

COMPANY NUMBER SC366069

**KAMES CAPITAL HOLDINGS LIMITED**  
**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**COMPANIES HOUSE**  
**EDINBURGH**

**17 JUN 2019**

**FRONT DESK**



# **KAMES CAPITAL HOLDINGS LIMITED**

## **COMPANY INFORMATION**

Directors	Sarah Russell, MAF Martin M A Davis, MBA, Dip. MRS (Chief Executive) Stephen J M Jones, BA
Secretary	Alison Talbot LLB
Company Number	SC366069
Registered Office	Kames House 3 Lochside Crescent Edinburgh Park Edinburgh EH12 9SA
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

# KAMES CAPITAL HOLDINGS LIMITED

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# **KAMES CAPITAL HOLDINGS LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **Principal and ongoing activities**

The principal activity of the company is to act as an investment holding company.

### **Review of business and future developments**

The major investments of the Company are in Kames Capital Plc, Kames Capital Management Limited and Kames Target Healthcare General Partner Limited and the main key performance indicators relate to the performance of these underlying businesses.

The Company delivered profits after tax but before dividends of £0.0m (2017: £3.0m).

Net assets at the end of the year were £21.1m (2017: £21.1m). This is in line with the Directors' expectations.

The Directors do not anticipate any significant changes in the operation of the company within the foreseeable future other than those noted in the 'Future Developments' section below.

All directors served throughout the year and up to until the date of this report.

### **Development and Performance of the Company's business during the financial year**

During the year the company received nil dividends from its subsidiaries, (2017: £3.0m). The company did not pay a dividend to its parent entity during the year (2017: £3.0m). Details of developments in the business of the company's subsidiaries can be found within the audited financial statements of those entities.

The Kames Group – as set out in note 5 - (of which this company is the holding company) remains dedicated to active management. We have capabilities in fixed income, equities, property, cash and multi-asset investing and invest to meet a range of client objectives, including growth, income, total return and absolute return. We are also a leader in sustainable investing.

Kames Capital is part of Aegon Asset Management, an international group of investment management businesses owned by Aegon N.V., one of the world's leading providers of financial services. As part of Aegon Asset Management we can offer our clients access to the best products and services from Kames Capital and our sister companies across the group. We manage investments on behalf of UK and international clients, including pension funds, financial advisers, financial institutions, charities, wealth managers, family offices and individuals.

### **Future Development**

The main commercial priority for the Kames Group in 2018 was to deliver a successful integration of the leadership team and business functions with our Dutch sister company Aegon Investment Management BV, whilst maintaining two distinct legal entities. Creating this single leadership team has allowed us to strengthen our product proposition, share and implement best practice and introduce operational efficiencies where possible. Following further resignations within our Fixed Income team, we will leverage this augmented product expertise to improve the results of the business while the fixed income franchise stabilises and rebuilds. We have managed to retain a number of at risk clients and have taken management action to secure the futures of key investment and sales staff over the short to medium term.

**KAMES CAPITAL HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

Continued interest from North American investors in our equity offering, particularly the Global Sustainable strategy demonstrates our ability to operate across asset classes and supports our broad product strategy. We will continue to work through the distribution team of our sister company, AEGON USA Investment Management LLC to deliver increased sales in this market over 2019.

**Description of the principal risks and uncertainties facing the company**

The Company operates a formal risk management framework to assess risk and mitigating controls. Two of the company's subsidiaries, Kames Capital Plc and Kames Capital Management Limited, review risk as part of their Internal Capital Adequacy Assessment Process (ICAAP). The directors consider that the company is subject largely to:- Credit and Counterparty Risk; Market Risk; Business Risk; Concentration Risk; Group Risk; Liquidity Risk and Operational Risk – generally through the activities of its subsidiaries. The Company operates a policy which is designed to ensure that after taking account of mitigating actions the Company maintains a level of capital that is appropriate for the risks it faces.

- Credit and Counterparty Risk considers the risk that the failure of a counterparty to meet its obligations leads to a financial loss to the company, both through the loss of any monies owed to the company by the counterparty and the cost of re-instating economic exposure in the case of counterparty default.
- Market Risk considers the risk that adverse movements in market values, such as foreign exchange rates, interest rates and equity prices will affect the firm's income or the value of its assets and liabilities.
- Business Risk considers the risk of losses due to failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment return, handling of customer complaints or late reaction to changes in the business environment.
- Concentration Risk considers the risk that results from a lack of diversification. The risk can arise from an uneven distribution of counterparties in credit or any other business relationships or from a concentration in business sectors or geographical regions.
- Group Risk considers the risk that the company is adversely affected by its relationships, place in the structure or the obligations (financial and non-financial) placed upon it by Aegon Asset Management and/or the wider Aegon Group.
- Liquidity Risk considers the risk that the company does not have sufficient liquid financial resources to meet its obligations as they fall due.
- Operational Risk considers the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company does not consider that it is exposed to significant financial instrument risk. Financial instruments comprise primarily the company's Investment in Subsidiaries which is held at cost. The Directors consider that the fair value of the Investment in Subsidiaries is in excess of cost. Credit risk is significantly reduced as assets are primarily cash and short term deposits which are placed with major banks of acceptable credit standing (A rated or higher).

**KAMES CAPITAL HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Corporate governance and capital management**

Consistent with the governance framework promulgated by Aegon Asset Management (AAM) for the AAM group, the Company has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the Company. This includes a clearly stated corporate organisational structure, appropriate delegated authorities and independent internal audit and risk management functions. Risk management for the Company operated within this governance framework.

The Company considers its sources of capital to consist of Ordinary Share Capital and Retained Earnings. The Company's objective in managing its capital is to ensure that there are adequate resources to meet the Company's liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company's capital is managed in conjunction with that of other companies in the Kames Group (Kames Capital Holdings Limited, Kames Capital Plc and Kames Capital Management Limited). The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of Changes in Equity.

The Company is not regulated by the FCA, however it maintains capital in line with the Capital Requirements Directive (CRD) via consolidated COREP reporting. The company has complied with all externally imposed capital requirements throughout the year.

**Risk and Capital Management and Financial Instruments within the Statement of Financial Position**

The Company has a very simple Statement of Financial Position consisting largely of cash and non-current assets being its investment in subsidiaries.

The Company's capital consists of Ordinary Share Capital and Retained Earnings.

**Credit and Counterparty Risk**

The Company does not offer credit and is therefore only subject to Credit risk through the results of its subsidiaries. The company is subject to Counterparty Risk on its bank account and through the results of its subsidiaries.

**Market Risk**

The Company is only subject to Market Risk through the results of its subsidiaries.

**Business Risk**

The Company is principally subject to Business Risk through the results of its subsidiaries.

**Concentration Risk**

The Company is only subject to Concentration Risk through the results of its subsidiaries.

**Group Risk**

The Company is subject to Group risk principally through its interaction with its shareholder and through the results of its subsidiaries.

**Liquidity Risk**

The Company has a low tolerance for liquidity risk. The Company's holds assets of cash or short term deposits to ensure that invoices are settled as they fall due without the need to realise illiquid assets.

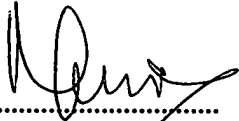
**KAMES CAPITAL HOLDINGS LIMITED**  
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**Operational Risk**

The Company is principally subject to Operational Risk through the results of its subsidiaries.

This report was approved by the Board of Directors and authorised for issue on 25 April 2019

Signed on its behalf by

A handwritten signature in black ink, appearing to read 'Martin MA Davis', written over a dotted line.

Martin MA Davis  
**Director**

# **KAMES CAPITAL HOLDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

### **Structure of these financial statements**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

Consolidated financial statements have not been prepared because Kames Capital Holdings Limited is a subsidiary of the ultimate parent Company, Aegon N.V., a European Company into which the results of Kames Capital Holdings Limited are consolidated. Aegon Asset Management Holding B.V., the immediate parent Company, also prepares consolidated IFRS financial statements which incorporate the results of the Company.

### **Results and dividends**

The results for the year are set out on page 12. The Company paid dividends of £0.0m (2017: £3.0m) during the year. This was equivalent to 0.0p per share (2017: 16.0p). The Directors do not recommend payment of a final dividend.

### **Future Developments**

Future developments for the Company are included within the Strategic Report.

### **Financial Risk Management**

Details of the Company's financial risk management can be found within the Strategic Report.

### **Directors and their Interests**

The Directors who held office at the date of this report are shown on page 1. All Directors served throughout the year.

The Directors have declared that they had no interest in the share capital of the Company in the year ended 31 December 2018.

Each of the Directors has been granted a qualifying third party indemnity by the Company, in terms of the relevant sections of the Companies Act 2006 which was in force in the period from 1 January 2018 to the date of signing of the Financial Statements.

### **Going Concern**

The Directors have considered the performance of the Company in the year, its Statement of Financial Position on 31 December 2018, its future plans and its approach to capital and risk management. The Directors consider that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Independent Auditors**

The independent auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and have been reappointed by the directors for 2019.

### **Statement of disclosure of information to auditors**

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each Director has taken all steps that

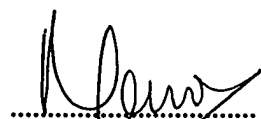


**KAMES CAPITAL HOLDINGS LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The financial statements on pages 12 to 23 were approved by the Board of Directors on 25 April 2019 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Martin MA Davis', is written over a horizontal dotted line.

Martin MA Davis

**Director**

# **KAMES CAPITAL HOLDINGS LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# ***Independent auditors' report to the members of Kames Capital Holdings Limited***

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

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### **Opinion**

In our opinion, Kames Capital Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the cash flow statement, the statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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.

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

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

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

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

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

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### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# KAMES CAPITAL HOLDINGS LIMITED

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, 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.

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.

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## **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.



James Houston (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
25 April 2019

# KAMES CAPITAL HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 COMPANY NUMBER SC366069

	Note	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
<b>Expenses</b>			
Finance Costs		-	-
<b>Operating Result</b>		-	-
<b>Dividends Received</b>	<b>3</b>	-	3,000
<b>Profit before tax</b>		-	3,000
Tax charge	<b>4</b>	-	-
<b>Profit for the year</b>		-	3,000
<b>Total comprehensive income for the year</b>		-	3,000

Any result for the year relates wholly to continuing activities.

Any Profit for the year is attributable to the equity shareholders of the Company.

There was no Other Comprehensive Income for 2018 (2017: £nil).

The notes on pages 16 to 23 are an integral part of these financial statements.

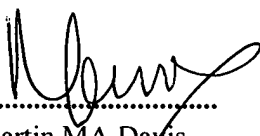
# KAMES CAPITAL HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 COMPANY NUMBER SC366069

	<u>Note</u>	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
<b>Non-current assets</b>			
Investments in subsidiaries	5	<u>21,043</u>	<u>21,043</u>
		<u>21,043</u>	<u>21,043</u>
<b>Current assets</b>			
Cash and short term deposits	6	<u>73</u>	<u>73</u>
		<u>73</u>	<u>73</u>
<b>Total assets</b>		<u>21,116</u>	<u>21,116</u>
<b>Net assets</b>		<u>21,116</u>	<u>21,116</u>
<b>Capital and reserves</b>			
Issued capital	7	<u>18,711</u>	<u>18,711</u>
Retained earnings		<u>2,405</u>	<u>2,405</u>
<b>Total equity</b>		<u>21,116</u>	<u>21,116</u>

The notes on pages 16 to 23 are an integral part of these financial statements.

The financial statements were approved for issue by the Board on 25 April 2019 and signed on its behalf by

  
 .....  
 Martin MA Davis  
 Director

# KAMES CAPITAL HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 COMPANY NUMBER SC366069

	<u>Issued capital £000's</u>	<u>Retained earnings £000's</u>	<u>Total equity £000's</u>
At 1 January 2018	18,711	2,405	21,116
Result and total comprehensive income for the year	-	-	-
Dividends paid	-	-	-
<b>At 31 December 2018</b>	<b>18,711</b>	<b>2,405</b>	<b>21,116</b>

## FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Issued capital £000's</u>	<u>Retained earnings £000's</u>	<u>Total equity £000's</u>
At 1 January 2017	18,711	2,405	21,116
Result and total comprehensive income for the year	-	3,000	3,000
Dividends paid	-	(3,000)	(3,000)
<b>At 31 December 2017</b>	<b>18,711</b>	<b>2,405</b>	<b>21,116</b>

All equity is attributable to equity shareholders of the Company.

The Company did not recognise any income or expense directly in equity (2017: £nil).

The notes on pages 16 to 23 are an integral part of these financial statements.

# KAMES CAPITAL HOLDINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 COMPANY NUMBER SC366069

	Note	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
<b>Investing Activities</b>			
Dividends received	3	-	3,000
Dividends paid	10	-	(3,000)
Net cash flow from investing activities		-	-
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		<u>73</u>	<u>73</u>
Cash and cash equivalents at 31 December	6	<u>73</u>	<u>73</u>

The cash flow statement is prepared according to the indirect method.

The notes on pages 16 to 23 are an integral part of these financial statements.



# **KAMES CAPITAL HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **1. Accounting Policies**

#### **1.1. Basis of preparation**

The Company is a company limited by shares incorporated and domiciled in the UK.

The Company's financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention. Within the Financial statements accounting policies have been applied consistently.

The financial statements of Kames Capital Holdings Limited were authorised for issue in accordance with a resolution of the directors on 25 April 2019.

These are the separate financial statements of the Company. The Company has taken the Companies Act Section 400 exemption from preparing consolidated financial statements as the ultimate parent undertaking Aegon N.V., which is incorporated in the Netherlands, prepares publicly available consolidated financial statements which comply with IFRS.

The functional currency and the presentational of the Company are pounds sterling (GBP). Amounts displayed within these financial statements are rounded into thousands (£000s).

##### **1.1.1. Adoption of new IFRS accounting standards**

New standards and amendments to standards become effective at the date specified by the IFRS-EU (International Financial Reporting Standard as adopted by the European Union), but may allow companies to opt for an earlier adoption date. In 2018, the following amendments to existing standards issued by the IASB became mandatory, but are not currently relevant or do not significantly impact the financial position or financial statements:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers, including Clarifications to IFRS 15 as issued in 2016;
- IFRS 2 Clarifications of Classification and measurement of Share Based Payments Transactions;
- IAS 40 Investment Property, amendments regarding the transfer of property;
- IFRIC 22 Foreign currency transactions and advance consideration;
- Annual improvements 2014-2016 IFRS 1, 'First time adoption of IFRS', regarding IFRS 7, IAS 19 and IFRS 10, IAS 28 Investment in associated and joint ventures.

The above amendments to existing standards have been endorsed by the European Union. None of the above new standards and amendments have a material impact on the results of the company.

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 1.1.2 Future adoption of new IFRS accounting standards

The following standards and amendments to existing standards, published prior to 1 January 2019, were not early adopted by the company, but will be applied in future years:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Tax Treatments;
- Annual improvements 2015-2017;
- Amendment to IAS 19 Plan amendment, curtailment or settlement; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

From the list above only IFRS 16 has been endorsed by the European Union.

#### **IFRS 16 Leases**

IFRS 16 Leases which replaces IAS 17 has been issued by the IASB in January 2016 and endorsed by the European Union in October 2017. It will be mandatory effective for annual reporting period beginning on or after 1 January 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 will not have an impact on the results of the company.

The following new standards and amendments to the existing standard and interpretations, published prior to 1 January 2019, which are not yet effective for or early adopted by the Company, will not significantly impact the financial position or financial statements:

- IFRS 17 Insurance contracts;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.

### 1.2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### a) Investments in subsidiaries and associates

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Investments in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows in addition to considering the underlying carrying value of the assets and liabilities held by subsidiaries.

### 1.3. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest income*

Interest income is recognised on an accruals basis.

#### *Dividend income*

Dividend income is recognised when it is received or in the case of a final dividend when it is approved. During the year the Company received no dividend income from its subsidiaries (2017: £3.0m).

### 1.4. Taxation

#### **Current income tax**

Current income tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other Aegon Group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

### 1.5 Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### 1.6 Investments in subsidiaries

Subsidiaries are entities over which the Company has direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). The assessment of control is based on the substance of the relationship between the Company and the entity and, among other things, considers existing and potential voting rights that are currently exercisable and convertible.

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Subsidiaries are accounted for at cost. Any impairment on individual investments in subsidiaries held at cost is determined at each reporting date. Dividends from subsidiaries are included in investment income when paid (or in respect of final dividends when approved), net of any impairment of the investment in subsidiary resulting from the dividend.

### 2. Administrative expenses

No directors' fees are paid by the Company. These are met by the subsidiaries of the Company – Kames Capital Plc and Kames Capital Management Limited – or by other companies within the Aegon Group.

The company has no employees (2017: nil).

No audit fees are paid by the Company. These are met by the subsidiaries of the Company – Kames Capital Plc and Kames Capital Management Limited. These amount to £68k (2017: £68k).

### 3. Dividends received

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
Dividend received from Kames Capital Plc	-	3,000
Dividends received	-	3,000

### 4. Tax charge

#### (a) Current year tax charge

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
<u>UK current tax</u>		
Corporation tax charge for the year	-	-
Total current tax	-	-
 Total tax charge reported in the statement of comprehensive income	 -	 -

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### (b) Reconciliation of tax charge

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
Accounting profit before tax and dividends paid	-	3,000
Tax charge calculated using weighted average applicable statutory rates	-	578
Effect of:		
Non-deductible expenses and non-taxable income	-	(578)
Total tax charge reported in the statement of comprehensive income	-	-

The weighted average applicable tax rate of 2018 is 19.00% (2017: 19.25%).

The Finance (No.2) Act 2015, substantively enacted on 26 October 2015, included future reductions to the corporation tax rate from 20% to 19% with effect from 1 April 2017 and then from 19% to 18% from 1 April 2020. This was subsequently amended by the Finance Act 2016, substantively enacted on 6 September 2016, the corporation tax rate will now reduce from 19% to 17% with effect from 1 April 2020.

The impact of these reductions in tax rates on the deferred tax balances have been included in the above figures and deferred tax tables.

### 5. Investments in subsidiaries

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
At 1 January	21,043	21,043
At 31 December	21,043	21,043

All investments in subsidiaries are carried at cost less impairment losses.

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

At 31 December 2018 the Company held 100% of the shares in the following principle subsidiaries. The undertakings have only one class of share.

Name	Principal activity	Registered	Holding %	Profit to 31 December 2018 £000s	Capital as at 31 December 2018 £000s
Kames Capital Plc	Asset Management Services	Scotland	100%	5,776	61,913
Kames Capital Management Limited	Appointed Representative Services	Scotland	100%	331	3,942
Kames Target Healthcare General Partner Limited	General Partner	Jersey	100%	-	-

The registered address for both Kames Capital Plc and Kames Capital Management Limited is Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA. The registered address for Kames Target Healthcare General Partner Limited is 1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG.

### 6. Cash and short term deposits

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
Short term deposits	<u>73</u>	<u>73</u>
	<u>73</u>	<u>73</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are 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 fair value of cash and short term deposits is £73k.

The Company only deposits cash surpluses with major banks of acceptable credit standing (A rated or higher).

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. Issued Capital

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
<b>Allotted, called up and fully paid</b>		
18,711,000 Ordinary shares of £1 each (2017: 18,711,000)	<u>18,711</u>	<u>18,711</u>

The Directors have passed a resolution which allows the allotment of additional shares as required in accordance with the Companies Act. There is therefore no Authorised share capital.

Information on capital management is included in the Strategic Report under 'Corporate governance and capital management'.

Aegon Asset Management Holding B.V. owns the entire share capital of the Company.

### 8. Related party transactions

#### (a) Immediate parent undertaking

The immediate parent Company is Aegon Asset Management Holding B.V. which, is registered in the Netherlands. Copies of Aegon Asset Management Holding B.V. financial statements are available from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

#### (b) Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Aegon N.V., which is incorporated in the Netherlands. Aegon N.V. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Aegon N.V. are available from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

Aegon Asset Management Holding B.V. is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Aegon Asset Management Holding B.V. can be obtained from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

#### (c) Year end balances and transactions with related parties

There were no transactions with related parties during 2018 (2017: £nil) (other than dividends received and paid).

#### (d) Compensation of key management personnel (including directors)

No key management personnel (including directors) received any compensation in respect of services provided to the Company. These costs are met by the subsidiaries of the Company – Kames Capital Plc and Kames Capital Management Limited.

#### (e) Dividends received and paid

During the year the company received no dividends from its subsidiary Kames Capital Plc (2017: £3.0m). The company did not pay dividends (2017: £3.0m) to its parent entity Aegon Asset Management Holdings B.V.

# KAMES CAPITAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 9. Risk Management

The Company is not exposed to significant financial statement risk. Further details of the Company's risk management policies can be found within the Strategic Report section entitled "Risk and Capital Management and Financial Instruments within the Statement of Financial Position".

### 10. Dividends paid and proposed

	<u>2018</u> <u>£000's</u>	<u>2017</u> <u>£000's</u>
Declared and paid during the year		
Equity dividend on ordinary shares		
Final dividend for 2017 – 0.0p (2016 – 0.0p)	-	-
Interim dividend for 2018 – 0.0p (2017 – 16.0p)	-	3,000
Proposed for approval by shareholders		
Final dividend for 2018 – 0.0p (2017 – 0.0p)	<u>-</u>	<u>-</u>

### 11. Post Balance Sheet events

There were no significant post balance sheet events between 1 January 2019 and the date of signing of the financial statements.