,803
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,357,519	4,260,803
	2,357,519	4,260,803

£9,669,012 of ordinary shares has been issued during the year, of which £1,115,714 is converted from the convertible loan and £141,687 is converted from the loan interest. The remaining shares are received in cash.

The notes on pages 14 to 40 form part of these financial statements.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Saranac Partners Limited ('the Company') is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England and Wales. The Company operates in the United Kingdom and its principal place of business is Third Floor, 16 St. James's Street, London, England, SW1A 1ER.

The continuing activities of the Company are that of the provision of wealth and investment management services to private clients and family offices. Pillar 3 documentation is available upon request from the Company's registered office.

These financial statements are presented in the functional currency, Sterling (GBP), as that is the currency in which the majority of the Company's transactions are denominated. They comprise the financial statements of the Company for the year ended 31 December 2021.

2. Accounting policies

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

2.1 Adoption of New and Revised International Financial Reporting Standards

New standards, interpretations and amendments effective from 1 January 2021

One new standard impacting the company that has been adopted in the annual financial statements for the year ended 31 December 2021:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments provide relief to the Company in respect of certain loans whose contractual terms are affected by interest benchmark reform.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Other standards

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

The adoption of these new or amended Accounting Standards and Interpretations is not expected to have any significant impact on the financial performance or position of the Company.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.2 Going concern

The financial statements have been prepared on a going concern basis.

Having reviewed the business plan and recent financial performance the Board expect that the business will be able to continue as a going concern for the foreseeable future, being at least 12 months from the date of approval of the financial statements. The growth trajectory and time to reach breakeven has been impacted by the current situation but the business has sufficient capital to withstand a material deviation from its business plan. The Board will closely monitor the impact on the Company's performance and if necessary, would seek to raise some additional equity to provide a larger capital buffer if required.

The Board has also considered management actions which may be taken if the business underperforms relative to expectations.

2.3 Basis of preparation of financial statements

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. These standards have been applied consistently throughout the year and the previous year.

Historical cost convention

The financial statements have been prepared on the historical cost basis except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

2.4 Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Investment fee income comprises fees related to investment management and advisory services including dictionary, advisory and execution on accounts. Management fees are the Company's primary source of income and are based on an agreed percentage of assets under management and are charged monthly in arrears. Management and advisory fees are recognised in the year in which services are provided and do not include any other performance obligations. Transactional fees are also included in investment fee income and are recognised based on the trade date.

Non-investment fee income comprises fees related to corporate finance, private capital and financing projects and deals. Revenue is recognised when payment contractually becomes due, which varies across contracts and is assessed on a case by case basis.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue comprises interest income and is recognised using the effective interest method. It also includes other commission receivable and is recognised in the year incurred.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.5 Taxation

The income tax expense represents the sum of the current UK corporation tax payable, deferred tax, unused tax losses and the adjustment recognised for prior periods, where applicable.

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax is calculated at the tax rates expected to apply in the period when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

2.6 Financial instruments

Financial instruments comprise deposits with banks, accounts receivable and payable and loans to and from related parties.

Financial assets held at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.7 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2.8 Convertible loan

The proceeds received on issue of the Company's convertible loan are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible loan reserve" within shareholders' equity, net of income tax effects.

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

Deposits consist of balances with banks, and investments in money market instruments which are not readily convertible, being those with original maturities of more than three months. Deposits are measured at fair value, based on the relevant exchange rates at the reporting date.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are stated at their amortised cost less any allowances for doubtful receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised at amortised cost, less any provision for impairment.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.11 Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets comprise deposits with banks, accounts receivable and loans to related parties. All financial assets have been designated as held at amortised cost.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Company has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at fair value. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

Objective evidence includes: significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

As an initial step, the Company assesses whether objective evidence of impairment exists.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.11 Investments and other financial assets (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

2.12 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives after they have been brought into use, using the straight line method, on the following basis:

Depreciation is provided on the following basis:

Office fit-out	- 10 years
Furniture and fixtures	- 5 years
Office equipment	- 3 years
Computer equipment	- 3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

2.14 Intangible assets

Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are capitalised as intangible assets only when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include relevant employee costs and an appropriate portion of relevant overheads.

Software is amortised over 5 years using the straight line method, which is deemed to be its expected useful life.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.15 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

2.16 Share capital

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

2.17 Trade and other payables

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings and borrowing costs

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Borrowing costs are recognised in net profit or loss in the period in which they are incurred.

2.19 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.20 Employee benefits

The Company operates a defined pension contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Company's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

2.21 Share based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements in applying the Company's accounting policies

Going concern

In preparing the Company's financial statements on a going concern basis, the Board have reviewed the business plan and recent financial performance of the Company and believe it is reasonable to expect that the business will be able to continue as a going concern for the foreseeable future.

Critical accounting estimates and assumptions

Share-based payment transactions

The Company operates an Enterprise Incentive Management (EMI) scheme. The fair value is estimated based on the Unrestricted Market Value (UMV) and the Actual Market Value (AMV) for the purposes of the Income Tax (Earnings & Pensions) Act 2003. Details of the share options are given in note 22 to these financial statements.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Incremental borrowing rate

Following the adoption of IFRS 16 from 1 January 2019, the Board have used the Incremental Borrowing Rate (IBR) approach in determining an appropriate interest rate to be applied to the calculation of the right-of-use asset and lease liability. The Board have applied judgement in the IBR assessment with respect to the sources of information to be used and in conclusions drawn around an appropriate rate to adopt.

Following the re-negotiation of future lease payments the Board have increased the IBR. The Board feels it is appropriate to increase this slightly to reflect the impact of COVID-19 and Brexit environment. Details of the right-of-use asset and lease liability recognised are given in notes 13 and 17, respectively.

Convertible loans

Convertible loans classified as compound financial instruments require judgement and estimation to determine how the proceeds received on issue is bifurcated between the liability and equity components. The fair value of the liability component is calculated using the discounted cash flows over the life of the instrument using a market rate of interest, payable on a similar instrument. The interest rate used in the calculation requires judgement. The residual between the net proceeds and the amount allocated to the liability component is recorded in equity.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and interest rate risk. The Company's risk management framework seeks to minimise the potential adverse effects of unpredictability of financial markets on the Company's performance.

Risk management is carried out by management under policies approved by the board of directors.

The Company's financial instruments consist of deposits with banks, accounts receivable and payable, lease liabilities and loans to and from related parties.

Interest rate risk

At the reporting date, the Company had borrowings consisting of an interest bearing shareholder loan, finance lease liability and credit facilities. The Company considers interest rate risk to be immaterial.

Liquidity risk

The Company is exposed to liquidity risk, which is the risk that the Company will have insufficient cash resources to meet its obligations as they fall due.

Management manages liquidity risk by monitoring cash flows and ensuring the Company will have funds available when needed.

Market risk – foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP, EUR and CHF. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

The majority of expenses are in GBP and while revenue is collected in multiple currencies the Company does not hold material cash balances in foreign currencies. As a result, there is no significant foreign exchange risk, however, the Company does review its exposure to transactions denominated in other currencies and takes necessary action to minimise the exposure.

Currency risk is managed by matching costs with income as far as possible.

Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables. All other receivables are considered operational in nature.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Additionally the Company, as a firm regulated by the FCA, is subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt.

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Revenue

An analysis of revenue by class of business is as follows:

	2021 £	2020 £
<i>Sales revenue</i>		
Investment services	8,983,345	7,346,181
Non-investment services	1,800,281	99,495
	<u>10,783,626</u>	<u>7,445,676</u>
<i>Other revenue</i>		
Interest	1,002	9,404
Revenue	<u>10,784,628</u>	<u>7,455,080</u>

All revenue is generated in the United Kingdom.

6. Operating loss

Operating loss is stated after charging/(crediting) the following amounts:

	2021 £	2020 £
Depreciation of property, plant and equipment	95,050	94,344
Depreciation of right-of-use assets	451,194	515,560
Amortisation of intangibles	349,742	349,742
Employee expenses (note 8)	13,418,044	10,553,845
Net foreign exchange losses/(gains)	38,855	(153,040)

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021 £	2020 £
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	<u>57,500</u>	<u>50,000</u>
Fees payable to the Company's auditor and their associates for other services to the Company:		
Audit related assurance services	<u>5,250</u>	<u>5,000</u>

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Employee expenses

	2021 £	2020 £
Wages and salaries	10,140,895	8,576,962
Social security costs	1,461,440	1,138,890
Pension costs	388,766	380,975
Other staff costs	1,426,943	457,018
	<u>13,418,044</u>	<u>10,553,845</u>

The average monthly number of employees (including Directors) during the year was as follows:

	2021 £	2020 £
Key management personnel	7	6
Other employees	45	41
	<u>52</u>	<u>47</u>

9. Directors' remuneration

	2021 £	2020 £
Remuneration	2,147,130	1,202,355
Contributions to defined contribution pension schemes	9,015	10,667
	<u>2,156,145</u>	<u>1,213,022</u>

No retirement benefits were accruing for Directors appointed during the period, or share options exercised.

Highest paid Director

	2021 £	2020 £
Remuneration	459,413	470,200
Contributions to defined contribution pension schemes	3,667	5,333
	<u>463,080</u>	<u>475,533</u>

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Interest payable and other expenses

	2021 £	2020 £
Convertible loan note interest	261,035	300,667
Bank interest	100	1,197
Lease interest	150,012	156,754
	<u>411,147</u>	<u>458,618</u>

Details of the convertible loan note are given in note 19.

Details of the lease are given in note 17.

11. Income tax expense

There was no corporation tax charged in the period, due to unused tax losses in the current and prior periods.

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(7,910,645)</u>	<u>(7,903,534)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,503,023)	(1,501,671)
Effects of:		
Fixed asset differences	4,465	5,399
Expenses not deductible for tax purposes	91,882	9,739
Deferred tax not recognised	1,406,676	2,514,809
Remeasurement of deferred tax for changes in tax rates	-	(1,028,276)
Total tax charge for the year	<u>-</u>	<u>-</u>

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Income tax expense (continued)

Factors that may affect future tax charges

A deferred tax asset of £975,883 which arose on losses in the previous year was not recognised due to uncertainty that these would be utilised in future periods.

A deferred tax asset of £5,389,246 arising on losses in the year has not been recognised as it is uncertain that these will be utilised in the future.

At the year end the Company had an unrecognised deferred tax asset of £16,589,464 (2020: £11,259,423).

12. Investments

	Unlisted investments £
Cost or valuation	
At 1 January 2021	150,335
Revaluations	77,684
At 31 December 2021	<u>228,019</u>

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Property, plant and equipment

	Office Fit-Out £	Furniture and fixtures £	Office equipment £	Computer equipment £	Right-of- use assets £	Total £
Cost or valuation						
At 1 January 2021	912,319	2,534	111,945	50,946	3,526,393	4,604,137
Additions	-	-	-	14,195	302,416	316,611
At 31 December 2021	912,319	2,534	111,945	65,141	3,828,809	4,920,748
Depreciation						
At 1 January 2021	466,522	2,534	111,945	50,313	1,148,004	1,779,318
Charge for the year	91,233	-	-	3,817	451,194	546,244
At 31 December 2021	557,755	2,534	111,945	54,130	1,599,198	2,325,562
Net book value						
At 31 December 2021	354,564	-	-	11,011	2,229,611	2,595,186
At 31 December 2020	445,797	-	-	633	2,378,389	2,824,819

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Property, plant and equipment (continued)

In respect of prior year:

	Office Fit-Out £	Furniture and fixtures £	Office equipment £	Computer equipment £	Right-of- use assets £	Total £
Cost or valuation						
At 1 January 2020	911,964	2,534	111,945	50,946	4,120,867	5,198,256
Additions	355	-	-	-	-	355
Effect of modification of lease terms	-	-	-	-	(594,474)	(594,474)
At 31 December 2020	912,319	2,534	111,945	50,946	3,526,393	4,604,137
Depreciation						
At 1 January 2020	375,317	2,112	111,945	47,596	618,130	1,155,100
Charge for the year	91,205	422	-	2,717	529,874	624,218
At 31 December 2020	466,522	2,534	111,945	50,313	1,148,004	1,779,318
Net book value						
At 31 December 2020	445,797	-	-	633	2,378,389	2,824,819
At 31 December 2019	536,647	422	-	3,350	3,502,737	4,043,156

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Intangible assets

	Computer software
Cost	
At 1 January 2021	1,748,710
At 31 December 2021	<u>1,748,710</u>
Amortisation	
At 1 January 2021	1,398,968
Charge for the year	349,742
At 31 December 2021	<u>1,748,710</u>
Net book value	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>349,742</u>

Saranac Partners Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Intangible assets (continued)

In respect of prior year:

	Computer software £
Cost	
At 1 January 2020	1,748,710
At 31 December 2020	<u>1,748,710</u>
Amortisation	
At 1 January 2020	1,049,226
Charge for the year	349,742
At 31 December 2020	<u>1,398,968</u>
Net book value	
At 31 December 2020	<u>349,742</u>
At 31 December 2019	<u>699,484</u>

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank	<u>2,357,519</u>	<u>4,260,803</u>

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

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Notes to the Financial Statements For the Year Ended 31 December 2021

16. Trade and other receivables

	2021 £	2020 £
Due after more than one year		
Deposits	949,930	895,389
	<u>949,930</u>	<u>895,389</u>
Due within one year		
Trade receivables	696,475	173,103
Other receivables	2,824,166	2,091,746
VAT receivable	84,870	78,894
	<u>3,605,511</u>	<u>2,343,743</u>

17. Lease liabilities

	2021 £	2020 £
Current		
Lease liability	746,156	373,079
	<u>746,156</u>	<u>373,079</u>
Non-current		
Lease liability	1,866,158	2,168,121
	<u>2,612,314</u>	<u>2,541,200</u>

Refer to note 21 for further information on financial instruments.

Payment of the lease liability is due in quarterly instalments of £186,539 for 12 months from the year end, followed by quarterly payments of £186,539, with a final payment of £129,456 due on 24 June 2025. The lease liability has been discounted at an interest rate of 4.75%.

Lease modifications - Rent negotiations

For the period beginning 24 May 2020 to 24 December 2021 the company re-negotiated the rent payable per annum to £373,079. There were no other changes to the scope of the underlying lease contracts. This negotiated rent payable has been recognised as a lease modification in the prior year accounts. The change in cash flows due to lease modifications was discounted using the revised discount rate of 6.00% (refer to Critical accounting estimates and judgements). The discounted impact resulted in a reduction of the lease liabilities of £719,906 in the prior year accounts.

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Notes to the Financial Statements For the Year Ended 31 December 2021

18. Trade and other payables

	2021 £	2020 £
Trade payables	172,196	229,870
Other taxation and social security	341,780	489,880
Other payables	123,422	60,175
Accrued expenses	2,058,594	1,908,117
Deferred income	37,095	-
	<u>2,733,087</u>	<u>2,688,042</u>

Refer to note 21 for further information on financial instruments.

Trade payables principally comprise amounts outstanding for trade purchases.

19. Borrowings

	2021 £	2020 £
Convertible loan	-	2,292,108

As at 10/11/2021 the loan had been converted into shares.

Refer to note 21 for further information on financial instruments.

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
15,000,000 (2020 - 15,000,000) A Class shares of £1.0000 each	15,000,000	15,000,000
13,333,333 (2020 - 13,333,333) B Class shares of £0.0001 each	1,333	1,333
0 (2020 - 4,030,437) C Class shares of £10.0000 each	-	40,304,370
3,078,019 (2020 - 0) C1 Class shares of £10.0000 each	30,780,190	-
1,500,000 (2020 - 0) C2 Class shares of £10.0000 each	15,000,000	-
13,327,984 (2020 - 13,117,384) D Class shares of £0.0010 each	13,328	13,117
7,385,746 (2020 - 0) E Class shares of £0.0010 each	7,386	-
820,638 (2020 - 0) F Class shares of £0.0010 each	821	-
	<u>60,803,058</u>	<u>55,318,820</u>

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Notes to the Financial Statements For the Year Ended 31 December 2021

20. Share capital (continued)

During the year 547,582 C Ordinary shares of £10 nominal value were issued at par giving share capital of £5,475,820. Furthermore, C Ordinary shares were redesignated into 3,078,019 C1 Ordinary shares and 1,500,000 C2 Ordinary shares.

Also during the year 210,600 D Ordinary shares of £0.001 nominal value were issued for £0.65 per share giving share capital of £211 and share premium of £136,679.

Also during the year 1,803,589 E Ordinary shares of £0.001 nominal value were issued for £0.432 per share giving share capital of £1,804 and share premium of £777,347. Furthermore, during the year 5,582,157 E Ordinary shares of £0.001 nominal value were issued for £0.5144 per share giving share capital of £5,582 and share premium of £2,865,879.

Also during the year 200,399 F Ordinary shares of £0.001 nominal value were issued for £0.432 per share giving share capital of £200 and share premium of £86,372. Furthermore, during the year 620,239 F Ordinary shares of £0.001 nominal value were issued for £0.5144 per share giving share capital of £620 and share premium of £318,431.

A Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All A Ordinary shares are authorised, issued and fully paid.

B Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All B Ordinary shares are authorised, issued and fully paid.

B Ordinary shares held no rights with regards to voting until the Investor Agreement was completed in April 2017.

C1 Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All C Ordinary shares are authorised, issued and fully paid.

C2 Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All C Ordinary shares are authorised, issued and fully paid.

C Ordinary shares hold one vote per share which may be increased to up to ten votes per share at the option of the holder.

D Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All D Ordinary shares are authorised, issued and fully paid.

E Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All E Ordinary shares are authorised, issued and fully paid.

F Ordinary shares have rights in the Company with respect to voting, dividends and distributions. All F Ordinary shares are authorised, issued and fully paid.

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Notes to the Financial Statements For the Year Ended 31 December 2021

21. Financial instruments

	Assets		Liabilities	
	2021	2020	2021	2020
	£	£	£	£
US dollars	1,520,689	1,017,359	167,663	-
Euros	527,880	298,025	343,645	-
Swiss franc	-	-	1,551	10,246
	<u>2,048,569</u>	<u>1,315,384</u>	<u>512,859</u>	<u>10,246</u>

The Company had net assets denominated in foreign currencies of £1,535,710 (assets of £2,048,569 less liabilities of £512,859) as at 31 December 2021 (2020: £1,305,138 (assets of £1,315,384 less liabilities of £10,246)). Management have assessed that the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date, is not expected to have a significant impact on the Company's profit and equity. Therefore no sensitivity analysis has been presented. The actual foreign exchange loss for the year ended 31 December 2021 was £38,855 (2020: gain of £153,040).

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Cash and cash equivalents

	2021	2020
	£	£
Financial assets		
Cash, loans and receivables:		
Cash and cash equivalents (at fair value)	2,357,519	4,260,803
Other receivables (at amortised cost)	3,605,510	2,343,741
Non-current investments (at fair value)	228,019	150,335
	<u>6,191,048</u>	<u>6,754,879</u>
Financial liabilities		
Other financial liabilities:		
Trade and other payables (at amortised cost)	172,196	229,870
Accruals	2,013,429	1,908,117
Lease liability	2,612,314	2,541,199
	<u>4,797,939</u>	<u>4,679,186</u>

Refer to note 4 for further information on risks arising from financial instruments.

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Notes to the Financial Statements For the Year Ended 31 December 2021

21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	1 year or less £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Remaining contractual maturities £
2021					
Trade and other payables	172,196	-	-	-	172,196
Accruals	2,013,429	-	-	-	2,013,429
Total non-derivatives	<u>2,185,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,185,625</u>
	1 year or less £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Remaining contractual maturities £
2020					
Trade and other payables	229,870	-	-	-	229,870
Accruals	1,908,117	-	-	-	1,908,117
Total non-derivatives	<u>2,137,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,137,987</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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22. Share-based payments

No share options were granted during the year. No consideration is payable on the grant of an option.

An internal option pricing valuation has been used to calculate the fair value of the options granted, and these have been recognised over the period from grant to vesting, which is 5 years. The fair value of each individual beneficial interest of B shares held has been deemed to be the par value of the shares granted, being £1,456 (2020: £1,456).

The following table discloses details of the share options granted from commencement:

	2021 £	2020 £
Employment category		
Beneficial interest of B Ordinary shares held:		
Directors	370	370
Key management personnel	386	386
Other employees	700	700
	<u>1,456</u>	<u>1,456</u>

	2021	2020
Employee category		
Number of B Ordinary shares held:		
Directors	3,699,019	3,699,019
Key management personnel	3,863,420	3,863,420
Other employees	7,001,257	7,001,257
	<u>14,563,696</u>	<u>14,563,696</u>

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Notes to the Financial Statements For the Year Ended 31 December 2021

23. Related party transactions

Transactions with related parties

The following transactions occurred with related parties:

	2021 £	2020 £
Income		
Income for services provided to directors	5,000	21,933
Expenses		
Payments for services from other related party	-	179,190

Balances owed to/from related parties

There were no balances outstanding at the reporting date in relation to transactions to related parties.

Key management personnel

Total remuneration in respect of key management personnel was £3,312,162 (2020: £2,001,390). Included within the figure are post-employment benefits of £20,515 (2020: £26,667). Details of share based payments relating to key management personnel can be found in note 22.

24. Ultimate controlling party

The Directors consider there to be no ultimate controlling party.

25. Events after the reporting period

As of 31 December 2021 the Company had a commitment for £2.5m of additional equity capital which was drawn in March 2022. No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.