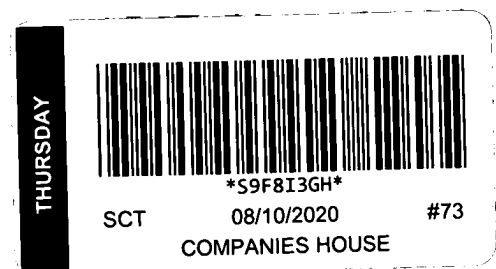


ALLIANCE TRUST SAVINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



ALLIANCE TRUST SAVINGS LIMITED

COMPANY INFORMATION

DIRECTORS	Jonathan Anderson John Baines Alison Bragg Richard Wilson Barry Bicknell
REGISTERED NUMBER	SC98767
REGISTERED OFFICE	PO BOX 164 8 West Marketgait Dundee DD1 9YP
INDEPENDENT AUDITOR	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2DB
BANKERS	Royal Bank of Scotland 3 High Street Dundee DD1 9LY

ALLIANCE TRUST SAVINGS LIMITED

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ALLIANCE TRUST SAVINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

The Company's likely future developments have been included in the Strategic Report.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £16,840,000 (2018: profit £1,076,000). The loss can largely be attributed to an impairment charge of £17,170,000, see Note 9 for further details, and other costs associated with the Directors' intention to migrate or exit all remaining customers in 2020 and to cease trading, see further details in the Business Review section of the Strategic Report.

The Directors do not propose the payment of a dividend (2018: Nil).

ALLIANCE TRUST SAVINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS

The Directors who served during the year were:

Jonathan Anderson
Gregor Stewart (to 28 June 2019)
Ronald Baxter (to 28 June 2019)
Peter Docherty (to 30 November 2019)
Craig Wood (to 30 November 2019)
John Baines (from 28 June 2019)
Alison Bragg (from 28 June 2019)
Richard Wilson (from 30 November 2019)
Barry Bicknell (from 30 November 2019)

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment by disabled persons, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, in line with the Company's staff handbook, every effort is made to ensure that their employment with the Company continues. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, internal publications, engagement surveys and bulletins and periodic staff briefings presented by the Executive Committee. The results of the Employee engagement survey are reviewed by the Executive Committee and action taken accordingly. Employees of the Company have also been encouraged to present their suggestions and views on the Company's performance. In addition, all eligible employees of the Company are included in a bonus scheme which is related to the performance of the Company.

SERVICING CUSTOMERS

The Company is committed to fostering a positive relationships with customers. Alliance Trust Savings Limited is an award-winning investment platform service provider and the aim of the Company is to help customers and their financial advisers meet their financial goals. The Company continues to offer flexibility by providing a wide range of products and investments at prices that represent good value for money. Management are focussed on providing the best possible customer experience throughout the planning and execution of the upcoming customer migrations.

WORKING WITH SUPPLIERS

The Company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the Company to pay within stated credit terms where possible and reasonable.

ALLIANCE TRUST SAVINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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.

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment for the audit of the financial statements for the year ending 31 December 2020, in accordance with section 485 of the Companies Act 2006. In keeping with legislation a tender will be carried out for the role of external auditor during 2020 for which Deloitte LLP will be included in the process.

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



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Barry Bicknell
Chief Financial Officer

22 April 2020

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

BUSINESS REVIEW

Alliance Trust Savings Limited ("ATS") is a financial services business that is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA, under firm reference number 116115. ATS has a banking licence and operates under the banking regime. The business supports the creation and management of personal wealth by giving customers the ability to research, buy and sell a wide range of investments through a range of financial products including Self Invested Personal Pensions (SIPPs), Individual Savings Accounts (ISAs) and Investment Dealing Accounts (IDAs).

ATS is currently 100% owned by Interactive Investor Limited ("ii"), who took control of the entity from Alliance Trust PLC on 28 June 2019. In October 2019 Direct customers were successfully migrated to ii, leaving the remaining business with ATS comprised of Advised and Partnership clients, with £6.9bn (2018: £14.6bn) of assets under administration ("AuA") and 40,406 (2018: 107,428) customer accounts as at 31 December 2019.

In November 2019, ii signed an asset purchase agreement ("APA") with Embark Group Limited ("Embark") for Embark to acquire Advised and Partnership customers from ATS. In addition, and as part of the sale of these segments, all ATS staff will also transfer to Embark during 2020

The business strategy for ATS during 2019 had three key components:

- to retain customers and staff;
- to deliver an improved operating environment; and
- execute the migration of the Direct customers to ii with the minimum disruption to its clients

ATS has recognised an operating loss on ordinary activities before taxation for the year of £16.8m (2018: profit £1.1m). This was principally due to an exceptional charge of £17.2m for the impairment of ATS platform and technology developments and an onerous contract provision of £1.1m following the migration of Direct customers to ii and the agreement to sell Advised and Partnership customers to Embark. The sale of Direct customers to ii in 2019 resulted in a gain on disposal of £4.7m which is also considered an exceptional item. Operating loss before exceptional items was £3.3m (2018: profit £1.1m). As a result of the sale of remaining customers and the Directors' intention to cease trading the financial statements have been prepared on a basis other than going concern (see going concern section on page 7 for further details).

FUTURE DEVELOPMENTS

In line with the asset purchase agreement with Embark, Advised and Partnership customers will be migrated from ATS to Embark over the course of 2020, and ATS will exit any residual client accounts and assets over the same timeframe. It is therefore the Directors' intention to cease trading. Until such time as all customer accounts have been migrated or closed, management and the Directors continue to focus on business as usual activities and the provision of high quality service. Once all the regulated activities of ATS have ceased, it is expected that ii will wind down the ATS entity and rescind regulatory permissions, including the banking licence.

SECTION 172 STATEMENT

The Executive Committee recognises that the success of our business is dependent on the way it interacts with a number of important stakeholders. The Directors have had regard to the interests of our stakeholders (including, for example, our customers, our people, society, and our shareholders) while complying with their obligations to promote the success of the Company in line with section 172 of the Companies Act. The Executive Committee has discussed these obligations throughout the year and stakeholders continue to be at the heart of the decision making process. Examples of items the Executive Committee consider relevant to stakeholders includes but is not limited to customer satisfaction and level of complaints received, employee development and wellbeing and paying suppliers on time. The Company engages with key stakeholders through a variety of means such as reviewing customer feedback and complaints, providing staff engagement surveys, holding regular town hall sessions and staff TUPE meetings. Stakeholders have been at the forefront of discussions in relation to the migration to Embark, an example being ensuring the customer journey and TUPE of staff are made as seamless as possible.

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, and in doing so had regard, amongst other matters, to: the likely consequences of any decision; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers and customers; the impact of the Company's operations; and maintaining a reputation for high standards of business conduct. See additional detail in the Directors' Report. The Executive Committee's decision-making process considers both the risk and reward in pursuit of delivering value for all stakeholders and particularly during the year with the migration of Direct customers and into 2020 with the migration of key stakeholders, ensuring their interests are protected. Awareness and understanding of the current and the potential risks to the business, including both financial and non-financial risks, are fundamental to how we manage the overall business and future migrations.

COVID-19

Since year end, the COVID-19 pandemic has had a considerable impact on many businesses, including ATS. The Directors expect these circumstances to be temporary, but their duration is uncertain. In response to the pandemic, ATS has prioritised the welfare of its employees, while maintaining operational service for its clients. ATS has implemented mitigating actions and processes, to ensure that it continues to operate a safe and effective control environment.

In terms of ATS's operational resilience, the Government's social distancing measures have had limited impact on key operational processes. Currently, 95% of employees are working from home and clients continue to have access to all of the services ATS normally provides.

We have been maintaining close communication with critical third party suppliers and assurance on their BCP plans. To date, ATS has not suffered any knock-on impact from its supply chain. This will continue to be monitored closely with emphasis on critical suppliers and outsource arrangements.

The Directors have performed stress tests on capital and liquidity in line with requirements established by the BoE and these provide assurance that ATS has sufficient capital and liquidity to operate under stressed conditions. Over the period that ATS will continue to serve customers, it has sufficient capital to support its operations, and its funding and liquidity base are strong, robust and well managed.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management strategy is to identify potential events that may impact the business and to manage these within the risk appetite set by the Board. ATS operates a "Three Lines of Defence" model that defines responsibilities for managing and overseeing risk and controls across the business. The three lines are broadly defined as: the business management within each operational area; the Risk and Compliance function; and the Internal Audit function. The principal risks facing ATS can be categorised into strategic, financial, operational, conduct and the risks associated with the economic and political outlook, as summarised below:

Strategic risk

Strategic risk is considered to be those risks that could impact the achievement of the strategic plan, with specific focus on competitor behaviour, market position, product proposition and external threats. This risk is managed through ongoing strategic planning process and risk assessment that allows the Company to react and respond to strategic threats.

In the current year, this includes risks that could impact the completion of the customer migrations to Embark. As noted within future developments it is management's intention to migrate or exit all customer accounts in 2020 and progress with the winding up of the Company. ATS continues to operate with a robust capital base as well as an understanding of the sensitivities to key business drivers over the business plan and management will continue to focus on providing high quality customer service.

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk

The Company is exposed to a variety of financial risks, namely: credit risk, interest rate risk and liquidity risk. The Board sets the financial risk appetite for the Company, including relevant policies and risk measure limits. Financial risk is regularly monitored by the Asset and Liability Committee to ensure the Company remains compliant with its regulatory capital and liquidity obligations and its internal risk appetite levels.

Credit risk arises through counterparty risk with other financial institutions where they have an obligation to satisfy a commitment or obligation at a future date. Due diligence is performed on each counterparty with approved institutions subject to a minimum credit rating. We also apply restrictions on maturity and concentration limits.

Interest rate risk is generated through holding interest bearing assets and liabilities, mainly as a result of accepting customer deposits which arise as a consequence of dealing and investment activity. Interest rate risk is managed by setting limits on the maximum permitted sensitivity to both changes in the valuation of the Company's equity and to the adverse impact to earnings given changes to interest rates.

Liquidity risk primarily arises as a result of accepting customer deposits, all of which are available on-demand to customers. Liquidity risk is managed by setting limits on the minimum amount of liquid assets permitted.

The business is well capitalised and has enough resources to operate on a standalone position. Through continued management of operational risk, the business strives to avoid erosion of the capital base. All financial risks are being monitored and managed in line with the proposed wind down of the Company such that compliance is achieved up to the point customers have migrated and beyond.

Operational risk

Operational risk is defined as the risks arising from people, processes, systems or external events. Operational risks arise as a consequence of the nature of the underlying business and require a strong control environment in order to limit the exposures across the Company. This is achieved using a Risk and Control Self Assessment process which ranks the risks and creates a control oversight process. This is supplemented through the oversight provided by business management and the Risk & Compliance function.

Conduct risk

Conduct risk is defined as the risk that detriment is caused to customers due to inappropriate administration of the execution of the products and services provided by the Company. This risk extends to the nature and performance of the products offered as well as the nature of their distribution and appropriateness for the client base. Conduct risk management is at the heart of the business and is included within the product proposition development and root cause analysis processes when analysing and reviewing customer complaints.

Economic and Political outlook

It is expected that there will be continued uncertainty during the transition period following the UK's departure from the EU on 31 January 2020 and from the impact of the COVID-19 pandemic, see the COVID-19 section of Strategic Report for further details. As the business is predominantly UK focused without an EU banking passport and the majority of revenue is derived from fixed account fees which are independent of asset values, we do not believe the departure from the European Union will have a material impact on the core activities of the business, except, possibly through the broader impact on the economic and regulatory environment which are now limited given management's intention to cease trading in 2020.

ALLIANCE TRUST SAVINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

KEY PERFORMANCE INDICATORS

A number of key performance indicators are used to measure the Company's progress over time and are noted below. AuA and customer accounts have decreased significantly as a result of the successful migration of Direct customers to ii in the last quarter of 2019. The Direct migration resulted in the loss of 58k accounts and £9.0bn of AuA. The loss of Direct customers, predominantly in October 2019, is a significant contributing factor to the decrease in number of trades and operating income year on year.

	2019	2018	% change
Assets Under Administration (£bn)	6.9	14.6	-52.7%
Customer accounts	40,406	107,428	-62.4%
Number of trades	631,906	741,400	-14.8%
Operating income (£000)	27,805	29,673	-6.3%
Operating (loss) / profit before exceptional items (£000)	(3,277)	1,076	-
Operating (loss) / profit after tax (£000)	(16,840)	1,076	-

GOING CONCERN

The signing of the asset purchase agreement with Embark and the subsequent plan to migrate or exit all remaining customer accounts in 2020 is a clear indication of management's intention to cease trading. As a direct result of the intention to cease trading the Directors have assessed that the annual financial statements should be prepared on a basis other than going concern. Management and the Directors continue to focus on business as usual activities and servicing customers until accounts can be safely migrated or exited and the Company is well placed financially to facilitate this aim.

The Directors have considered a number of factors including the Company's capital structure and its funding and liquidity position. This included an assessment of the ability of the Company to remain operationally resilient and meet its capital and liquidity requirements following the COVID-19 pandemic. In addition, the Directors have performed stress tests on capital and liquidity in line with requirements established by the Bank of England and these provide assurance that the Company has sufficient capital and liquidity to operate under stressed conditions. The assessment concluded that for the period over which ATS continues to service customers and beyond, the Company has sufficient capital to support its operations; and has a funding and liquidity base which is strong, robust and well managed.

This report was approved by the Board on 22 April 2020 and signed on its behalf.



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Barry Bicknell
Chief Financial Officer

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Alliance Trust Savings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Cash Flow Statement;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• recognition of fee revenue; and• preparation of the financial statements on a basis other than going concern.
Materiality	The materiality that we used in the current year was £1m which was determined on the basis of the company's net assets.
Scoping	Our audit was scoped based on our understanding of the company, its internal control, our risk assessment and our materiality.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

Significant changes in our approach	<p>The financial statements have been prepared on a basis other than going concern and this has resulted in the identification of a new key audit matter compared with those identified in the previous year. Details in relation to this key audit matter have been included in Section 4 below.</p> <p>Additionally, we had previously identified a key audit matter in relation to the valuation of the company's intangible assets which had a carrying value of £25.6m in 2019. This has no longer been included as a key audit matter following write-down of these assets in the current year, as detailed at note 9, which has resulted in the assets now being valued based on the consideration receivable from a binding sale agreement. Previously, the value of these assets were based on forecast future cash flows, which had given rise to sources of estimation uncertainty which are no longer applicable in the current year.</p>
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4. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

4.1. Recognition of fee revenue

Key audit matter description	<p>The company has a simple fixed-fee structure, with revenue that comprises a high volume of low value transactions. The majority of revenue recognised is calculated automatically based on the standard rate tables held within the company's three IT platforms.</p> <p><i>There are a relatively small number of fee types, and therefore any unauthorised change or error in the rate tables could impact a significant proportion of fee income recognised. As disclosed in note 3, the company has recognised £18.1m in fee revenue for the year to 31 December 2019 (2018: £21.9m).</i></p> <p>We have therefore identified the accuracy of fee revenue as a key audit matter and a risk of material misstatement due to fraud.</p> <p>The key audit matter does not include immaterial fee revenue from a small number of clients that are charged based on a percentage of assets under administration. Management's associated accounting policies are detailed at note 1 on page 20.</p>
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How the scope of our audit responded to the key audit matter	<p>To address this key audit matter we performed the following procedures:</p> <ul style="list-style-type: none">• obtained an understanding and tested the relevant change management controls over the rate tables held within the company's three IT platforms;• performed a re-calculation of account fees for all direct and intermediary customers based on the published rate tables;• assessed whether a sample of dealing fees and supplementary charges for direct and intermediary customers were recognised in accordance with the applicable rate tables;• calculated an expectation of dealing fees from direct and intermediary customers and investigated any unusual trends identified when compared with the actual revenue recorded;
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ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

- assessed whether a sample of fees recorded from partnership customers were recognised in accordance with the applicable rate tables; and
- calculated an expectation of revenue from the partnership revenue stream in the year and investigated any unusual trends identified when compared with the actual revenue recorded.

Key observations	From the work performed in re-calculating the fee income recognised, we did not identify any misstatements above our reporting threshold to the Audit and Risk Committee.
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4.2. The preparation of the financial statements on a basis other than that of a going concern

Key audit matter description	As explained at note 1, the company has prepared its financial statements on a basis other than that of a going concern due to the intention of the directors to cease trading.
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A company in these circumstances is required to prepare its financial statements on a basis that is consistent with the applicable accounting framework (being FRS 102) but to make a series of amendments to reflect the fact that the going concern assumption is not appropriate. Such amendments include, but are not limited to, the writing down of assets to their recoverable amounts and the recognition of onerous contracts.

The process of identifying the required amendments, calculating the resulting measurement adjustments and correctly presenting account balances and classes of transactions in the financial statements is complex and judgemental. We have therefore identified a significant risk that the application of a basis of preparation other than that of a going concern will result in a material misstatement.

As disclosed at note 2, the adjustments to the company's balance sheet as a result of the intention to cease trading include the recognition of £1.1m in onerous contracts and the recording of a £17.2m impairment adjustment to its intangible assets.

How the scope of our audit responded to the key audit matter	<p>To address this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none">• obtained an understanding of the relevant controls surrounding the process where management identify, calculate, approve and present the required adjustments to the company's balance sheet;• assessed management's paper on how they have applied a basis of preparation other than going concern to the financial statements;• tested the completeness of the population of onerous contracts identified by management and the accuracy of any proposed provision adjustments;• performed a line-by-line analysis of the balance sheet to identify any items that require a write-down to their recoverable amount;• assessed the company's future financial forecasts, wind-down plans and support arrangements in place with its parent company to allow for the company to wind down in an orderly manner, including an assessment of the impact of COVID-19 on these matters; and• assessed the disclosures in the financial statements that explain the rationale for the basis of preparation and the resulting impact on the financial statements, including the Post Balance Sheet Event disclosures in Note 25 which outline the impact of COVID-19 on the company and its wind-down plans.
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ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

Key observations	Based on our procedures performed, we have concluded that management have applied the accounting requirements of FRS 102 appropriately in preparing the financial statements on a basis other than that of a going concern.
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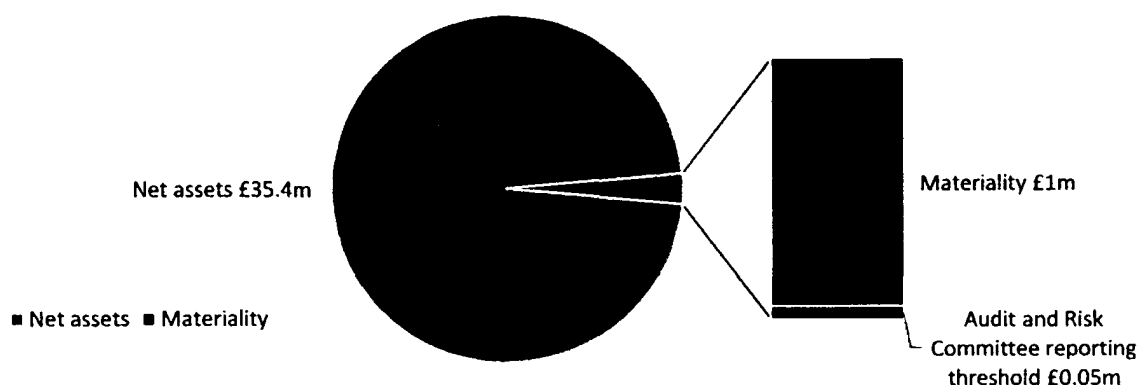
5. Our application of materiality

5.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1.0m (2018: £1.5m)
Basis for determining materiality	3% of the net assets of the company (2018: 3% of the net assets of the company)
Rationale for the benchmark applied	We believe the net assets of the company to be the most appropriate benchmark for determining materiality as it best represents the value of the business to the users of the financial statements as the company winds down its business operations.



5.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, where we concluded that the number of risks which we have classified as having a higher or significant risk of material misstatement was not disproportionately high compared to the overall number of risks identified;
- errors and adjustments identified during our previous years' audits, for which the impact on the net assets of the company has historically not exceeded 30% of our current year materiality and for which management have displayed a willingness to make corrections for as they have been identified;
- the company's business operations, transaction processes and control environment which, despite the significant transactions which the company has been subject to during the year, have remained consistent compared with the previous year.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

5.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £50,000 (2018: £75,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

6. An overview of the scope of our audit

6.1. Scoping

Our audit scope is based on our understanding of the company and its internal control, our risk assessment and our materiality. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

6.2. Our consideration of the control environment

The nature of the company's business model results in it having a complex IT environment, with three separate IT platform in use, all of which directly interact with the company's financial reporting systems. We therefore engaged IT specialists to assess the operating effectiveness of General IT Controls over the following systems and applications:

- The three IT investment platform application systems;
- The company's financial reporting application and database (Oracle); and
- The company's IT operating systems (Unix and Windows).

In response to the key audit matter in relation to recognition of fee revenue, outlined in section 4.1, we have tested and relied on the operating effectiveness of change management controls in relation to the rate tables held within the three IT investment platform application systems.

We have also tested and relied on the operating effectiveness of controls over the company's payroll cycle.

7. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

8. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

9. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

10. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

10.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the company's Money Laundering Reporting Officer and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the recognition of fee income through unauthorised changes to rate tables. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include the capital requirements set by the Prudential Regulation Authority (the "PRA") and the rules set out in the Financial Conduct Authority's (the "FCA") Client Assets Sourcebook (CASS).

10.2. Audit response to risks identified

As a result of performing the above, we identified the recognition of fee income as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

11. 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.

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 any material misstatements in the strategic report or the directors' report.

ALLIANCE TRUST SAVINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE TRUST SAVINGS LIMITED (CONTINUED)

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Other matters

13.1. Auditor tenure

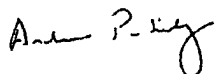
Following the recommendation of the Audit Committee of Alliance Trust Plc, the company's former parent, we were appointed by the Board of Directors on 20 May 2011 to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 2011 to 2019.

13.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

14. 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.



Andrew Partridge CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
22 April 2020

ALLIANCE TRUST SAVINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		Before exceptional items 2019 £000	Exceptional items 2019 £000	Total 2019 £000	2018 £000
	Note				
Interest receivable	7	7,539		7,539	7,392
Interest payable		(34)		(34)	(29)
Net interest income		7,505		7,505	7,363
Savings and pension plan income	3	18,116		18,116	21,888
Other income		2,184		2,184	422
Operating income		27,805		27,805	29,673
Administrative expenses	4	(31,082)	(18,276)	(49,358)	(28,597)
Gain on disposal of book of business	9	-	4,713	4,713	-
Operating (loss) / profit on ordinary activities before taxation	4	(3,277)	(13,563)	(16,840)	1,076
Tax on (loss) / profit on ordinary activities	8	-	-	-	-
(Loss) / profit for the year		(3,277)	(13,563)	(16,840)	1,076

The notes on pages 20 to 40 form part of these financial statements.

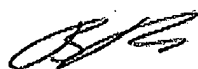
ALLIANCE TRUST SAVINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible fixed assets	9	3,457	25,641
Tangible fixed assets	10	13	13
		<u>3,470</u>	<u>25,654</u>
Current assets			
Investments			
- Cash at bank and balances with the Bank of England	11	381,620	991,343
- Loans and advances to credit institutions	12	-	17,928
- Debt securities	13	126,423	221,589
Debtors – amounts falling due within one year	14	15,510	17,289
		<u>523,553</u>	<u>1,248,149</u>
Creditors – amounts falling due within one year	15	(491,613)	(1,221,553)
Net current assets		<u>31,940</u>	<u>26,596</u>
Net assets		<u>35,410</u>	<u>52,250</u>
Capital and reserves			
Called up share capital	16	107,941	107,941
Retained earnings		(72,531)	(55,691)
Total Shareholders' Funds		<u>35,410</u>	<u>52,250</u>

The notes on pages 20 to 40 form part of these financial statements.

The financial statements of Alliance Trust Savings Limited (registered number SC98767) on pages 16 to 40 were approved by the Board on 22 April 2020 and were signed on its behalf by:



.....
Barry Bicknell
Chief Financial Officer

ALLIANCE TRUST SAVINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Called up share capital £000	Retained earnings £000	Total £000
Balance as at 1 January 2018		107,941	(56,767)	51,174
Profit for the year			1,076	1,076
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,076	1,076
Balance as at 31 December 2018		107,941	(55,691)	52,250
 Balance as at 1 January 2019		 107,941	 (55,691)	 52,250
Loss for the year			(16,840)	(16,840)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(16,840)	(16,840)
Balance as at 31 December 2019		107,941	(72,531)	35,410

ALLIANCE TRUST SAVINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Net cash from trading activities	23	<u>719</u>	<u>724</u>
Net decrease in customer deposits		(727,016)	(35,172)
Net decrease in customer settlement debtors		179	7,321
Net decrease in customer settlement creditors		<u>(12,032)</u>	<u>(8,765)</u>
Net cash generated from operating activities		<u>(738,150)</u>	<u>(35,892)</u>
Cash flow from investing activities			
Purchase of intangible fixed assets		(270)	(2,232)
Proceeds from sale of intangible fixed assets		6,900	-
Net sale of tangible fixed assets		-	1
Net sale / (purchase) of financial investments		113,093	(35,844)
Proceeds from sale of customer books of business recognised as deferred consideration		<u>9,000</u>	<u>-</u>
Net cash flow from investing activities		<u>128,723</u>	<u>(38,075)</u>
Cash flow from financing activities			
Proceeds from issue of ordinary share capital		-	-
Net cash flow from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		<u>(609,427)</u>	<u>(73,967)</u>
Cash and cash equivalents at the beginning of the year		<u>989,690</u>	<u>1,063,657</u>
Cash and cash equivalents at the end of the year		<u><u>380,263</u></u>	<u><u>989,690</u></u>
Cash and cash equivalents consists of:			
Cash at bank and balances with the Bank of England	11	380,263	989,690
Loans and advances to credit institutions	12	-	-
Debt securities	13	-	-
Cash and cash equivalents		<u><u>380,263</u></u>	<u><u>989,690</u></u>

The notes on pages 20 to 40 form part of these financial statements.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

General information

Alliance Trust Savings Limited is a private limited company limited by shares and is registered and incorporated in Scotland. The address of its registered office is PO BOX 164, 8 West Marketgait, Dundee, DD1 9YP. Alliance Trust Savings Limited is a wholly owned subsidiary of Interactive Investor Limited.

The financial statements are prepared in Pound Sterling which is the functional currency of the Company.

Basis of preparation of financial statements and statement of compliance

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements of Alliance Trust Savings Limited are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

Summary of significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current year and the preceding year, with the exception of accounting for debt securities some of which have been included at the Balance Sheet at fair value as a result of the financial statements being prepared on a basis other than going concern.

Going concern

As explained in the Strategic Report, it is the intention of management to migrate Advised and Partnerships customers to Embark in line with the asset purchase agreement, close residual accounts, cease trading and wind up the Company. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value, namely writing UK Government Gilts down to their net realisable value based on their fair value. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date and these are included in note 18. The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such costs were committed at the balance sheet date.

Income

Savings and pension plan income primarily comprise i) financial services fees that are earned as services are provided, which include, for example, periodic account fees where income is recognised as the service is performed using the percentage of completion method and ii) financial services fees that are earned on the execution of a significant act, which include fees received on the execution of a trade on behalf of a client where income is recognised when the significant act is performed. Annual, quarterly and inclusive product account fees are accounted for on a time apportioned basis.

Interest

Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Debt securities

Debt securities with fixed maturity dates are initially included in the Balance Sheet at a cost adjusted valuation for the amortisation of premiums or discounts arising on purchase which are taken to interest receivable in the Statement of Comprehensive Income, over the period to redemption. As the financial statements have been prepared on a basis other than going concern an adjustment has been included such that the longer-dated debt securities are included in the balance sheet at fair value. The shorter term debt securities continue to be held at their amortised cost. Debt securities can be used as both a source of regulatory liquidity and as a source of income. They are purchased with the intention of being held to maturity. Where securities are sold before the maturity date any gain or loss on sale is recognised and noted separately in the Statement of Comprehensive Income. In accordance with UK GAAP, a provision will be made for any impairment.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation

Deferred tax arises from timing 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 all timing differences at the reporting date apart from specific exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are undiscounted under FRS 102.

Intangible fixed assets and amortisation

Intangible fixed assets now comprise purely the Partnership book of business with all technology development assets being impaired in 2019. This is stated at cost less amortisation and any recognised impairment loss. Amortisation is used to write off the cost of intangible fixed assets by equal instalments over their useful economic lives from the month after purchase or completion. Management assess at each reporting date whether there is any indication that an asset may be impaired and if so an estimate of the recoverable amount will be made.

The amortisation rate applied to the book of business is such as to write off the cost over the estimated useful life of 10 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any recognised impairment losses. They are depreciated so as to write off the cost of each asset over its estimated useful economic life.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment - 3 years

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included within the operating profit.

Operating leased assets

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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At each Balance Sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

Financial Instruments

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

(a) Financial assets

Basic financial assets, including debtors and 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 method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income immediately.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

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. The impairment reversal is recognised in the Statement of Comprehensive Income immediately.

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 the ownership of the asset 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.

(b) Financial liabilities

Basic financial liabilities, including customer deposits, 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.

(c) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include deposits held on demand with banks (including the Bank of England) and other short-term highly liquid investments with original maturities of three months or less.

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans:

(a) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(b) Pensions

From 1 January 2016 all staff have been employed directly by Alliance Trust Savings Limited, since which time the Company has made payments to relevant staff under a defined contribution pension arrangement.

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Key accounting estimates

(i) Impairment of intangible assets (note 9)

The Company considers whether intangible assets are impaired. Where an indication of impairment is identified the Company performs impairment tests based on the estimation of recoverable value. In addition, the financial statements have been prepared on a basis other than going concern which requires consideration to be given to the net realisable value of assets. This requires estimation of the value in use of the asset, or where required, the cash generating units (CGUs) and as such represents a key accounting estimate. The value in use calculation is based on a discounted cash flow model. This requires estimation of the future cash flows from the asset or CGUs and selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The asset purchase agreement in place with Embark and plan to wind down the Company will result in the loss of all customers and revenue streams in 2020. Prior to the agreement and the plan to cease trading ATS had invested in technological development, namely on the GBST platform, to enable and enhance the provision of service to customers. The technological development and enhancements, which had been capitalised by ATS, will not be utilised past the point customers exit the business and will not be supported by any CGU. On the basis of the assessment conducted an impairment charge has been recognised in the year such that all assets, with the exception of the Partnerships book of business, have been fully impaired. The Partnerships book of business, which had a carrying value of £3.4m as at 31 December 2019, is the only asset which has been assessed by management to provide future economic benefit, less costs to sell, which is in excess of carrying value. This is supported by an allocation of the proceeds of sale received from Embark to the Partnerships book of business. See note 9 for further details.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Key accounting estimates (continued)

(ii) Onerous contracts (note 18)

As a result of management's intention to cease trading the financial statements have been prepared on a basis other than going concern and as such consideration has been given to the existence of onerous contracts. An onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Subsequent to the migration of Advised and Partnership customers to Embark management will seek to wind ATS up. A review has been performed of contractual agreements in place with suppliers in conjunction with the migration plan and wind down strategy to determine the existence of onerous contracts. Where ATS has existing contracts which have become onerous, the present obligation under those contracts has been recognised and measured as a provision. In arriving at any provision, assumptions have been made concerning any revenue or interest that can reasonably be expected to be derived from related CGUs. An onerous contract provision of £1.1m has been recorded which predominantly relates to contracts in place with suppliers providing services specifically in relation to Advised customers, as due to the timing of the expected migration of Advised customers to Embark contractual costs exceed expected revenues.

(b) Key accounting judgements

(i) Assessment of continuing operations

Given the migration of the Direct business to ii in 2019 and the sale and planned migration of Advised and Partnership business to Embark, management have conducted an assessment to determine if any operations should be regarded as discontinued. FRS 102 states that a discontinued operation arises where a component has been disposed of where the component in questions represented a separate major line of business or geographical area of operations; was part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or was a subsidiary acquired exclusively with a view to resale.

Whilst ATS operates three distinct channels and prepares management information on a channel specific basis, namely the reporting of revenue, the same services and proposition are provided to all customers across all platforms regardless of the channel the customer represents. No channel individually represents a 'separate' major line of business and as such management have assessed that the sale of Direct business in 2019 does not represent a discontinued operation.

3. SAVINGS AND PENSION PLAN INCOME

	2019	2018
	£000	£000
Annual and periodic fees earned as services are provided	11,621	13,687
Transaction fees earned on the execution of client instructions	6,495	8,201
	18,116	21,888

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss) / profit on ordinary activities before taxation is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets:		
- owned by the Company (note 10)	-	24
Amortisation of intangible fixed assets (note 9)	3,096	2,274
Impairment charge (note 9)	17,170	-
Onerous contracts cost (note 18)	1,106	
Gain on disposal (note 9)	(4,713)	
Operating lease rentals	174	426

The charges for depreciation of tangible fixed assets and amortisation of intangible fixed assets are included in the administrative expenses line item in the Statement of Comprehensive Income. The impairment charge reflects the impairment of platform and technological development costs and is included as an exceptional item in the Statement of Comprehensive Income. The onerous contracts cost reflects the unavoidable costs of meeting obligations under a number of existing material contracts which exceed the economic benefits expected to be received under those contracts and is included as an exceptional item in the Statement of Comprehensive Income. The gain on disposal of Direct customers to ii is included as an exceptional item in the Statement of Comprehensive Income.

5. AUDITOR'S REMUNERATION

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual report and financial statements	88	75
Fees payable to the Company's auditor for other services:		
Audit related assurance services	71	68

The other audit related assurance services provided by the auditor, Deloitte LLP, were in relation to the provision of a Client Assets Report to the Financial Conduct Authority, for which the Company was charged fees of £71,000 (2018: £67,500).

6. STAFF COSTS

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	10,351	9,973
Social security costs	965	931
Defined contribution arrangement pension costs	695	704
	12,011	11,608

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

	2019 No.	2018 No.
Full time	257	280
Part time	31	21
	288	301

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. STAFF COSTS (CONTINUED)

DIRECTORS' REMUNERATION

	2019 £000	2018 £000
Directors' emoluments	977	1,098
Defined contribution pension payments	37	27
	<u>1,014</u>	<u>1,125</u>

The aggregate emoluments of the highest paid director were £492,749 (2018: £550,833), and the Company made defined contribution pension payments of £20,387 (2018: £Nil) on their behalf.

Retirement benefits are not accruing for any Directors (2018: Nil) for the defined benefit scheme but were paid for two Directors (2018: two) under a defined contribution pension arrangement.

7. INTEREST RECEIVABLE

	2019 £000	2018 £000
Certificates of Deposit / UK Government Securities	1,066	1,308
Deposits with financial institutions	34	305
Balances with the Bank of England	6,439	5,779
	<u>7,539</u>	<u>7,392</u>

8. TAXATION

a) Tax on (loss) / profit on ordinary activities

	2019 £000	2018 £000
Current tax:		
UK corporation tax on (loss) / profit of the year	-	-
Total current tax (note 8(b))	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on (loss) / profit on ordinary activities	<u>-</u>	<u>-</u>

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. TAXATION (CONTINUED)

b) Factors affecting tax charge for the year

The tax assessed for 2019 continues to be lower than the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are reconciled below:

	2019 £000	2018 £000
(Loss) / profit on ordinary activities before tax	(16,840)	1,076
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(3,200)	204
Effects of:		
Expenses not deductible for tax purposes	233	176
Income not taxable	(895)	-
Utilisation of brought forward tax losses	-	(391)
Deferred tax not provided	3,862	11
Total tax charge for the year	-	-

c) Tax rate changes

The Company has not recognised deferred tax assets of £10,968,482 (2018: £8,893,195) arising as a result of trading losses, decelerated capital allowances and short term timing differences. These assets would only be utilised if and when the Company had sufficient profits chargeable to corporation tax in future accounting periods. Due to the fact the Company is actively being wound up and will not generate sufficient future profits, no deferred tax asset has been recognised.

d) Factors that may affect the future tax charge

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the unrecognised deferred tax asset.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. INTANGIBLE FIXED ASSETS

	Book of business £000	Technology development costs £000	Total £000
Cost			
At 1 January 2019	15,879	35,144	51,023
Additions	-	270	270
Disposals	(5,831)	-	(5,831)
At 31 December 2019	10,048	35,414	45,462
Amortisation			
At 1 January 2019	8,972	16,410	25,382
Charge for the year	1,262	1,834	3,096
Impairment	-	17,170	17,170
Disposals	(3,643)	-	(3,643)
At 31 December 2019	6,591	35,414	42,005
Net book value			
At 31 December 2019	3,457	-	3,457
At 31 December 2018	6,907	18,734	25,641

Subsequent to the completion of the sale of ATS to ii in June 2019, ii completed the purchase and successful migration of Direct customers from ATS. The sale of Direct customers to ii resulted in a gain on disposal of £4.7m. In November 2019 an agreement was reached with Embark such that the remaining customers (Advised and Partnership) were sold by ATS to Embark and the plan is to migrate these customers from ATS's platforms to Embark in 2020.

The agreement to migrate customers and exit any residual client accounts in 2020 has the effect of making ATS's platforms and technological developments redundant and therefore acts as an indicator of impairment. Without customers to service and the resultant loss of all revenue streams the assets provide no future economic benefit and are therefore deemed by management to be fully impaired and fully written down at the balance sheet date.

Embark have agreed a consideration for both Advised and Partnership customers as set out in the asset purchase agreement (APA). The remaining Partnership book of business will continue to be amortised until the book migrates to Embark and will subsequently be disposed of.

See Note 2 for further details of key accounting estimates.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. TANGIBLE FIXED ASSETS

	Computer equipment £000
Cost	
At 1 January 2019	427
Disposals	-
At 31 December 2019	427
Depreciation	
At 1 January 2019	414
Charge for the year	-
At 31 December 2019	414
Net book value	
At 31 December 2019	13
At 31 December 2018	13

11. CASH AT BANK AND BALANCES WITH THE BANK OF ENGLAND

	2019 £000	2018 £000
Cash at bank	34,056	38,622
Balances held with the Bank of England other than mandatory reserves	346,207	951,068
Included within cash and cash equivalents	380,263	989,690
Mandatory reserve deposits held with the Bank of England*	1,357	1,653
	381,620	991,343

*Mandatory reserve deposits are not available for day-to-day operations and are non-interest bearing.

12. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	2019 £000	2018 £000
Loans and advances by original maturity repayable:		
Less than three months	-	-
Between three and six months	-	-
Between six months and one year	-	17,928
	-	17,928

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. DEBT SECURITIES

	2019 £000	2018 £000
Amortised cost at the start of the year	221,589	183,602
Additions	68,776	152,288
Redemptions	(159,570)	(114,873)
Amortisation adjustment	(4,228)	572
Fair value adjustment	(144)	-
Amortised cost at the end of the year	126,423	221,589

At 31 December 2019 the Company held UK Government Securities with a cost value of £126,566,590 (2018: £146,509,512) and market value of £125,456,316 (2018: £144,846,900). UK Government Gilts have been written down to their net realisable value, based on their fair value as at 31 December 2019, no such adjustment was required in 2018. No Certificates of Deposits were held as at 31 December 2019. At 31 December 2018 debt securities also comprised of Certificates of Deposits, the market value of which was not significantly different from amortised cost of £75,079,000.

Analysis of debt securities by contractual term

	2019 £000	2018 £000
Certificates of Deposit:		
Less than three months	-	65,106
Between three and six months	-	9,973
Between six months and one year	-	-
UK Government Securities – Gilts		
Less than three months	10,224	35,771
Between three and six months	-	-
Between six months and one year	48,409	50,957
Between one year and two years	67,790	59,782
	126,423	221,589

14. DEBTORS:

Amounts falling due within one year

	2019 £000	2018 £000
Interest receivable	-	-
Sundry debtors	2,298	3,310
Settlement debtors	11,723	11,903
Prepayments and accrued income	1,489	2,076
	15,510	17,289

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. CREDITORS: Amounts falling due within one year

	2019 £000	2018 £000
Customer deposits	464,355	1,191,371
Settlement creditors	12,522	24,555
Provisions for other liabilities (note 18)	1,324	204
Sundry creditors	866	2,066
Accruals and deferred income	12,546	3,357
	491,613	1,221,553

As at 31 December 2019 accruals and deferred income included £9,000,000 (2018: £Nil) received in relation to the sale of customer books of business which will be recognised upon completion of the associated customer migrations.

16. SHARE CAPITAL

	Number 000s	£000
Allotted, called up, issued and fully paid		
At 31 December 2018	107,941	107,941
At 31 December 2019	107,941	107,941

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17. CONTINGENT LIABILITIES

The Directors have assessed all legal claims and actions against the Company as at 31 December 2019 and have accrued associated taxation and costs in respect of these claims, including legal costs, which represent the Directors' best estimate of the potential exposure to the Company. These are included within notes 15 and 18. Where the likelihood of success of claims or actions against the Company has been assessed by the Directors to be remote, or if there is insufficient evidence to allow a claim to be quantified, no provision is recognised.

Following their assessment of the claims and actions made against the Company, it is the opinion of the Directors that there is one contingent liability totalling £80,000 relating to employment matters (2018 contingent liabilities were £287,500). The Company believes that it is possible, but not probable, that the claims will succeed and accordingly no provision for any liability has been made in these financial statements, and it is not practicable to state the timing of any payments.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. PROVISIONS FOR OTHER LIABILITIES

The Company had the following provisions during the year:

	Client and other claims	Onerous contracts	Total
	£000	£000	£000
At 1 January 2019	204	-	204
Additions during the year	129	1,106	1,235
Released	(17)	-	(17)
Amount charged against the provision	(98)	-	(98)
At 31 December 2019	218	1,106	1,324

Provision for client and other claims

A provision is recognised in respect of potential client claims arising from matters which detriment clients. Client claims can arise as a result of a client complaint, legal or regulatory action and incorporate all estimated costs to settle the claim. Other claims include amounts arising in the ordinary course of the Company's business. The full balance of the provision is expected to be fully utilised by 31 October 2020.

Onerous Contracts

It is management's intention to migrate or exit remaining customers, decommission the existing platforms and serve notice on all suppliers' contracts when appropriate to do so. The unavoidable costs of meeting obligations under a number of existing material contracts exceed the economic benefits expected to be received under those contracts and are therefore provided for as at 31 December 2019.

19. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	2019 £000	2018 £000
Leases as lessee		
Future minimum lease payments under non-cancellable operating leases are:		
Within 1 year	131	464
Between 1 year and 5 years	357	1,352
Over 5 years	-	-
	488	1,816

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Parent Company was Alliance Trust PLC up to 28 June 2019. On 28 June 2019, Interactive Investor Limited completed the acquisition of ATS. Interactive Investor Limited is the immediate parent undertaking and is a company registered in England and Wales.

ATS is included within the UK consolidated accounts of Interactive Investor Limited, the largest and smallest parent company preparing consolidated financial statements. Copies can be obtained from 201 Deansgate, Manchester M3 3NW.

The ultimate controlling party of the company is JC Flowers IV LP, a Limited Partnership registered in the Cayman Islands.

ALLIANCE TRUST SAVINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. FINANCIAL INSTRUMENTS

- (i) The categories of financial assets and financial liabilities, at the reporting date, in total, are as below:

	2019		2018	
	£000	£000	£000	£000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets that are debt instruments measured at amortised cost				
Debt securities				
- UK Government securities (note 13)	126,423	125,456	146,510	144,847
- Certificates of Deposits (note 13)	-	-	75,079	75,079
- Cash at bank and balances with the Bank of England (note 11)	381,620	381,620	991,343	991,343
Loans and advances to credit institutions (note 12)	-	-	17,928	17,928
Settlement debtors (note 14)	11,723	11,723	11,903	11,903
Other debtors (note 14)	3,787	3,787	5,386	5,386
	523,553	522,586	1,248,149	1,246,486
Financial Liabilities that are debt instruments measured at amortised cost				
Customer deposits (note 15)	464,355	464,355	1,191,371	1,191,371
Settlement creditors (note 15)	12,522	12,522	24,555	24,555
Provisions for other liabilities (note 18)	1,324	1,324	204	204
Sundry creditors (note 15)	866	866	2,066	2,066
Deferred consideration (Note 15)	9,000	9,000	-	-
Accruals and deferred income (note 15)	3,546	3,546	3,357	3,357
	491,613	491,613	1,221,553	1,221,553

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets that are debt instruments measured at amortised cost

(a) Classification of financial assets that are debt instruments measured at amortised cost

Cash and cash equivalents include UK Government Securities, Cash at Bank and balances with the Bank of England, Certificates of Deposits and loans and advances to credit institutions, being short-term highly liquid investments, where original maturities are three months or less.

Debtors include settlement debtors arising out of the normal operations of the business of the Company. Other debtors include other short term receivables i.e. prepayments and accrued income. Other receivables generally arise from transactions outside the usual operating activities of the Company. They represent undiscounted amounts of cash expected to be received (within a year).

(b) Fair values of financial assets that are debt instruments measured at amortised cost

As shown above, the carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature except as noted below.

(c) Impairment and risk exposure

There were no impaired receivables. Information about the impairment of financial assets, their credit quality and the Company's exposure to credit risk can be found in the accounting policy note for financial instruments and 21 (iii) below.

Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities shown above are assumed to be the same as their fair values due to their short-term nature.

(ii) Fair value methodology

The carrying amounts of financial assets and liabilities are assumed to be the same as their fair values due to their short-term nature except debt securities. Debt securities have been measured at amortised cost with the exception of UK Government Gilts which have been written down to their net realisable value, based on their fair value as at the Balance Sheet date. These assets are considered level 1 as fair values are based entirely on quoted market prices (unadjusted) in an actively traded market for identical assets that the Company has the ability to access.

(iii) Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and market risk (including interest rate risk). The Company does not have a view of the direction of financial markets and as a general principle does not speculate on markets to generate income.

MARKET RISK

Market risk embodies the potential for both losses and gains arising from changes in market prices, such as interest rates or foreign exchange rates. The Board sets the risk appetite to market risk and approves the Market Risk Policy which contains risk measures for interest rate risk and foreign exchange risk.

Interest Rate Risk is defined as the potential loss of value or earnings arising from changes in interest rates associated with assets or liabilities. As ATS does not have a trading book, all balance sheet items are classified within the banking book. Interest rate risk is managed by setting limits on the maximum permitted sensitivity to both changes in the valuation of the Company's equity and to the adverse impact to earnings given changes to interest rates. The Company also considers Interest Rate Risk in the Banking Book (IRRBB) as part of its ICAAP. The primary metrics used to monitor interest rate risk are the Economic Value of Equity (EVE) sensitivity analysis which illustrates the impact on capital resources of instant parallel shocks of +200bps and -200bps in interest rates across the risk-free yield curve and Net Interest Income (NII) sensitivity analysis which illustrates the impact on total income given a sudden 25bps change in interest rates.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONTINUED)

Asset & liability analysis by interest rate re-pricing frequency

As at 31 December 2019	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-interest bearing £000	Total £000
Assets						
Intangible assets	-	-	-	-	3,457	3,457
Tangible assets	-	-	-	-	13	13
Cash at bank and balances with the Bank of England	381,620	-	-	-	-	381,620
Loans and advances to credit institutions	-	-	-	-	-	-
Debt securities	10,224	-	48,409	67,790	-	126,423
Other assets	-	-	-	-	15,510	15,510
Total assets	391,844	-	48,409	67,790	18,980	527,023
Liabilities						
Customer deposits	464,355	-	-	-	-	464,355
Other liabilities	-	-	-	-	27,258	27,258
Shareholders' funds	-	-	-	-	35,410	35,410
Total liabilities	464,355	-	-	-	62,668	527,023
Positive (negative) interest rate sensitivity gap	(72,511)	-	48,409	67,790	(43,688)	
Cumulative gap	(72,511)	(72,511)	(24,102)	43,688	Nil	
As at 31 December 2018	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-interest bearing £000	Total £000
Assets						
Intangible assets	-	-	-	-	25,641	25,641
Tangible assets	-	-	-	-	13	13
Cash at bank and balances with the Bank of England	991,343	-	-	-	-	991,343
Loans and advances to credit institutions	17,928	-	-	-	-	17,928
Debt securities	100,878	9,973	50,957	59,781	-	221,589
Other assets	-	-	-	-	17,289	17,289
Total assets	1,110,149	9,973	50,957	59,781	42,943	1,273,803
Liabilities						
Customer deposits	1,191,371	-	-	-	-	1,191,371
Other liabilities	-	-	-	-	30,182	30,182
Shareholders' funds	-	-	-	-	52,250	52,250
Total liabilities	1,191,371	-	-	-	82,432	1,273,803
Positive (negative) interest rate sensitivity gap	(81,222)	9,973	50,957	59,781	(39,489)	
Cumulative gap	(81,222)	(71,249)	(20,292)	39,489	Nil	

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (CONTINUED)

Nil sensitivity analysis 12 month			EVE sensitivity analysis		
	impact £000			Impact £000	
Increase in base rate by 0.25%	866	Increase in operating profit	Increase in base rate by 2.00%	243	Increase in regulatory capital resources
Decrease in base rate by 0.25%	-866	Decrease in operating profit	Decrease in base rate by 2.00%	-237	Decrease in regulatory capital resources

Foreign exchange risk arises as Partnership clients are permitted to hold deposits in US Dollars and Euros. The total value of these deposits in equivalent Pound Sterling as at 31 December 2019 was £27.2m (2018: £27.1m). Foreign exchange translation risk is fully hedged by matching the deposits with assets in the same currency.

CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Board sets the risk appetite to credit risk and approves the Wholesale Credit Risk Policy which contains minimum standards on credit rating, size of exposure and maturity. All financial instruments must be placed with an investment grade institution (Baa or above according to Moody's). The Asset and Liability Committee regularly reviews the financial strength of counterparties and assesses the regulatory capital impact of credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. None of the financial assets are either past due or show any sign of impairment.

At the reporting date, the Company's financial assets exposed to credit risk were as follows:

Credit rating of cash at bank and balances with the Bank of England, loans and advances to credit institutions, Certificates of Deposits and UK Government Securities	2019 £000	2018 £000
Aaa	5,143	6,262
Aa1	8,850	24,536
Aa2	476,485	1,102,306
Aa3	14,719	89,056
A1	2,846	8,700
A2	-	-
Total	508,043	1,230,860
Weighted average maturity	80.7 days	42.5 days

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

Alliance Trust Savings Limited holds a banking licence and therefore is a full scope regulated firm and must comply with the liquidity requirements set by the PRA as prescribed under CRD IV, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirement. The Company has complied with all regulatory liquidity requirements in-force throughout the reporting period.

Annually, management of the Company completes an Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP is the process under which management of the Company assesses the amounts and type of liquid resources held and whether they are adequate to cover the nature and level of liquidity risks to which the Company is exposed.

Liability analysis by maturity

As at 31 December 2019	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-defined maturity £000	Total £000
Customer deposits	464,355	-	-	-	-	464,355
Settlement creditors	12,522	-	-	-	-	12,522
Provisions for other liabilities	218	-	1,106	-	-	1,324
Sundry creditors	866	-	-	-	-	866
Accruals and deferred income	12,546	-	-	-	-	12,546
Shareholders' funds	-	-	-	-	35,410	35,410
Total liabilities	490,507	-	1,106	-	35,410	527,023

As at 31 December 2018	Under 3 mths £000	3 to 6 mths £000	6 mths to 1 year £000	1 year to 5 years £000	Non-defined maturity £000	Total £000
Customer deposits	1,191,371	-	-	-	-	1,191,371
Settlement creditors	24,555	-	-	-	-	24,555
Provisions for other liabilities	70	-	134	-	-	204
Sundry liabilities	2,066	-	-	-	-	2,066
Accruals and deferred income	3,357	-	-	-	-	3,357
Shareholders' funds	-	-	-	-	52,250	52,250
Total liabilities	1,221,419	-	134	-	52,250	1,273,803

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Capital management (unaudited) (continued)

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA, and must comply with the capital requirements set by the PRA and FCA under CRD IV. The Company defines capital in accordance with the definition and calculation of regulatory capital as contained in CRD IV.

In accordance with CRD IV, ATS must hold a minimum level of regulatory capital to adequately cover the risks to which it is or might be exposed and to comply with the overall financial adequacy rule. The Company has complied with these requirements throughout the reporting period.

To ensure compliance with its regulatory capital requirements, the Company has embedded its regulatory capital requirements into its risk appetite framework. This framework includes setting and regular monitoring by the Board of capital management risk measures as contained in the Capital Management Policy. Additionally on an annual basis the management of ATS completes an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is the process under which the management of ATS oversees and regularly assesses the amounts and type of financial and capital resources held by ATS and whether they are adequate to cover the nature and level of risks to which ATS is exposed. There have been no material changes from the previous period regarding the objectives, policies and processes for managing capital.

The Company has met its regulatory capital requirement through holding own funds in the form of Tier 1 Capital. Tier 1 capital was £30.8m (2018: £25.7m). ATS has no Tier 2 capital as at 31 December 2019 (2018: None).

(v) Return on Assets

Article 90 of the Capital Requirements Directive requires firms to disclose their Return on Assets, as measured by the net profit divided by the total assets.

	2019 £000	2018 £000
Net (loss) / profit	(16,840)	1,076
Mean total assets	900,413	1,297,370
Return on Assets	(1.87%)	0.08%

Mean total assets represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

22. RELATED PARTY TRANSACTIONS

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration in respect of these individuals is £1,014,000 (2018: £1,125,000), see note 6 for additional disclosure.

As a wholly owned subsidiary of Interactive Investor Limited the Company is exempt from the requirements under Section 33.1A of FRS 102 to disclose transactions with other wholly owned members of the Group.

ALLIANCE TRUST SAVINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. NET CASH FLOW FROM TRADING ACTIVITIES

	2019 £000	2018 £000
Total comprehensive income	(16,840)	1,076
Amortisation of intangible fixed assets	3,096	2,274
Depreciation of tangible fixed assets	-	24
Impairment of intangible fixed assets	17,170	-
Gain on disposal of intangible fixed assets	(4,713)	-
Loss on disposal of tangible fixed assets	-	2
Decrease in debtors	2,604	1,393
(Decrease) / increase in amounts owed by group undertakings	(1,002)	970
Increase/ (Decrease) in creditors	108	(4,272)
Increase in amounts owed to group undertakings	-	-
Funding of mandatory reserve deposit with the Bank of England	296	(743)
LTIP reserve movement	-	-
Net cash inflow from trading activities	719	724

24. INVESTMENT IN SUBSIDIARY COMPANY

Detail of the subsidiary company:

Alliance Trust Savings Nominees Limited (SC120563) – limited by guarantee.

The subsidiary is 100% owned and registered in Scotland. The registered office is PO Box 164, 8 West Marketgait, Dundee, DD1 9YP. Consolidated financial statements have not been prepared as the subsidiary undertaking is dormant and considered immaterial.

25. POST BALANCE SHEET EVENT

The Directors consider the emergence of the COVID-19 pandemic during 2020, together with the associated economic impact and public health measures taken in response, as a non-adjusting post balance sheet event.

The Directors do not consider the post balance sheet impact of COVID-19 to be material to the assets and liabilities of the company. As outlined on page 7 of the Strategic Report, the directors have assessed that the company continues to have sufficient capital to support its operations for the period over which ATS continues to service customers and beyond.