Company Registration No. SC548164 (Scotland)

# TARGET FUND MANAGERS LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 APRIL 2023

# TARGET FUND MANAGERS LIMITED

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors** | Mr S G Bland | |
| | Mr A S Brown | |
| | Mr J M Flannelly | |
| | Mr K MacKenzie | |
| | Mr M J Round | |
| | Mrs A MacKenzie | |
| | Mr S M Steven | |
| | Mr D Laing | (Appointed 22 September 2022) |
| **Company number** | SC548164 | |
| **Registered office** | 1st Floor<br>Glendevon House<br>Castle Business Park<br>Stirling<br>FK9 4TZ | |
| **Auditor** | Johnston Carmichael LLP<br>7-11 Melville Street<br>Edinburgh<br>EH3 7PE | |
| **Solicitors** | Dickson Minto WS<br>16 Charlotte Square<br>Edinburgh<br>EH2 4DF | |

# TARGET FUND MANAGERS LIMITED

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The directors present the strategic report for the year ended 30 April 2023.

**Fair review of the business**

The principal activity of the Company in the year under review was the provision of investment and property management services. The Company is authorised and regulated by the Financial Conduct Authority.

The year to 30 April 2023 saw turnover increase to £6,987,215 (2022: £6,775,019). This increase was the result of the full year impact of growth in funds under management during the prior year, then negatively impacted by the falls in value of commercial property following the mini-budget in September 2022.

The Directors are satisfied with the performance, with the decline in the value of investments managed comparing well to that seen across wider commercial property.

**Principal risks and uncertainties**

As identified through our Internal Capital Adequacy and Risk Assessment (ICARA) and Supervisory Review and Evaluation Process (SREP), the material risks for the firm are defined as Financial, Business, and Regulatory.

Financial - This risk can be split into Credit Risk and Market Risk.

- Credit Risk - This is considered to be low given the nature of the Company's clients.
- Market Risk - This is relevant to the business given that revenue earned is dependent upon the assets managed. Accordingly, adverse market movements could have an impact on the Company's results.

Business - This risk relates to the running of the business, which includes poor client service and general market risk.

Regulatory - This risk considers treating clients appropriately and complying with FCA regulation, including Capital Adequacy requirements.

The following are risks of note at the present time:

Inflation, cost of capital and general recessionary fears – The persistence of high inflation in the UK remains a risk given its impact on operating and staff costs. High levels of inflation will also affect the wider investment market, affecting relative returns and demand for the products offered, and the value of investments which drive revenue. General recessionary fears, the cost of capital and other macroeconomic factors may also adversely affect the Company by impacting on the relative attractiveness of the Company's investment strategies, thereby impacting the Company's AUM and associated revenue.

The Directors regularly review business activity and performance to mitigate risks or minimise their impact to the extent possible via informed decision-making, improved processes and other initiatives. The Company's Compliance function is led by an experienced external consultant, who manages a comprehensive Internal Compliance Monitoring programme. This programme seeks to ensure through regular review and reporting of all aspects of regulatory compliance that the Company continues to meet its requirements.

**Other performance indicators**

The Company's primary objective is to grow and protect revenue streams through disciplined management of client funds and client satisfaction from fund performance and general service levels. In line with this, and the principal risks the Company faces, the key performance indicators are:

Revenue and Assets under management

The KPI's used to assess the Company's success in meeting its objectives are its level of fee income and profitability which will correlate with assets under management. The Directors consider assets under management of £646m (2022: £695m) at the balance sheet date and profit for the period of £651,590 (2022: £977,441) to be an acceptable performance on consideration of the circumstances leading to the decline in assets under management due to wider sectoral and macro factors.

Regulatory responsibilities and capital adequacy

The Company is registered with the Financial Conduct Authority for alternative investment fund management. The Company is in a strong financial position with capital reserves in excess of the minimum regulatory capital requirement.

**Section 172 (1) Statement**

The Directors have a duty to promote the success of the Company for the benefit of Shareholders as a whole and to describe how they have performed this duty having regard to matters set out in section 172(1) of the Companies Act 2006. In fulfilling this duty, the Directors consider the likely consequences of their actions over the long term and on other stakeholders.

The following disclosure describes how the Board has had regards to the matters set out in section 172 (1) (a) to (f):

**The likely consequence of any decision in the long term**

The Board works to attract, develop and retain talent for the long-term. Our employees have a crucial role in creating value for our clients and delivering against our overall strategy. The Company's primary activity (the provision of investment and property management service) also has a long-term focus with property investments typically having lease lengths of 30+ years. The recommendations which precede these investments and the ongoing relationship management with tenants requires consideration of the long-term, sustainable investment case suitably sensitised with a conservative focus.

Board meetings are held throughout the year in which significant matters are discussed, such as trading performance, financial forecasts and future expenditure.

**The interest of the Company's employees**

The Company is committed to being a responsible business that is fully engaged with its employees and mindful of their various needs. The Company enacts consultation processes on matters that are likely to affect employees' interests, ensuring that these are discussed through Company-wide meetings as well as in smaller contexts as appropriate.

Personnel matters are regularly discussed at Board meetings, including any health and safety considerations along with employee well-being. Regular formal training is provided to the Company's employees with regard to compliance and other role-specific training such as advanced Microsoft Excel courses. Other training is regularly given through company-wide 'TTLs' or 'Target Team Learning' sessions, along with off-site strategy meetings and an induction programme that involves new team members meeting one-on-one with each of the three founders.

The core values of the Company are embedded at the heart of everything we do. These values are: Collaboration, Professionalism, Integrity, Openness, Respect, Care, Humility and Forgiveness.

**The need to foster the Company's business relationships with suppliers, customers and others**

The Board works to develop and maintain strong customer relationships. The Company's senior management team attends the board meetings of its client fund along with providing regular communications, ensuring that constructive relationships are maintained and the highest levels of service are provided. Management engages with suppliers on an ongoing basis with many of the Company's suppliers being long-standing and ensures that payments are made in accordance with terms. Key suppliers are reviewed by management with any issues arising communicated to the supplier.

**The impact of the Company's operations on the community and the environment**
The Board are conscious of the impact of the Company's operations have both on the environment and have recently joined the net zero pledge - achieving carbon neutrality during the year to 31st October 2022 via offsetting its emissions. The investments that the Company manages have a huge positive social impact through providing modern, purpose-built care homes that are great environments for both residents and their care staff and the Company continues to strive to achieve its and its client's ESG goals via its ESG working group, including such goals as improving its reporting of ESG matters to its stakeholders and identifying and implementing improvements to client portfolios to help ensure client assets are environmentally sustainable.

**The desirability of the Company maintaining a reputation for high standards of business conduct**
The Board are committed in their day-to-day operations and dealing with stakeholders, to uphold the highest standard of business conduct and integrity. If there are any concerns with the standard of conduct then this will be actively raised and discussed at Board meetings.

**The need to act fairly between members of the Company**
Principal decisions of the Company are those that are key to the Company's success. The Board ensures that all shareholders have the ability to contribute to discussions on principal decisions and the interests of all shareholders are continually considered.

In accordance with MIFIDPRU 8, the required disclosures in respect of risk management objectives and policies, with own funds requirements, and remuneration policy and practices are available from the company's registered office on request or on the company's website.

On behalf of the board

Mr S G Bland
**Director**

19 January 2024

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 30 APRIL 2023*

The directors present their annual report and financial statements for the year ended 30 April 2023.

**Principal activities**
The principal activity of the company is the provision of investment and property management services.

**Results and dividends**
The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £386,000 (2022: £248,167). The directors do not recommend payment of a further dividend.

**Directors**
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|---|---|
| Mr S G Bland | |
| Mr A S Brown | |
| Mr J M Flannelly | |
| Mr K MacKenzie | |
| Mr M J Round | |
| Mrs A MacKenzie | |
| Mr S M Steven | |
| Mrs T Mathieson | (Appointed 27 July 2022 and resigned 31 January 2023) |
| Mr D Laing | (Appointed 22 September 2022) |

**Auditor**
The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Energy and carbon report**
The reporting period covered is 1st November 2021 to 31st October 2022.

During the reporting period, the company sponsored Edinburgh Science as part of its Mission Net Zero initiative. Following the end of pandemic-related restrictions, the company moved into its new premises with the new office being heated via heat pumps and energy efficient lights being installed.

Comparative data is not shown given this is the first year carbon and reporting requirements are in scope.

| | 2023 |
|---|---|
| *Energy consumption* | kWh |
| Aggregate of energy consumption in the year | 129,345 |

| *Emissions of CO2 equivalent* | **2023 metric tonnes** |
|---|---|
| Scope 1 - direct emissions | |
| - Gas combustion | - |
| - Fuel consumed for owned transport | - |
| | - |
| Scope 2 - indirect emissions | |
| - Electricity purchased | 18.14 |
| Scope 3 - other indirect emissions | |
| - Fuel consumed for transport not owned by the company | 21.06 |
| Total gross emissions | 39.20 |
| *Intensity ratio* | |
| Tonnes of C02e per employee | 1.225 |

*Quantification and reporting methodology*
We have followed the 2018 International Organisation of Standardisation 14064.

*Intensity measurement*
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per person employed, the recommended ratio for the sector.

*Measures taken to improve energy efficiency*
Following the reporting period, the company offset the combined total carbon emissions of Target Fund Managers Ltd and Target Advisers LLP of 107.35 tCO2e (this value is also inclusive of emissions not required to be reported under SECR) through the Carbon Neutral Britain Woodland Fund, thus achieving carbon neutrality for this period.

The company will continue to explore opportunities for further energy efficiency in its business model, such as electrical vehicles, smart meters, etc). The Company manages client funds w th ESG matters at the heart of its investment policies and works collaboratively with stakeholders towards ESG improvements where practical.

**Statement of disclosure to auditor**
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**Going Concern**
The directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the company to continue as a going concern.

On the basis of their assessment of the company's financial position, the directors have a reasonable expectation that the company will be able to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

On behalf of the board

Mr S G Bland
**Director**

19 January 2024

## DIRECTORS' RESPONSIBILITIES STATEMENT

### *FOR THE YEAR ENDED 30 APRIL 2023*

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

## TARGET FUND MANAGERS LIMITED

### INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF TARGET FUND MANAGERS LIMITED

**Opinion**
We have audited the financial statements of Target Fund Managers Limited (the 'company') for the year ended 30 April 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

**Other information**
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of our audit:

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

**Matters on which we are required to report by exception**
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

*Extent to which the audit is considered capable of detecting irregularities, including fraud*
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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice;
- Companies Act 2006;
- UK tax legislation; and
- Financial Services legislation.

*Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)*

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006;
- Agreement of the financial statement disclosures to supporting documentation; and
- Performing audit work procedures over the risk of revenue recognition, including testing a sample of quarter end valuations to recalculate income and traces these to invoices and bank statements.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

**Use of our report**

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


**Bryan Shepka (Senior Statutory Auditor)**
**For and on behalf of Johnston Carmichael LLP**

19 January 2024

**Chartered Accountants**
**Statutory Auditor**

7-11 Melville Street
Edinburgh
EH3 7PE

# TARGET FUND MANAGERS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

***FOR THE YEAR ENDED 30 APRIL 2023***

| | Notes | 2023 £ | 2022 £ |
|---|---|---|---|
| **Revenue** | 3 | 6,987,215 | 6,775,019 |
| Administrative expenses | | (5,730,051) | (5,235,705) |
| Other operating income | | 51 | - |
| **Operating profit** | 4 | 1,257,215 | 1,539,314 |
| Finance costs | | (6,022) | (1,050) |
| **Profit before taxation** | | 1,251,193 | 1,538,264 |
| Tax on profit | 8 | (599,603) | (560,823) |
| **Profit for the period and total comprehensive income** | | 651,590 | 977,441 |

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

# TARGET FUND MANAGERS LIMITED

## STATEMENT OF FINANCIAL POSITION

***AS AT 30 APRIL 2023***

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | **Notes** | **£** | **£** | **£** | **£** |
| **Non-current assets** | | | | | |
| Goodwill | **11** | | 4,303,292 | | 4,213,082 |
| Property, plant and equipment | **10** | | 115,239 | | 105,219 |
| | | | 4,418,531 | | 4,318,301 |
| **Current assets** | | | | | |
| Trade and other receivables | **12** | 1,009,799 | | 2,636,433 | |
| Cash and cash equivalents | | 1,706,760 | | 69,355 | |
| | | 2,716,559 | | 2,705,788 | |
| **Current liabilities** | **13** | (2,041,217) | | (2,195,806) | |
| **Net current assets** | | | 675,342 | | 509,982 |
| **Net assets** | | | 5,093,873 | | 4,828,283 |
| **Equity** | | | | | |
| Called up share capital | **16** | | 401,040 | | 401,040 |
| Retained earnings | **17** | | 4,692,833 | | 4,427,243 |
| **Total equity** | | | 5,093,873 | | 4,828,283 |

The financial statements were approved by the board of directors and authorised for issue on 19 January 2024 and are signed on its behalf by:

Mr S G Bland
**Director**

**Company Registration No. SC548164**

## TARGET FUND MANAGERS LIMITED

### STATEMENT OF CHANGES IN EQUITY

***FOR THE YEAR ENDED 30 APRIL 2023***

| | Notes | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| **Balance at 1 May 2021** | | 401,040 | 3,697,969 | 4,099,009 |
| **Year ended 30 April 2022:** | | | | |
| Profit and total comprehensive income for the year | | - | 977,441 | 977,441 |
| Dividends | **9** | - | (248,167) | (248,167) |
| **Balance at 30 April 2022** | | 401,040 | 4,427,243 | 4,828,283 |
| **Year ended 30 April 2023:** | | | | |
| Profit and total comprehensive income for the year | | - | 651,590 | 651,590 |
| Dividends | **9** | - | (386,000) | (386,000) |
| **Balance at 30 April 2023** | | 401,040 | 4,692,833 | 5,093,873 |

## TARGET FUND MANAGERS LIMITED

### STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 30 APRIL 2023*

| | Notes | 2023 £ | 2023 £ | 2022 £ | 2022 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **22** | | 3,350,593 | | 1,405,209 |
| Interest paid | | | (6,022) | | (1,050) |
| Income taxes paid | | | (290,990) | | (710,798) |
| **Net cash inflow from operating activities** | | | 3,053,581 | | 693,361 |
| **Investing activities** | | | | | |
| Purchase of intangible assets | | (995,674) | | (2,254,771) | |
| Purchase of property, plant and equipment | | (34,502) | | (67,831) | |
| Proceeds on disposal of property, plant and equipment | | - | | 410 | |
| **Net cash used in investing activities** | | | (1,030,176) | | (2,322,192) |
| **Financing activities** | | | | | |
| Dividends paid | | (386,000) | | (248,167) | |
| **Net cash used in financing activities** | | | (386,000) | | (248,167) |
| **Net increase/(decrease) in cash and cash equivalents** | | | 1,637,405 | | (1,876,998) |
| Cash and cash equivalents at beginning of year | | | 69,355 | | 1,946,353 |
| **Cash and cash equivalents at end of year** | | | 1,706,760 | | 69,355 |

**1 Accounting policies**

**Company information**

Target Fund Managers Limited is a private company limited by shares incorporated in Scotland. The registered office is 1st Floor, Glendevon House, Castle Business Park, Stirling, Scotland, FK9 4TZ.

**1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

**1.2 Going concern**

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

Whilst there can be no absolute certainty, having considered the current results of the company, including plausible downside scenarios impacting revenues, expenses and financial resilience, and the current liquidity and net assets of the company, the directors are satisfied that it remains a reasonable assumption that the company should have sufficient resources to meet its working capital requirements for at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

**1.3 Revenue**

Turnover represents the amounts earned from the provision of investment and property management services excluding value added tax. Revenue is recognised in the financial statements when and to the extent that the entity obtains the unconditional right to consideration in exchange for its performance.

**1.4 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of trade and assets over the fair value of net assets acquired. It is initially recognised at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

**1.5 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Furniture and fixtures | 20% reducing balance |
| Office equipment | 20% reducing balance |

**1.6 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**1 Accounting policies** **(Continued)**

**1.7 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

**1.8 Financial instruments**

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

***Basic financial assets***

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

***Basic financial liabilities***

Trade payables are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at the market rate of interest.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.9 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**1 Accounting policies** **(Continued)**

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

**1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

**1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.13 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Management is required to perform impairment testing on Goodwill balances held at the end of each reporting period. During the course of their testing, management will assess whether indicators of impairment exist for Goodwill balances by reviewing the performance of the business acquired by the Company. As the Goodwill balance held at the end of the current reporting period relates to the acquisition of the contract with the Company's client fund, such factors being assessed will include the movement in assets under management, the portfolio and corporate performance of the main client fund, and other factors relating to the client fund's business and performance. If it is concluded that Goodwill is impaired, management will utilise a value-in-use based approach to determine the appropriate carrying value of Goodwill using estimated future cash flows expected to be received from the contract and applying an appropriate discount rate to these cash flows.

## 3 Revenue

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| **Revenue analysed by class of business** | | |
| Management Fees | 6,848,824 | 6,649,835 |
| Cosec and Admin Fees | 138,391 | 125,184 |
| | 6,987,215 | 6,775,019 |

## 4 Operating profit

| | 2023 | 2022 |
|---|---|---|
| Operating profit for the year is stated after charging: | £ | £ |
| Depreciation of owned property, plant and equipment | 23,495 | 11,901 |
| Loss on disposal of property, plant and equipment | 987 | - |
| Amortisation of intangible assets | 1,812,333 | 1,413,434 |
| Operating lease charges | 59,077 | 24,092 |

## 5 Auditor's remuneration

| | 2023 | 2022 |
|---|---|---|
| Fees payable to the company's auditor and associates: | £ | £ |
| **For audit services** | | |
| Audit of the financial statements of the company | 11,750 | 7,500 |
| **For other services** | | |
| Other assurance services | 2,000 | 1,500 |
| All other non-audit services | 2,000 | 1,500 |
| | 4,000 | 3,000 |

## 6 Employees

The average number of persons (including those directors who are employees) employed by the company during the year was:

| | 2023 | 2022 |
|---|---|---|
| | Number | Number |
| Finance, compliance, and admin | 12 | 10 |
| Portfolio management | 16 | 14 |
| Other | 3 | 4 |
| Total | 31 | 28 |

**6 Employees** **(Continued)**

Their aggregate remuneration comprised:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 2,267,094 | 2,160,676 |
| Social security costs | 295,095 | 263,780 |
| Pension costs | 250,726 | 224,135 |
| | 2,812,915 | 2,648,591 |

**7 Directors' remuneration**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 730,795 | 607,094 |

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 257,158 | 214,533 |

**8 Taxation**

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| UK corporation tax on profits for the current period | 622,005 | 566,808 |
| Adjustments in respect of prior periods | 11,603 | - |
| Total current tax | 633,608 | 566,808 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (34,005) | (5,985) |
| Total tax charge | 599,603 | 560,823 |

## 8 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 1,251,193 | 1,538,264 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.49% (2022: 19.00%) | 243,858 | 292,270 |
| Tax effect of expenses that are not deductible in determining taxable profit | 22,798 | 23,250 |
| Tax effect of income not taxable in determining taxable profit | (1,520) | - |
| Adjustments in respect of prior years | 11,603 | (23,568) |
| Effect of change in corporation tax rate | 5,906 | 318 |
| Amortisation not allowable for tax purposes | 338,260 | 268,553 |
| Refund of s455 tax | (3,589) | - |
| Rate movements | (17,713) | - |
| Taxation charge for the year | 599,603 | 560,823 |

## 9 Dividends

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Interim paid | 386,000 | 248,167 |

### 10 Property, plant and equipment

| | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 May 2022 | 66,582 | 78,510 | 145,092 |
| Additions | 3,334 | 31,168 | 34,502 |
| Disposals | (1,152) | (1,485) | (2,637) |
| At 30 April 2023 | 68,764 | 108,193 | 176,957 |
| **Depreciation and impairment** | | | |
| At 1 May 2022 | 16,042 | 23,831 | 39,873 |
| Depreciation charged in the year | 9,268 | 14,227 | 23,495 |
| Eliminated in respect of disposals | (658) | (992) | (1,650) |
| At 30 April 2023 | 24,652 | 37,066 | 61,718 |
| **Carrying amount** | | | |
| At 30 April 2023 | 44,112 | 71,127 | 115,239 |
| At 30 April 2022 | 50,540 | 54,679 | 105,219 |

### 11 Intangible fixed assets

| | Goodwill |
|---|---|
| | £ |
| **Cost** | |
| At 1 May 2022 | 7,659,343 |
| Additions | 1,902,543 |
| At 30 April 2023 | 9,561,886 |
| **Amortisation and impairment** | |
| At 1 May 2022 | 3,446,261 |
| Amortisation charged for the year | 1,812,333 |
| At 30 April 2023 | 5,258,594 |
| **Carrying amount** | |
| At 30 April 2023 | 4,303,292 |
| At 30 April 2022 | 4,213,082 |

The additions to goodwill represent additional consideration paid for an acquisition made in 2017 which became payable during the year and was not previously recognised.

## 12 Trade and other receivables

| | 2023 | 2022 |
|---|---|---|
| **Amounts falling due within one year:** | **£** | **£** |
| Trade receivables | 615,493 | 2,377,963 |
| Other receivables | 234,799 | 152,208 |
| Prepayments and accrued income | 125,502 | 106,262 |
| | 975,794 | 2,636,433 |
| Deferred tax asset (note 14) | 34,005 | - |
| | 1,009,799 | 2,636,433 |

## 13 Current liabilities

| | 2023 | 2022 |
|---|---|---|
| | **£** | **£** |
| Trade payables | 163,932 | 235,438 |
| Corporation tax | 489,714 | 147,096 |
| Other taxation and social security | 255,241 | 122,824 |
| Due to associated entities | 434,748 | 913,949 |
| Accruals and deferred income | 697,582 | 776,499 |
| | 2,041,217 | 2,195,806 |

## 14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Assets 2023 | Assets 2022 |
|---|---|---|
| **Balances:** | **£** | **£** |
| Accelerated capital allowances | 34,005 | - |

| | 2023 |
|---|---|
| **Movements in the year:** | **£** |
| Liability at 1 May 2022 | - |
| Credit to profit or loss | (34,005) |
| Asset at 30 April 2023 | (34,005) |

### 15 Retirement benefit schemes

| | 2023 | 2022 |
|---|---|---|
| **Defined contribution schemes** | **£** | **£** |
| Charge to profit or loss in respect of defined contribution schemes | 250,726 | 224,135 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 16 Share capital

| | 2023 | 2022 |
|---|---|---|
| | **£** | **£** |
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 400,000 ordinary A shares of £1 each | 400,000 | 400,000 |
| 1,000 ordinary B shares of £1 each | 1,000 | 1,000 |
| 40 ordinary C shares of £1 each | 40 | 40 |
| | 401,040 | 401,040 |

A shares carry no voting rights. A shares have a right to dividends as and when declared by the company, until such time as the holders of the A shares have received an amount equal to 5 per cent per annum of the amount subscribed for the shares in issue.

B shares carry one vote per share. B shares have a right to dividends as and when declared by the company, after the holders of A shares have received their distributions. B shares are not redeemable at the option of shareholders or the company.

C shares carry no voting rights. C shares have a right to dividends once A shareholders have received their entitlement as outlined above.

### 17 Retained earnings

Includes all retained profit and loss less distributions.

### 18 Contingent Liability

Contingent consideration of up to £3,107,454 could be payable in respect of a business acquired during 2017.

However inter alia, this consideration is only payable when the company has sufficient regulatory capital (including a buffer of no less than £10,000 above the regulatory capital requirement at the relevant time).

**19 Operating lease commitments**

**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Within one year | 83,933 | 106,470 |
| Between two and five years | 262,546 | 369,016 |
| | 346,479 | 475,486 |

The operating lease commitments relate to the lease of a company car and office rental of 1st Floor, Glendevon House, Castle Business Park, Stirling, FK9 4TZ.

**20 Related party transactions**

**Transactions with related parties**

Target Fund Managers Limited, Target Advisers LLP, Carlton Equity Limited and THP CI Limited are subject to common control.

During the year, an intercompany balance was provided to Target Advisers LLP from Target Fund Managers Limited. At the year end, Target Fund Managers Limited owed the LLP £434,847 (2022: £913,949).

Dividends of £386,000 (2022: £248,167) were paid to entities controlled by the directors of the company.

During the year the entity recharged £160,564 (2022: the entity was recharged £248,261) of shared expenses to Target Advisers LLP. The entity also paid Target Advisers LLP £523,104 (2022: £1,377,430) and accrued £1,379,439 (2022: £472,570) due to Target Advisers LLP, for contingent consideration in respect of a business acquired from Target Advisers LLP in 2017.

During the year the entity provided THP CI a loan of £234,799 (2022: £nil).

At the year end the entity was owed £64 (2022: £64) by a director.

## 21 Ultimate controlling party

The immediate and ultimate parent company is Carlton Equity Limited by virtue of its controlling stake in the business. Carlton Equity Limited is jointly owned by Kenneth and Angela MacKenzie, who are thus the ultimate controlling parties.

## 22 Cash generated from operations

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Profit for the year after tax | 651,590 | 977,441 |
| **Adjustments for:** | | |
| Taxation charged | 599,603 | 560,823 |
| Finance costs | 6,022 | 1,050 |
| Loss on disposal of property, plant and equipment | 987 | - |
| Amortisation and impairment of intangible assets | 1,812,333 | 1,413,434 |
| Depreciation and impairment of property, plant and equipment | 23,495 | 11,901 |
| **Movements in working capital:** | | |
| Decrease/(increase) in trade and other receivables | 1,660,639 | (1,793,749) |
| (Decrease)/increase in trade and other payables | (1,404,076) | 234,309 |
| **Cash generated from operations** | 3,350,593 | 1,405,209 |

## 23 Analysis of changes in net funds

| | 1 May 2022 | Cash flows | 30 April 2023 |
|---|---|---|---|
| | £ | £ | £ |
| Cash at bank and in hand | 69,355 | 1,637,405 | 1,706,760 |