

# **Columbia Threadneedle Investment Business Limited**

**(formerly BMO Investment Business Limited)  
(Registered number SC151198)**

**Annual Report and Financial Statements  
for the 14-month period from  
1 November 2021 to  
31 December 2022**

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# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **COMPANY INFORMATION**

**REGISTERED NUMBER:**

SC151198

**DIRECTORS:**

R S Fuller (Chair)  
D Logan  
C B Porter  
W M Tonkin  
R A Watts (Chief Executive)  
T Watts

**SECRETARY:**

M Nurse

**REGISTERED OFFICE:**

6<sup>th</sup> Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh  
EH3 9EG

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT

The Directors present their Strategic Report on Columbia Threadneedle Investment Business Limited (formerly BMO Investment Business Limited) (the Company) for the 14-month period ended 31 December 2022. The Company was part of the Bank of Montreal Global Asset Management (BMO GAM) business within the BMO Financial Group (BMO) until 8 November 2021 when the BMO GAM business in Europe, the Middle East and Africa (EMEA) was acquired by Ameriprise Financial, Inc. (Ameriprise). The Company subsequently changed its name on 30 June 2022 as part of the broader fund and group entity rebranding project.

## PRINCIPAL ACTIVITIES

The Company is authorised and regulated by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) as required by the UK AIFM regime. The Company provides investment management services to a number of Alternative Investment Funds (AIFs) as part of this authorisation, with its key clients being investment trusts and private equity funds.

## BUSINESS AND FINANCIAL REVIEW

### Results

The Financial Statements show a loss after tax for the 14-month period to 31 December 2022 of £17,000 (2021: loss of £5,733,000, restated, as disclosed in note 3).

### Key performance indicators

The Company uses a number of financial performance measures to monitor the performance of the business. The key performance indicators are shown below:

	14-month period ended 31 December 2022	Year ended 31 October 2021
Net operating revenue	£43,977,000	£37,688,000
Operating loss	(£1,217,000)	(£3,406,000)
	31 December 2022	31 October 2021
Assets under management (AUM) (at reporting date)	£8.1bn	£9.0bn

### Trading performance and development of the business

On 12 April 2021, BMO announced that agreement had been reached to sell its asset management business in EMEA to Ameriprise Financial, Inc (Ameriprise), which is incorporated in Delaware, United States of America. The transaction completed on 8 November 2021. The Company was part of the BMO Global Asset Management (Europe) Group (BMO GAM E Group), which formed a significant element of BMO's asset management business in EMEA. As part of the broader transaction agreed with BMO, Ameriprise, via its subsidiary Columbia Threadneedle Investments UK International Limited, acquired the entire share capital of BMO Global Asset Management (Europe) Limited (which has now changed its name to Columbia Threadneedle (Europe) Limited), and as such, the BMO GAM E Group has transferred to become part of the Columbia Threadneedle Investments asset management business within Ameriprise. Columbia Threadneedle Investments UK International Limited and all its subsidiaries are referred to herein as "the Group".

In order to align the Company's reporting date with Ameriprise, the Company's accounting reference date was extended from 31 October to 31 December, resulting in a reporting period of 14 months to 31 December 2022. Therefore, certain amounts presented in these Financial Statements for the period ended 31 December 2022 are not directly comparable with those for the year ended 31 October 2021.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

Assets under management (AUM) have decreased to £8.1bn at 31 December 2022 compared to AUM of £9.0bn at 31 October 2021 largely due to negative market movements of £0.7bn and net outflows of £0.3bn, offset by a positive foreign exchange impact of £0.1bn.

The Company's net operating revenue increased by £6,289,000 from £37,688,000 in the year ended 31 October 2021 to £43,977,000 in the 14-month period ended 31 December 2022, largely reflecting the longer reporting period. The resulting negative impact on management fees from the reduction in AUM noted above was offset by higher than expected performance fees for the period ended 31 December 2022.

Operating expenses increased from £41,094,000 in the year ended 31 October 2021 to £45,194,000 in the 14-month period ended 31 December 2022, again, largely reflecting the increased reporting period. Net operating revenue is the key driver for determining the share of the Columbia Threadneedle AM (Holdings) plc (formerly BMO Asset Management (Holdings) plc) Group's (the CTAM (H) Group) UK operating platform costs attributed to the Company.

Subsequent to 31 December 2022, the Company's immediate parent undertaking, Columbia Threadneedle AM (Holdings) plc, subscribed for an additional 10 million Ordinary shares of £1 each, in the Company in March 2023, as disclosed in note 21. The £10,000,000 consideration was received in cash. This capital injection was made to ensure the Company continues to maintain sufficient regulatory capital surplus to withstand the financial impacts under a range of potential risk scenarios, recognising that historical operating losses have reduced the regulatory capital surplus in recent years.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks as part of the overall risk management framework within the CTAM (H) Group. Members of the CTAM (H) Group's Executive Committee are responsible for identifying and addressing any material or systematic issues or risks facing their areas of the business. The principal risks and uncertainties facing the Company are broadly grouped as follows:

### *Client assets risk*

As an asset manager the Company is responsible for managing assets in accordance with the mandates specified by its clients. As the majority of the Company's asset management fees are quantified as a percentage of AUM, the Company's revenues are impacted by movements in client assets which are caused by exposure to financial risks.

A key risk to the business is that of poor investment performance, which could lead to the subsequent loss of client mandates, may impact the Company and Group's ability to win new mandates or assets, and may potentially expose the Company and the Group to greater risk of mandate or regulatory breaches.

The Group operates an independent Investment Risk Oversight team which monitors and challenges risks within client portfolios and provides appropriate management information. A Performance Review and Risk Oversight Committee meets regularly to ensure an appropriate level of oversight is applied to investment performance and risk.

Many of the Group's investment mandates include specific limits, restrictions and/or exclusions on the construction or content of portfolios agreed with the client. In addition, certain pooled fund products may be subject to specific regulatory or fiscal limits, restrictions and/or exclusions. Any breach of a client mandate, or investment or operational error, may render the Group liable to pay financial compensation and can lead to reputational and regulatory risk, and further client losses if key tenets of a product are compromised.

A Group-wide database is utilised to record and monitor mandate-related rules. Portfolio managers are the Group's first line of defence in ensuring that portfolios are managed in accordance with each mandate. An independent Investment Mandate Control Team is responsible for pre-trade and post-trade monitoring of investment rules, and all breaches, whether active or passive, are investigated. The Group's Compliance Monitoring team will act as an additional line of defence in monitoring mandate compliance and will work with its Operational Risk and Legal teams to ensure that any breach is properly remediated in a timely manner. The Group seeks to mitigate financial exposure to errors and omissions by maintaining appropriate insurance arrangements to recover remediation costs of any significant errors.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

### *Financial risk*

The CTAM (H) Group adopts a low-risk approach to treasury management and financial risks in relation to shareholder equity, seeking to manage and preserve its capital. The CTAM (H) Group's treasury function ensures that sufficient cash is retained by the Company in respect of short-term working capital and regulatory capital and liquidity requirements.

### *Credit risk*

As an asset management business which derives revenues which are primarily based on a percentage of client AUM, the Company's exposure to client default is considered to be relatively low.

The quantum of accrued income, contract assets and trade receivables at the reporting date is shown in note 4(b) to the Financial Statements. There is a low inherent risk of the non-collection of management fees from clients as the Company's revenues are generally funded from the assets which are managed on behalf of clients.

A component of other receivables at the reporting dates relates to inter-company balances with other Group subsidiaries. As the Group's regulatory and working capital requirements are monitored on a group-wide basis, the risk of default is considered minimal.

The CTAM (H) Group's treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the Counterparty Credit Committee. There is no direct credit risk in relation to client assets as this risk is borne fully by the clients concerned.

As at 31 December 2022, the Company's largest exposure was £11,563,000 in respect of deposits with an 'A+' rated bank (31 October 2021: £9,944,000 deposits with an 'A+' rated bank).

### *Liquidity risk*

The treasury policy set by the CTAM (H) Group only allows financial assets attributable to equity holders to be invested in low-risk deposits or money market instruments where the risk of capital loss is low, with prior approval required for any exception to this principle.

The overall cash position is monitored by the treasury team within the CTAM (H) Group as a whole and each individual company within the CTAM (H) Group draws on the available cash balance to meet its working capital requirements.

### *Concentration risk*

During the 14-month period ended 31 December 2022, two Investment Trusts accounted for approximately 52% of the Company's revenue (year ended 31 October 2021: 50%). The loss of either of these clients could result in a significant decrease in future revenues.

Further distribution activity, particularly in respect of private equity funds, is expected to enable the Company to benefit from future growth plans and reduce, to some extent, the concentration risk associated with the Company's existing client base.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

### *Integration risk*

There is a clear objective to integrate the Group into the broader Columbia Threadneedle Investments operating model and the work required to meet this objective continues following detailed timelines and plans. By its very nature, integration activity can increase the inherent risks in a number of areas of the business, including increased operational risk where changes to people, process or systems are initiated; the risk that consultant ratings of products move to 'hold' while integration activity is executed, potentially impacting the new business generation; and strain being placed on employees of the Group, recognising they are key to the successful integration of the business. Failure to adequately plan and control the activities required to meet the integration objective on a timely basis may result in excessive project costs, a weakened control environment, failure to achieve the desired results, slower than planned growth or the loss of clients or key employees. In addition, these activities must be completed in a manner which is cognisant of and compliant with prescribed regulatory requirements in the relevant jurisdictions.

Workstream leaders have collaborated to establish the integration plans for each area of the business. The impact and timeline of future integration work is complex and will affect many functional areas, so robust governance and oversight of the programme has been established to ensure risks and issues are identified and managed, enabling us to focus on minimising harms to our clients, market participants and the Group as we proceed. Formal governance reporting to senior management on, among other things, integration progress, risks, approval of resourcing requirements and ensuring continued compliance with all regulatory requirements is in place and will continue for the duration of the integration.

### *COVID-19 pandemic*

COVID-19 (also referred to as "coronavirus") continued to impact economies, financial markets and businesses around the world throughout 2022. As in the previous year, the Group coordinated responses to the pandemic and related restrictions regionally and globally to ensure continued delivery for clients, support employees and maintain business continuity. The Group maintained operational capacity utilising greater remote working than before the pandemic. In 2023, the Group continues to monitor and coordinate responses as required.

### *Uncertain economic outlook*

The UK and global macroeconomic outlook remains uncertain, particularly recognising its susceptibility to geopolitical risk drivers including the conflict in Ukraine which has driven sweeping energy price changes. These have acted as a catalyst for the rising inflation experienced globally and led to central banks increasing interest rates, contributing towards a cost of living crisis seen in the UK and beyond. It is anticipated that these pressures will lead to recession in many economies, which will hinder economic growth. The UK outlook has been adversely impacted by the fallout that occurred in markets and the wider economy as a result of the UK Chancellor's fiscal announcement on 23 September 2022, notwithstanding that some stability has resulted from the appointment of Rishi Sunak as Prime Minister. Client investment preferences, and the Group's AUM and revenue, are impacted by underlying economic and market conditions. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes.

The evolution of the long-term relationship between the UK and EU could still have a significant impact on underlying economic and market conditions for European asset classes.

The Group offers competitive products across a range of asset classes, including equities, fixed income, alternatives and multi-asset, with this diversified range limiting its exposure to the impact of market volatility in any one market or asset class. Furthermore, a number of the Group's investment solutions products are much longer term in nature, with some based on a fixed fee, and their performance and marketability are less impacted by short-term market volatility. The Group also continues to closely monitor developments around the relationship between the UK and the EU so as to ensure that any adverse impact is appropriately mitigated, as far as possible, in the management of European asset classes.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

### *Loss of key employees*

Columbia Threadneedle (Services) Limited (formerly BMO Asset Management (Services) Limited), a subsidiary of Columbia Threadneedle AM (Holdings) plc, employs all of the CTAM (H) Group's UK staff who provide services to the Company. The success of the Company and the Group depends on the support of its employees in key areas including investment, distribution, marketing, product development, operations and support functions. The loss of key employees may prevent the Company or the Group from winning new business or meeting its strategic goals, and may therefore lead to the loss of investment trust mandates. Employee retention risk is inherently heightened as a result of the integration activity underway.

The Group's compensation model targets the long-term retention of key employees. All employees receive an annual appraisal which reviews their performance against clearly defined objectives with the aim of encouraging strong performance. Reliance on key individuals is mitigated by the Group's team-based approach to investment management.

Moreover, we seek to reduce our dependence on key staff through the recruitment of suitably-skilled individuals, promoting training and by ensuring succession plans are in place for senior roles to provide emergency or immediate cover. As part of Columbia Threadneedle Investments, we are also able to leverage a wider range of support for our investment, distribution and support function capabilities through inter-group arrangements with affiliates that form part of the Columbia Threadneedle Investments business.

### *Regulation*

The UK, European and global regulatory environments continue to evolve rapidly. The expectations of financial regulators require regulated groups to embed regulatory compliance, and suitable conduct and culture in their business models to an even greater extent than previously required. Regulation has become, in many areas, more complex and onerous, and regulated entities are faced with shorter timelines to interpret and implement new regulation. There is substantial complexity from overlapping regulation including across jurisdictions. Regulatory change may lead to consolidation in the marketplace, the launch of new products, withdrawal or commoditisation of existing products, and increased reliance on specialist third-party service providers as asset managers increasingly focus on core activities of investment management, client servicing and distribution.

In the UK, the new FCA Consumer Duty requires UK investment firms to act to deliver good outcomes for retail customers notably in the key areas of 1. Products and services, 2. Price and value, 3. Consumer understanding 4. Consumer support. The Duty impacts UK firms who manufacture and/or distribute products and/or services to UK retail customers. It includes a requirement for firms to act in good faith, avoid causing foreseeable harm and support customers to pursue their financial objectives. Annual board reporting is required, detailing how each outcome is complied with, weaknesses in the compliance and lessons learnt. The Duty takes effect on 31 July 2023. This outcome focused regulation carries significantly higher evidentiary burden and reporting standards than before and will require a major shift in approach for the Group in how it interacts with its UK retail customers.

The Trade & Co-operation Agreement concluded between the UK and EU only has minimal coverage of financial services. Uncertainties therefore remain around the future of UK financial services and its interaction with EU markets particularly if the UK chooses to diverge significantly in its regulatory approach. The Group relies upon its Dutch subsidiary delegating portfolio management to UK regulated affiliates as allowed currently under applicable EU regulation. There is a risk that EU authorities impose further restrictions on the ability of EU regulated firms to undertake such delegation which would have a material adverse impact on the Group's current operating model.

The Group Compliance and Legal Teams ensure that key regulatory changes are identified at the earliest opportunity. Their impact is then assessed to allow practical guidance on the proper application and interpretation of any changes to be provided to all relevant business areas. Compliance also maintain transparent relationships with regulators in relevant jurisdictions. Related business change is supervised through the Group's change management process and dedicated regulatory change projects, and oversight provided through both the EMEA Executive Committee and the CTAM (H) Group Audit & Compliance Committee and through the wider Columbia Threadneedle Global Regulatory Change Steering Committee.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

The Group, as part of Ameriprise, has a clearly defined mission to help people feel confident about their financial future ("investing smarter for the world you want"). Values underpin this goal and with that the culture expected of all staff ("Client focused", "Integrity always", "Excellence in all we do" and "Respect for individuals and for the communities in which we live and work").

### *Reliance on third parties*

In pursuing a strategy with a focus on competitive scale, the use of outsourced service providers benefits the Group and the Company by providing cost-effective access to an industry-competitive operating platform. The Group's key outsource partners provide a range of back and middle office, fund accounting, transfer agency services and administrative services for certain Retail and Investment Trust savings products. This places a great deal of reliance on the operational resilience of the Group's partners and the services and processing they provide.

The Group conducts an extensive selection and due diligence process focused on many aspects of operational resilience prior to selecting outsource providers and entering into the related contractual arrangements that incorporate suitable governance arrangements and detailed service levels. The Group has established oversight teams who monitor such third-party service delivery and ensure there is appropriate oversight and effective resolution of issues. Service levels are regularly monitored as part of the ongoing governance arrangements.

### *Failure to invest responsibly*

Responsible investment is a key priority for the Group. For the Group responsible investment is an umbrella term to capture a wide range of activities the Group undertakes including active ownership (engagement and proxy voting), ESG data and tools for the Group's investment managers, research that focuses on ESG risks and opportunities, thought leadership as well as corporate commitments we make as a business (e.g. Net Zero Asset Managers Initiative, Task Force on Climate-related Financial Disclosures ("TCFD")).

There is increasing regulation related to responsible investment and it differs by region. In addition, there is increasingly wide spectrum of demand from clients for strategies with robust ESG integration through to more impact orientated sustainable mandates.

The key risks for responsible investment relate to:

- **Evidencing:** Ensuring investment managers can evidence how they are considering ESG risks and opportunities in investment processes and ensuring statements made about responsible investment can be backed up
- **Clarity and transparency:** Ensuring strategies offered are clear about their ESG or sustainable credentials to help clients identify which strategies best meet their needs

The Group's approach is an active one (to "avoid, invest, and improve"), and it aims to contribute to engage with companies and industries on ESG matters. The Group expresses views and perspectives through voting and thought leadership as well as working to ensure that ESG analysis is integrated appropriately and in a robust manner across its broader investment processes. The Group has taken a number of measures to enhance its responsible investment proposition over the past year including the addition of staff to its active ownership team and control functions, the set-up of internal forums dedicated to overseeing various aspects of responsible investment and associated change initiatives and the implementation of global proxy voting and engagement policies and processes.

### *Business continuity, information technology (IT) and cyber security*

The Company's success is dependent on access to the Group's resilient IT infrastructure and appropriate IT systems that are sufficient to support the Group in meeting its strategic objectives. The Group is exposed to the risk that its infrastructure and systems are unable to meet the demands of clients, or regulatory and/or technology change.

The Group has a short-term and medium-term IT plan with clear objectives to meet mandatory change requirements, achieve integration targets, deliver further integration of systems and enhance the agility, security and resiliency of the Group. The Group maintains and periodically tests its critical technology disaster recovery arrangements. The Group also has detailed business continuity plans in place to enable events to be managed, location specific actions to be taken and key business processes to be maintained in the event of a disaster.



# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## **STRATEGIC REPORT (continued)**

The Group is exposed to a variety of potential cyber risks, and a failure to prevent or defend against such risks could have a material adverse effect on the Group's operations and its clients. Attacks could result in a denial of services, or loss of client data or other sensitive information, thereby potentially impacting the Group financial results and/or its reputation.

The Company relies on the effectiveness of the Group's internal policies, training and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices. These include security, access control and data leakage protection measures. In addition, the Group holds an ISO 27001 security accreditation.

### **STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) OF THE COMPANIES ACT 2006**

The Directors believe they perform their duties in a way which promotes good faith and the success of the Group for the benefit of its members (having regards to the stakeholders and matters set out in Section 172 (1) (a-f) of the Act). This requires the directors to have regard to the:

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

in the decisions taken during the 14-month period ended 31 December 2022.

The Company aims to deliver positive outcomes that meet the needs of its stakeholders and is committed to always act responsibly, transparently and in the best interests of those who trust it to manage their investments.

The Group's corporate responsibility strategy focuses on the core roles it plays: Responsible Partner to our clients; Responsible Investor; Responsible Employer; and Responsible Citizen.

When taking key decisions, the Directors receive information from across the Company and wider Group. Information is informed by stakeholder engagement at an operational level, which helps the Directors gain a better understanding of the impact of their decisions on relevant stakeholder interests.

Whilst considering a broad range of interests is an important part of their decision making, the Directors acknowledge that decisions may not result in a positive outcome for all stakeholders.

Examples of how stakeholder interests were considered this reporting period and, in the period prior to approval of the Financial Statements, are listed below:

**Customers/clients** – The Company has a fiduciary duty to all its clients and end-customers as managers of their financial assets. Its aim is to provide clients and end-customers with value for money in terms of excellent risk-adjusted investment performance (after fees) and a level of service that meets or exceeds expectations. The Group's commitment to clients is reflected in its Values and in the Code of Conduct which all employees formally sign, acknowledging how they must act at all times.

**Employees** – The Group's employees are fundamental to the success of the business, and during 2022 the Group continued to prioritise the health, safety and well-being of employees as it responded to COVID-19 and periods of remote working for the vast majority of employees. The Group provides a range of resources to support the physical and mental well-being of employees, including private healthcare; self-referral for physiotherapy; access to telephone GP appointments; a confidential counselling service and an online well-being hub. Flexible working remains an important component of the Group's approach to maintaining an inclusive culture and healthy work-life balance.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STRATEGIC REPORT (continued)

**Suppliers** – Throughout the reporting period the Directors received regular updates on key third party vendors. These updates include reviewing key performance indicators for the material outsourcing arrangements with the Company's key suppliers.

**Community and Environment** – The Group strives to be a responsible member of the community in which it operates and to influence positive change. During 2022 the wider Columbia Threadneedle group of companies published its first climate change report which details how it manages climate risks and opportunities in investment portfolios and across business operations under the TCFD framework. In addition, the Group also set out its Net Zero Carbon Emissions targets, reaffirming its commitment to working in partnership with clients to reach net zero carbon emissions by 2050, or sooner, across all assets under management, subject to internal, fund board, regulatory and client approvals. This disclosure was the first as a signatory of the Net Zero Asset Managers ("NZAM") initiative. The Group acknowledges that reaching this aspiration depends on the mandates agreed with its clients and the wider regulatory environment. In addition, the office at Exchange House has signed up to the 'Plastic Free City' Scheme and has achieved "Platinum" status. This office and the office at Quatermile 4 maintain an ISO 14001 accreditation that sets out the requirements for an Environmental Management System. This system is used to identify and better manage the buildings' environmental aspects and impacts and helps the Group to continually improve its environmental performance through a more efficient use of resources and reduction of waste. The electricity used at both offices is derived from 100 per cent. renewable resources.

In 2022, the Group also supported the Spitalfields City Farm Team Challenge; Spitalfields City Farm is a local community resource, and also the Legal Walk, a charity which supports frontline free legal advice services in London and the South-East.

**Regulators** – During the reporting period, the Directors received regular updates on areas of regulatory interest and developments, which included the new Consumer Duty, due to come into effect on 31 July 2023. The Board also received updates on regulatory engagement.

Directors also consider regulatory views when approving the assessment of value reports, new products and updates to existing products.

It is the Board's commitment to maintain the Company's reputation by continuing to operate in a responsible manner, within high standards of business conduct, good governance and operating within the regulatory framework of a business such as that of the Company. The governance structure that sits below the CTAM (H) Group's Board is headed by an Executive Committee, which is responsible for the day-to-day management of the business in line with the strategies, business plans, budgets and other initiatives delegated by the Group. It is not a sub-committee of the Board but assists the Chief Executive Officer in the execution of their responsibilities. Below this, responsibility for running the business is overseen by a number of other management committees, functional and leadership teams, which are responsible for the day-to-day running of the business lines of the CTAM (H) Group as well as strategy implementation. The Board believes that these governance arrangements enable the CTAM (H) Group to deliver its business plans in a rigorously controlled manner.

The Directors are committed to fulfil the requirements of Section 172 of the Companies Act including behaving in a responsible manner to promote the success of the Company for the benefit of its Shareholders, whilst have having regard to various other stakeholder interests.

ON BEHALF OF THE BOARD



R A Watts  
Director  
24 April 2023

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors present their Annual Report and audited Financial Statements for the 14-month period ended 31 December 2022.

## **RESULTS AND BUSINESS REVIEW AND PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's results for the 14-month period ended 31 December 2022 are shown in the Income Statement on page 16. A Strategic Report for the same period is set out on pages 2 to 9 which includes disclosure of the Company's risks and uncertainties.

The Company recognised a loss of £17,000 for the 14-month period ended 31 December 2022 (year ended 31 October 2021: loss of £5,733,000, restated, as disclosed in note 3).

## **DIVIDENDS**

The Directors do not recommend the payment of a final dividend (2021: £nil) and no interim dividend was approved or paid during the 14-month period ended 31 December 2022 (year ended 31 October 2021: £nil).

## **FUTURE DEVELOPMENTS**

The Company's prime focus will continue to be the management of assets on behalf of investment trust and private equity clients. The Directors expect that the Company will continue to benefit directly or indirectly from the distribution and product development activities of the broader Group, recognising that revenue is the key driver of the cost sharing arrangements within the UK transfer pricing group. Over time, it is expected that distribution activities will also capitalise on the broader product and distribution capabilities within Columbia Threadneedle Investments. In addition, the Directors will take an active role in assessing the impact of integration activity, to the extent it will impact the Company.

## **EVENTS AFTER THE REPORTING PERIOD**

In March 2023 the Company's immediate parent undertaking, Columbia Threadneedle AM (Holdings) plc, subscribed for an additional 10 million Ordinary shares of £1 each, in the Company. The £10,000,000 consideration was received in cash.

## **STREAMLINED ENERGY AND CARBON REPORTING**

Disclosures required under the Streamlined Energy and Carbon Reporting Requirements are provided on a Group basis in the consolidated Annual Report and Financial Statements of Columbia Threadneedle Investments UK International Limited for the 14-month period ended 31 December 2022.

## **STATEMENT ON ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY**

The Board of Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members in decisions taken during the period ended 31 December 2022. All decisions, short-term and long-term, have been taken with due regard for the stakeholders as has been detailed in the Strategic Report on pages 8-9.

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

### **DIRECTORS AND THEIR INTERESTS**

The Directors of the Company who were in office during the 14-month period ended 31 December 2022 and up to the date of approval of the Financial Statements were as follows:

R S Fuller (Independent Non-Executive)	
D Logan	
C B Porter (Independent Non-Executive)	
R J E Thorpe	resigned 28 April 2022
W M Tonkin	
R A Watts	
T Watts	

There have been no appointments or resignations of Directors since 31 December 2022.

No individual Director has any direct beneficial interest in the share capital of the Company.

### **DIRECTORS' LIABILITIES**

During the reporting period and at the date of approval of the Financial Statements, the Company had in force a qualifying third-party indemnity provision in favour of one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. The Group also maintains insurance cover in respect of Directors' and Officers' liability.

### **REGULATORY CAPITAL REQUIREMENTS**

The Company is a Collective Portfolio Management Firm regulated by the FCA. Under the relevant prudential rules the capital adequacy of the Company is measured with respect to own funds and liquid assets requirements. The Company reported surpluses of regulatory capital and liquid assets over its respective requirements throughout the reporting period and in the current year to date.

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP (PwC) were appointed as auditors of the Company during the period in accordance with section 485 of the Companies Act 2006. PwC was appointed on 29 July 2022 to align the audit provision across the Ameriprise Group.

### **ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITORS**

The Directors who held office at the date of approving this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **ON BEHALF OF THE BOARD**



R A Watts  
Director  
24 April 2023

## **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

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

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED (formerly BMO Investment Business Limited)**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Columbia Threadneedle Investment Business Limited (formerly BMO Investment Business Limited)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the 14 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement and Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

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

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

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

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

#### **Reporting on other information**

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

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED (formerly BMO Investment Business Limited) (continued)**

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

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

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

### *Strategic report and Report of the Directors*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the period ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED (formerly BMO Investment Business Limited) (continued)**

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

- Enquiries with management and legal, including consideration of known or suspected instances of noncompliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, entries posted by unexpected users and entries posted with unusual amounts, where any such journal entries were identified;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing over certain areas; and
- Reviewing relevant board meeting minutes.

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

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

### *Use of this report*

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

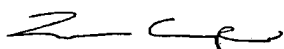
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Lauren Cooper (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 April 2023



# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## INCOME STATEMENT FOR THE 14-MONTH PERIOD ENDED 31 DECEMBER 2022

	Note	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 (*as restated) £000
Revenue	4(a)	60,746	52,663
Cost of sales	5	<u>(16,769)</u>	<u>(14,975)</u>
<b>Net operating revenue</b>		<b>43,977</b>	<b>37,688</b>
Operating expenses	6	<u>(45,194)</u>	<u>(41,094)</u>
<b>Operating loss</b>		<b>(1,217)</b>	<b>(3,406)</b>
Finance income	8	191	5
Finance costs	9	<u>(2)</u>	<u>(1)</u>
<b>Loss before tax</b>		<b>(1,028)</b>	<b>(3,402)</b>
Tax income/(expense)	10	<u>1,011</u>	<u>(2,331)</u>
<b>Loss for the financial period/year</b>		<b><u>(17)</u></b>	<b><u>(5,733)</u></b>

\* The restatement is explained in note 3 to the Financial Statements.

All amounts relate to continuing operations.

There are no items of comprehensive income which have not already been presented in arriving at the loss for the current or previous financial periods. Accordingly, the loss for both financial periods is the same as the total comprehensive expense for that period.

The notes on pages 19 to 37 form an integral part of these Financial Statements.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Registered number SC151198)

		31 December 2022	31 October 2021 (*as restated)
	Note	£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	184	316
Other receivables	13	363	-
<b>Total non-current assets</b>		<b>547</b>	<b>316</b>
<b>Current assets</b>			
Contract assets	4(b)	-	8,068
Accrued income	4(b)	9,783	-
Trade receivables	4(b)	2,585	2,551
Other receivables	13	2,662	2,185
Other financial assets	14	2,014	-
Cash and cash equivalents	14	14,123	18,505
<b>Total current assets</b>		<b>31,167</b>	<b>31,309</b>
<b>TOTAL ASSETS</b>		<b>31,714</b>	<b>31,625</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	16,797	16,031
Contract liabilities	4(b)	-	660
<b>TOTAL LIABILITIES</b>		<b>16,797</b>	<b>16,691</b>
<b>EQUITY</b>			
Called up share capital	16	30,000	30,000
Accumulated losses	17	(15,083)	(15,066)
<b>TOTAL EQUITY</b>		<b>14,917</b>	<b>14,934</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>31,714</b>	<b>31,625</b>

\* The restatement is explained in note 3 to the Financial Statements.

The Financial Statements on pages 16 to 37 were approved by the Board of Directors and authorised for issue on 24 April 2023. They were signed on its behalf by:



D Logan  
Director

The notes on pages 19 to 37 form an integral part of these Financial Statements.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE 14-MONTH PERIOD ENDED 31 DECEMBER 2022

	Called up share capital £000	Accumulated losses £000	Total equity £000
At 1 November 2020	30,000	(9,333)	20,667
Loss for the financial year and total comprehensive expense (*as restated)	-	(5,733)	(5,733)
<b>At 31 October 2021 (*as restated)</b>	<b>30,000</b>	<b>(15,066)</b>	<b>14,934</b>
Loss for the financial period and total comprehensive expense	-	(17)	(17)
<b>At 31 December 2022</b>	<b>30,000</b>	<b>(15,083)</b>	<b>14,917</b>

\* The restatement is explained in note 3 to the Financial Statements.

The notes on pages 19 to 37 form an integral part of these Financial Statements.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ENTITY INFORMATION

Columbia Threadneedle Investment Business Limited is a private company limited by share capital, incorporated and domiciled in the UK. The Company's registered office is 6th Floor, Quatermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG and its principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.

The results of Columbia Threadneedle Investment Business Limited are included in the consolidated Annual Report and Financial Statements of Columbia Threadneedle Investments UK International Limited, which are available from Cannon Place, 78 Cannon Street, London, EC4N 6AG.

The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

### 2. ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently for the 14-month period ended 31 December 2022 and the year ended 31 October 2021.

#### Basis of preparation

As the Company meets the definition of a qualifying entity under Financial Reporting Standard 100 *Application of Financial Reporting Requirements*, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

In the application of FRS 101, the Company has taken advantage of the following disclosure exemptions:

- (a) Information regarding the entity's objectives, policies and processes for managing capital;
- (b) A Statement of Cash Flows and related notes;
- (c) Certain disclosures in respect of revenue from contracts with customers;
- (d) Financial instruments disclosures;
- (e) The effects of new but not yet effective IFRSs;
- (f) Disclosures of comparative information for intangible assets;
- (g) Disclosures of Key Management Personnel compensation; and
- (h) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Where relevant, equivalent disclosures have been given in the consolidated Annual Report and Financial Statements of Columbia Threadneedle Investments UK International Limited, which are available from Cannon Place, 78 Cannon Street, London, EC4N 6AG.

#### Measurement convention

The Financial Statements are prepared under the historical cost convention.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on pages 2 to 9 and on pages 10 to 11 of the Report of the Directors.

As part of the Directors assessment of going concern they have considered, as best they can, the impact of the business environment volatility emanating from market volatility against the background of global and UK macro-economic challenges (rising interest rates, inflation), and the potential impact of the further integration of the Company into the broader Columbia Threadneedle Investments business. The Company incurred losses during the year, however, it is expected that the Company should return to profitability in the short to medium term.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

While there can be no absolute certainty, having considered the current results of the Company, the potential ongoing impact of market volatility (including plausible downside scenarios impacting revenues, expenses and financial resilience), the potential integration activity on the Company's results and operations, and the current liquidity, net assets and regulatory capital surplus of the Company, the Directors are satisfied that it remains a reasonable assumption that the Company should have sufficient resources meet its liabilities as they fall due and to continue in business for at least 12 months from the date of approval of these Financial Statements. Furthermore, following the £10m injection of capital in March 2023, the Directors are satisfied that the Company should have sufficient resources to meet both its working capital and regulatory capital requirements. Accordingly, the Financial Statements have been prepared on a going concern basis.

#### New and amended standards and interpretations

Several new accounting standards, amendments and interpretations apply for the first time in the period ended 31 December 2022, but do not have an impact on the Company's Financial Statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### Accounting estimates, assumptions and judgements

The preparation of financial statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date as well as the reported income and expenses for the reporting periods. While estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from these estimates.

Key judgements made in applying accounting policies are as follows:

- **Revenue - principal versus agent consideration** – The Company has exercised significant judgement in determining whether it acts as a principal or agent in its contracts. The Company enters into investment management contracts, and in some instances sub-contracts or delegates certain portfolio management services to either third-parties or other Group companies. The Company considers that it is responsible for and controls the delegated services provided to the customer and is responsible for determining the price for these services. This judgement has resulted in the gross up of certain revenues and cost of sales where the Company sub-contracts certain portfolio management services to a third party or another Group entity.
- **Revenue - determining the customer** – The Company has exercised significant judgement in determining who the customer is in contracts. In particular, the Company has considered whether the customer is the fund or the underlying investors in the fund. In the case of Investment Trusts the Trust is considered to be the customer as it has the enforceable rights and obligations over the services provided by the Company. For fees earned for managing private equity Limited Partnerships, the Company has been appointed by various General Partner entities to manage the funds for the Limited Partnership funds, therefore the customer is considered to be the General Partner.
- **Interest in other entities** – The Company has made assessments as to whether it is an agent or principal in relation to certain of the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees, and any performance fees and direct interests held through investments) received from these funds and the linkage between power and variable returns. The related disclosures are provided in note 18.

The key source of assumptions and estimation uncertainty which could affect the future carrying amounts of assets and liabilities is as follows:

- **Deferred tax assets** – Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the expected timing and quantum of future taxable profits, as estimated at each reporting date. Details of unrecognised deferred tax assets are disclosed in note 12.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### Summary of significant accounting policies

##### (a) Foreign currencies

The Company's Financial Statements are presented in pounds Sterling, the Company's functional and presentational currency.

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of transaction and are not subsequently restated.

Assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement.

##### (b) Revenue

A contract with a customer is a formal investment management agreement, or similar agreement, specifying the services to be performed. The Company considers a customer to be a party that has contracted with the Company to obtain investment management and/or associated services. In some instances, the Company will sub-contract or delegate certain of its portfolio management performance obligations to other Group entities or to third-parties.

Revenue is income arising in the course of the Company's investment management activities. The Company considers revenue to be the amount it is entitled to for the exchange of its investment management services, including revenue earned by services performed by delegated portfolio management, where the Company is considered to be the principal. The Company has generally concluded that it is the principal in its revenue arrangements, because it controls such services.

The Company also recognises income from recharges of services to other Group entities. These services include investment management and administrative services performed on behalf of other Group entities.

The Company's contracts with customers contain several performance obligations. However, many of these performance obligations are only entered into as a combined package of investment management services to customers and are therefore considered to be a single service within the context of IFRS 15 *Revenue from Contracts with Customers*. Where the Company could separately contract for a service, the Company considers this to be a separate performance obligation in the context of IFRS 15, for example secretarial services to investment management customers.

Most of the Company's revenues are variable in nature, with investment management fees being based on a percentage of assets under management. Variable consideration is only recognised if it is highly probable that its inclusion will not result in a significant revenue reversal in the future when any uncertainty has been subsequently resolved. Secretarial fees are typically fixed amounts per annum.

Certain contracts are subject to rebates. Where the rebates are due to the customer, then these amounts are reflected in revenue. Where rebates are payable to parties not considered to be customers, the amounts are disclosed within cost of sales.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. Where the Company acts as a principal (i.e. it controls the delegated services performed for the customer) it records revenue on a gross basis. However, if the Company's role is only to arrange for another entity to provide services, then the Company is an agent and will record revenue at the net amount that it retains for the services it performs.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### *Investment management fees –*

Revenue for investment management fees is recognised when the services are provided, which is generally over time. While investment management services fees are generally quantified at a point in time, the fees are accrued over the relevant contractual period. A receivable is recognised by the Company as the services are deemed to have been provided and the right to consideration becomes unconditional; payment is generally received at a later date.

#### *Performance fees –*

Performance fees are only recognised by the Company at the end of the performance period when there is certainty over the quantum of the fees. The Company is entitled to earn performance fees from certain clients if the actual investment performance of clients' assets exceeds defined benchmarks (or the level exceeds previously achieved performance levels) by an agreed level of outperformance, generally in a set time period.

#### **Contract balances**

##### *Accrued income*

Accrued income relates to revenue earned but not invoiced at the reporting date.

##### *Contract assets*

A contract asset is the right to consideration in exchange for services transferred to the customer where the services are not yet complete. A contract asset is recognised for the accrued income earned in respect of the period to the reporting date which will become payable.

##### *Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the invoiced amount of consideration is settled).

##### *Contract liabilities*

A contract liability is the obligation to provide future services to a customer for which the Company has received consideration from the customer. Deferred income is considered to be a contract liability. Contract liabilities are subsequently recognised as revenue when the Company performs its services under the contract.

### **(c) Cost of sales**

Fees and expenses incurred by the Company that relate directly to revenue are presented as cost of sales. These expenses include commissions paid to agents, rebates not payable directly to the customer from whom the revenue was received and the element of revenue paid as delegated portfolio management fees.

Fees and expenses are generally based on an agreed percentage of revenue or AUM and are recognised in the income statement as the service is received.

### **(d) Finance income**

Finance income comprises interest on bank accounts and short-term deposits and is recognised in the Income Statement as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

### **(e) Finance costs**

Finance costs comprise bank interest and charges payable and are recognised in the Income Statement on an EIR basis.

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. ACCOUNTING POLICIES (continued)**

#### **(f) Income tax**

The income tax expense or income disclosed on the face of the Income Statement represents the aggregate of current tax and the movement in deferred tax.

Current tax is the expected tax payable to, or receivable from, the taxation authorities on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

#### **(g) Intangible assets**

##### *i) Investment management contracts*

Investment management contracts acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at initial fair value less accumulated amortisation and any accumulated impairment losses.

The useful lives of investment management contracts are finite and such contracts are amortised on a straight-line basis over their estimated useful lives or average contractual term, with amortisation being charged to the Income Statement. Details of the estimated useful lives are shown in note 11.

##### *ii) Software*

This comprises internally generated software. Amortisation is charged to the Income Statement in equal annual instalments, based on a 3-year useful economic life.

Subsequent expenditure on capitalised software is expensed as incurred. Software is derecognised upon disposal or when no further future economic benefits are expected from its use.

#### **(h) Impairment of intangible assets**

At each reporting date the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment arising is recognised in the Income Statement. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### (i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i) Financial assets

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as debt instruments measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As permitted by IFRS 9, the Company has applied the presumption that a trade receivable does not have a significant financing component if the expected term is less than one year.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amounts outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting cash flows, selling the financial assets or both.

###### *Subsequent measurement*

Subsequent to initial recognition, financial assets at amortised cost are measured using the EIR method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired, as well as through the amortisation process. The Company's financial assets at amortised cost consist of trade receivables, amounts owed by Group subsidiaries, group relief receivable, other receivables and cash and cash equivalents.

###### *Derecognition of financial assets*

A financial asset or, where applicable, part of a financial asset, is derecognised when the rights to receive cash flows from the asset have expired.

###### *Impairment of financial assets*

The Company considers the requirement to recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, accrued income and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead measures a loss allowance based on lifetime ECLs at each reporting date. Trade receivables, accrued income and contract assets have been grouped based on credit risk characteristics and the days past due, for each product grouping. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The corresponding movements in the ECL provisions are recognised in operating expenses.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

The Company considers a financial asset to be in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### ii) *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Company's financial liabilities consist of amounts owed to Group subsidiaries, accruals, group relief payable, other payables and amounts owed to BMO Group entities.

##### *Subsequent measurement*

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

##### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

#### iii) *Offsetting of financial assets and liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

Cash and cash equivalents comprise cash balances, deposits held at call with banks, and other short-term, highly liquid investments in money-market instruments with original maturity dates of three months or less.

Deposits with a maturity in excess of 90 days, which cannot be converted into cash on demand, are classified as other financial assets.

#### (k) *Share capital*

Share capital is recorded at the proceeds of issue after deducting directly attributable transaction costs.

#### (l) *Interests in other entities*

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the decisions about the activities that significantly affect the variable returns earned from the entity are directed by means of contractual arrangements.

The Company controls a structured entity if the Company has all of the following:

- i) Power over the entity;
- ii) Exposure, or rights, to variable returns from its involvement with the entity; and
- iii) The ability to use its power over the entity to affect the amount of the Company's returns.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

Where the Company holds power and has entitlement to variable returns, it undertakes an assessment of the linkage between power and variable returns to determine whether it is acting as principal or agent to the structured entity. Power arises from rights held by the Company, which include voting rights, potential voting rights, rights to appoint key personnel, decision-making rights within a management contract and removal or 'kick-out' rights. Power does not arise from protective rights alone.

Variable returns include management fees, any performance fees and direct interests held through investments. Structured entities are consolidated where the Company acts as principal, and are not consolidated where the Company acts as agent, with these entities classified as unconsolidated structured entities. Sponsored entities are unconsolidated structured entities controlled by an independent third party where some, or all, of the following factors are present: the Company has been involved in determining the purpose and design of the entity, it is the majority user of the entity, and/or the Company is involved in the marketing and promotion of the entity.

### 3. PRIOR YEAR ADJUSTMENT

The forecast profitability information used in the assessment of the recognition of deferred tax for unused tax losses at 31 October 2021 should have better reflected the uncertainty over future taxable profits in the Company and the UK Group. This would have then impacted the decision to recognise a deferred tax asset on these losses at that date. As a result, the recognition of deferred tax assets for losses was incorrect at 31 October 2021.

The Company has therefore restated the financial statement line items affected for the prior period, as follows:

#### Income Statement for the year ended 31 October 2021

	As previously reported £000	Adjustment £000	As restated £000
Loss before tax	(3,402)	-	(3,402)
Tax income/(expense)	1,322	(3,653)	(2,331)
<b>Loss for the financial year</b>	<b>(2,080)</b>	<b>(3,653)</b>	<b>(5,733)</b>

The revised loss for the year ended 31 October 2021 is the same as the total comprehensive expense for that period.

#### Statement of Financial Position as at 31 October 2021

	As previously reported £000	Adjustment £000	As restated £000
Deferred tax assets	3,653	(3,653)	-
<b>TOTAL ASSETS</b>	<b>35,278</b>	<b>(3,653)</b>	<b>31,625</b>
Accumulated losses	(11,413)	(3,653)	(15,066)
<b>TOTAL EQUITY</b>	<b>18,587</b>	<b>(3,653)</b>	<b>14,934</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>35,278</b>	<b>(3,653)</b>	<b>31,625</b>

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. REVENUE

#### (a) Analysis of revenue

The Company provides investment management services to a number of AIF's with its key clients being investment trusts and private equity funds. Revenue recognised in the Income Statement is analysed as follows:

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Investment management fees*	49,013	42,009
Investment management fees for third-party managed assets	5,069	5,086
Performance fees	4,502	3,839
Secretarial fees	2,162	1,729
<b>Revenue</b>	<b>60,746</b>	<b>52,663</b>

\* Investment management fees includes £11,482,000 (2021: £9,735,000) of fees received by the Company as manager, but which are subsequently paid to other Group companies to whom portfolio management has been sub-delegated (as disclosed in note 5).

Investment management services are provided to Investment Trusts and closed-ended Private Equity Limited Partnerships (LPs). The fees earned are generally based on a percentage of the net asset values (NAVs) or the market capitalisation of the trust or fund and will therefore vary over time with changes in asset values. These fees are quantified on either a monthly or quarterly basis. The fees for the management of private equity funds are received from the respective General Partner, fellow Group entities, which are responsible for the operation of the LPs and who are remunerated directly by the LPs.

Performance fees are also variable in nature and crystallise at the point the revenue entitlement becomes unconditional, even though any fee typically relates to a specific performance period.

Secretarial fees relate to both investment trusts and private equity funds. The fees are typically a fixed amount per annum, which is recognised over time, although the revenue is generally invoiced on a quarterly basis.

Analysis of the Company's revenue for the period/year by location of clients is detailed below:

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
United Kingdom	49,314	43,185
Guernsey	11,298	9,412
Canada	108	-
The Netherlands	26	66
	<b>60,746</b>	<b>52,663</b>

Revenue is predominantly received in pounds Sterling.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. REVENUE (continued)

#### (b) Contract balances

Assets and liabilities related to contracts with customers are classified as follows:

	31 December 2022 £000	31 October 2021 £000
<b>Current:</b>		
Trade receivables	2,585	2,551
Accrued income	9,783	-
Contract assets	-	8,068
Contract liabilities	-	660

Trade receivables are non-interest bearing and are generally receivable on terms of between 10-30 days.

Accrued income (31 October 2021: contract assets) relates to revenue earned at the reporting date but not yet billed. As a result of the alignment of the performance period for invoicing and the Company's reporting date, unbilled amounts at the reporting date are now classified as accrued income, rather than contract assets.

The amount of revenue recognised in the period ended 31 December 2022 for performance obligations satisfied (or partially satisfied) in previous periods is £49,000. The difference arose due to certain clients which have non-coterminous invoice periods. Invoices raised are dependent upon finalisation of the net asset values of certain funds which can only be determined after the reporting date.

No impairment has been recognised on the Company's trade receivables, accrued income or contract assets as the amounts were considered immaterial at both reporting dates.

Contract liabilities relates to investment management fees which have been invoiced quarterly in advance, therefore, it represents the Company's obligation to deliver future asset management services after the reporting date. The amount recognised in revenue during 2022 relating to contract liabilities at the beginning of the period was £660,000.

In addition to the above, amounts owed by Group subsidiaries at 31 December 2022 include £1,695,000 (31 October 2021: £1,657,000) in relation to accrued income for investment management fees and secretarial fees charged to fellow Group subsidiaries.

### 5. COST OF SALES

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Delegated portfolio management fees – intra-group	11,482	9,735
Delegated portfolio management fees – third-party	5,113	5,086
Fee and commission expenses	174	154
	<u>16,769</u>	<u>14,975</u>

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. OPERATING EXPENSES

Operating expenses can be summarised as follows:

		14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
	Note		
Inter-company recharges		44,418	40,330
Other expenses		577	553
Amortisation of intangible assets	11	185	160
Net foreign exchange loss		14	51
		<u>45,194</u>	<u>41,094</u>

Inter-company recharges comprise the share of the CTAM (H) plc Group's UK operating platform costs attributed to the Company. Net operating revenue is the key driver for determining the share of the CTAM (H) plc Group's UK operating platform costs attributed to the Company.

Audit fees attributable to the Company for the audit of the Financial Statements for the period ended 31 December 2022 were £31,000 (year ended 31 October 2021: £18,000). Fees payable to auditors for audit related services during the period ended 31 December 2022 were £22,000 (year ended 31 October 2021: £10,000).

### 7. DIRECTORS' REMUNERATION

Details of Directors' remuneration for services provided to the Company are as follows:

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Aggregate emoluments and amounts received under long-term incentive schemes	2,797	1,692
Aggregate contributions paid to defined contribution pension schemes	5	7
	<u>2,802</u>	<u>1,699</u>

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. DIRECTORS' REMUNERATION (continued)

During the period/year the number of Directors who were receiving benefits and share incentives was as follows:

	14-month period ended 31 December 2022 No.	Year ended 31 October 2021 No.
Received or were entitled to receive shares under long-term incentive schemes	5	5
Accruing benefits under defined benefit pension scheme	-	-

The amounts in respect of the highest paid Director are as follows:

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Aggregate emoluments and amounts received under long-term incentive schemes	1,524	777
Aggregate contributions paid to defined contribution pension schemes	-	1
	<u>1,524</u>	<u>778</u>

The highest paid Director received (year ended 31 October 2021: received) shares in other companies of the Ameriprise Group under long-term incentive schemes in respect of qualifying services.

The Company has no employees (including Directors) under a contract of employment, with all Group employees employed by other subsidiary companies.

### 8. FINANCE INCOME

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Financial assets measured at amortised cost:		
Bank and short-term deposits interest	191	5

### 9. FINANCE COSTS

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 £000
Financial liabilities recognised at cost using the EIR method:		
Bank interest and charges payables	2	1

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. INCOME TAX

#### (a) Analysis of tax (income)/expense in the period/year

The major components of tax (income)/expense recognised in the Income Statement are:

	Note	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 (*as restated) £000
<b>Current income tax:</b>			
UK Corporation Tax			
Current tax on loss for the period/year		(362)	-
Adjustments in respect of previous periods		(649)	305
<b>Total current income tax</b>		<b>(1,011)</b>	<b>305</b>
<b>Deferred tax:</b>			
Origination and reversal of temporary differences		-	2,333
Adjustments in respect of previous periods		-	(307)
<b>Total deferred tax</b>	12(a)	<b>-</b>	<b>2,026</b>
<b>Tax (income)/expense reported in the Income Statement</b>		<b>(1,011)</b>	<b>2,331</b>

\* The restatement is explained in note 3 to the Financial Statements.

#### (b) Reconciliation of total tax (income)/expense for the period/year

A reconciliation between the actual tax (income)/expense and the accounting loss before tax multiplied by the Company's domestic tax rate for the period ended 31 December 2022 and year ended 31 October 2021 is as follows:

	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 (*as restated) £000
<b>Loss before tax</b>	<b>(1,028)</b>	<b>(3,402)</b>
At the Company's statutory income tax rate of 19% (year ended 31 October 2021: 19%)	(195)	(646)
Utilisation of unrecognised losses	(185)	-
Adjustments in respect of previous periods	(649)	(2)
Disallowed expenses	18	1
Write-off of historical tax losses	-	2,978
<b>Tax (income)/expense reported in the Income Statement</b>	<b>(1,011)</b>	<b>2,331</b>

\* The restatement is explained in note 3 to the Financial Statements.

#### (c) Effective rate of tax and factors affecting future tax charges

The current UK Corporation Tax rate of 19% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19% for the period ended 31 December 2022 for the Company.

The UK Government announced an increase in the UK Corporation Tax rate from 19% to 25% effective from 1 April 2023. This was substantively enacted on 24 May 2021. The increase in the UK Corporation Tax rate will lead to a statutory UK Corporation Tax rate for the Company of 23.5% for the year ending 31 December 2023 and 25% for years ending 31 December 2024 onwards.

No additional UK Corporation Tax rate changes have been substantively enacted since the reporting date.



# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. INTANGIBLE ASSETS

	Investment management contract £000	Software £000	Total £000
<b>Cost:</b>			
At 1 November 2021	1,135	293	1,428
Additions in for the period	-	53	53
<b>At 31 December 2022</b>	<b>1,135</b>	<b>346</b>	<b>1,481</b>
<b>Accumulated amortisation</b>			
At 1 November 2021	916	196	1,112
Amortisation expense for the period	73	112	185
<b>At 31 December 2022</b>	<b>989</b>	<b>308</b>	<b>1,297</b>
<b>Net book values:</b>			
At 31 October 2021	219	97	316
<b>At 31 December 2022</b>	<b>146</b>	<b>38</b>	<b>184</b>

The investment management contract relates to private equity fund of funds arising from a business acquisition.

The investment management contract is amortised on a straight-line basis over its estimated useful life of 20 years. At 31 December 2022 the contract had a remaining useful life of 2.5 years (31 October 2021: 3.5 years). The contract is tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified during the reporting period and therefore no impairment review of the investment management contract has been undertaken in this reporting period.

The amortisation expense is included within operating expenses in the Income Statement.

Software comprises internally generated assets.

### 12. DEFERRED TAX ASSETS

#### (a) Movement in temporary differences during the period/year

	Note	14-month period ended 31 December 2022 £000	Year ended 31 October 2021 (*as restated) £000
<b>Unused tax losses:</b>			
At the beginning of the period/year		-	2,026
Charged to profit or loss	10(a)	-	(2,026)
<b>At the end of the period/year</b>		<b>-</b>	<b>-</b>

\* The restatement is explained in note 3 to the Financial Statements.

#### (b) Unrecognised deferred tax assets

At 31 December 2022 the Company has unrecognised gross tax losses of £11,311,000 (31 October 2021: £12,282,000 gross). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around the timing of when sufficient taxable profits will arise against which the losses can be offset.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. OTHER RECEIVABLES

Other receivables are classified as debt instruments at amortised cost.

	31 December 2022 £000	31 October 2021 £000
<b>Non-current:</b>		
Group relief receivable	363	-
<b>Current:</b>		
Amounts owed by Group subsidiaries	1,711	1,976
Prepayments	127	161
Other receivables	176	48
Group relief receivable	648	-
	<u>2,662</u>	<u>2,185</u>

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the receivable balances disclosed.

### 14. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

	31 December 2022 £000	31 October 2021 £000
<b>Cash and cash equivalents</b>		
Short-term deposits	11,563	17,944
Cash at bank	2,560	561
<b>Total cash and cash equivalents</b>	<u>14,123</u>	<u>18,505</u>
<b>Other financial assets</b>		
Deposits in excess of 90 days maturity	2,014	-

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. All short-term deposits are readily convertible to a known amount of cash and are not subject to significant risk of changes in value.

Short-term deposits are generally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The Company determined that the expected credit losses on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at the reporting dates is as shown above.

Deposits held in excess of 90 days maturity are not considered to meet the criteria of cash and cash equivalents and are classified as other financial assets.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. TRADE AND OTHER PAYABLES

	31 December 2022 £000	31 October 2021 £000
<b>Current:</b>		
Amounts owed to Group subsidiaries	15,853	13,466
Accruals	702	1,593
Other payables	136	128
VAT payable	106	100
Group relief payable	-	494
Amounts owed to BMO Group entities	-	250
	<u>16,797</u>	<u>16,031</u>

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the payable balances disclosed due to the short-term maturities of these amounts payable.

### 16. CALLED UP SHARE CAPITAL

	31 December 2022 £000	31 October 2021 £000
<b>Issued and fully paid:</b>		
30,000,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

The holder of Ordinary shares is entitled to receive dividends as declared from time to time, is entitled to capital distribution rights (including on a winding up) and is entitled to one vote per share at meetings of the Company. The shares do not confer any rights of redemption.

### 17. ACCUMULATED LOSSES

The analysis of movements in accumulated losses is disclosed within the Statement of Changes in Equity on page 18.

Movements in accumulated losses comprise net profits and losses recognised through the Income Statement.

### 18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

#### (a) Significant judgements and assumptions

The Company has made assessments as to whether it is an agent or principal in relation to certain of the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees, and any performance fees and any direct interests held through investments) received from these funds and the linkage between power and variable returns.

The Company has determined that it does not control the funds it manages, by reviewing fund structures and voting rights, including the rights to remove the Company as fund manager. Accordingly, the Company has categorised these funds as unconsolidated structured entities.

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)**

#### **(b) Interests in unconsolidated structured entities**

##### **Nature, purpose and activities of structured entities**

The Company has facilitated the set-up of certain investment funds which are considered to be structured entities and currently provides investment management and secretarial services to these funds. The structured entities provide a mechanism for clients to invest into various asset management vehicles, primarily investing in private equity assets. The Company and/or the broader Group is generally involved, to varying degrees, in the operation and distribution of these structured entities. While the Company obtains a variable return from these structured entities (in the form of management or performance fees), the level of return and the limited extent of direct interest held are not considered to be sufficient to meet the criteria of control and therefore such investment funds are not consolidated.

The Company considers the Limited Partnership funds it manages to be unconsolidated structured entities.

The Company generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The Company's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds. The Company will routinely recognise trade receivables and/or accrued income/contract asset balances with these funds in respect of fees receivable for the management of these funds.

As the risks and rewards of fund performance resides mostly with investees, the Company's direct exposure is limited to the impact of investment performance on the management fees the Company obtains, thereby aligning the Company's interests to that of its clients.

##### **Funding of unconsolidated structured entities**

The structured entities generally raise funds from third-party clients through one-off or ongoing fundraising. The Group promotes the external fundraising in these funds through marketing activity but does not generally invest into these funds. These structured entities are closed-ended funds which have a finite fundraising period. These vehicles are fundamentally financed through the issue of shares or units to investors, although some funds have the ability to obtain external loan financing, known as gearing. The Company has no direct exposure to such external loan financing.

##### **Nature of risks associated with unconsolidated structured entities**

The Company does not consider itself to be exposed to significant risks from its operation or management of unconsolidated structured entities, although it does face some risks. The main risk is a loss of management fees if the Company ceased to be the appointed Manager of the structured entities. Achieving good investment performance and providing excellent client service are major elements in the management of this risk.

The Company's management fees received for the Limited Partnership funds it manages are received from another Group company (the General Partner to the fund), who has appointed the Company to manage these funds. The Company generally has limited direct exposure to the value of the assets it manages within these investment funds which typically have a finite lifespan. The Company receives its management fees indirectly from the funds it manages and will therefore have indirect credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk.

While not unique to the Company's interest in unconsolidated structured entities, as a fund manager the Company is also exposed to the financial risk of any operational errors, which the Company would need to rectify, together with any associated reputational risk. The Group carries professional indemnity insurance thereby seeking to limit the maximum financial exposure arising from any such matters.

# COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

#### Size of unconsolidated structured entities

The total gross assets under management in respect of unconsolidated structured entities at the reporting dates are as follows:

	31 December 2022 £m	31 October 2021 £m
<b>Structured entity type:</b>		
Limited Partnership funds	688	704

The following tables summarise the carrying values recognised in the Statement of Financial Position of the Company in relation to its interests in unconsolidated structured entities:

	31 December 2022 £000	31 October 2021 £000
<b>Limited Partnership funds:</b>		
Other receivables*	1,695	1,672
Trade receivables	12	15

\* The Company receives fees for its management of the Limited Partnership funds from other Group subsidiaries, therefore, it does not have balances directly with the Limited Partnership funds. £1,695,000 (31 October 2021: £1,657,000) of these other receivables reflect outstanding investment management and secretarial fees payable by other Group subsidiaries which contractually receive revenue from certain unconsolidated structured entities.

#### Maximum exposure to loss

As at the end of each reporting period, the maximum exposure to losses connected with unconsolidated structured entities is considered to be the extent of assets recognised in the Statement of Financial Position, as shown above. However, the maximum exposure to future loss as a result of the Company's direct interests and fee generation from unconsolidated structured entities is not readily quantifiable and is contingent in nature. The Company's most significant potential exposure would be from the reduction in future management fees. The Company could incur losses through the crystallisation of the risks discussed above.

#### Non-contractual support provided to structured entities

The Company has no commitments or guarantees in respect of these funds, nor does it provide commitments for any fundraising activities in respect of the funds or routinely supply non-contractual financial support to structured entities. The Company, together with the resources of the wider Group, provides certain administrative and operational support to a number of the structured entities it manages. The remuneration for these services is generally part of the management and secretarial fee it receives.

#### Losses incurred

No material losses have been recognised by the Company in connection with its interest in unconsolidated structured entities in either of the reporting periods.

#### Income from interests in unconsolidated structured entities

Net operating revenue for the 14-month period to 31 December 2022 includes £4,285,000 (year ended 31 October 2021: £3,607,000) of fees received in respect of the investment management and secretarial fees earned from unconsolidated structured entities.

# **COLUMBIA THREADNEEDLE INVESTMENT BUSINESS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)**

#### **(c) Interests in sponsored entities**

Certain entities are designed so that voting or similar rights are the dominant factor in deciding who controls the entity. A number of such entities also have an independent board of directors.

However, the Company considers itself the sponsor of an entity where it is involved in the design and purpose of the entity, the Company markets products associated with the entity, or the funds use the branding of the Group. The Company is also directly responsible for the investment management and is involved in the operation and administration of the sponsored entity; however, ultimately control of the entity rests with the respective fund Board and its shareholders or investors.

The Company considers certain Investment Trust clients to be sponsored entities. The revenue received in the 14-month period to 31 December 2022, less amounts paid to other parties for delegated portfolio management, includes £39,583,000 (year ended 31 October 2021: £34,082,000) of fees received from sponsored entities managed by the Company.

### **19. CONTINGENT LIABILITIES**

#### **Ongoing business operations**

In the normal course of its business, the Company may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

### **20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent undertaking is Columbia Threadneedle AM (Holdings) plc, a company which is registered in England. The Company's ultimate parent undertaking and controlling party is Ameriprise Financial, Inc, a company incorporated in the United States of America.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is Columbia Threadneedle Investments UK International Limited. Copies of the Group Annual Report and Financial Statements can be obtained from its registered office at Cannon Place, 78 Cannon Street, London, EC4N 6AG.

The largest group to consolidate these Financial Statements is Ameriprise Financial, Inc. The consolidated financial statements of Ameriprise Financial, Inc are available from The Corporate Secretary, Ameriprise Financial, Inc., 1098 Ameriprise Financial Center, Minneapolis, Minnesota, 55474, United States of America.

### **21. EVENTS AFTER THE REPORTING PERIOD**

In March 2023 the Company's immediate parent undertaking, Columbia Threadneedle AM (Holdings) plc, subscribed for an additional 10 million Ordinary shares of £1 each, in the Company. The £10,000,000 consideration was received in cash.