

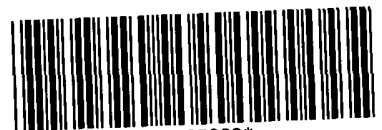
COMPANY NO: 04466326

CEDAR ROCK CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

◆ Year ended 31 October 2020 ◆

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CEDAR ROCK CAPITAL LIMITED

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CEDAR ROCK CAPITAL LIMITED

STRATEGIC REPORT

Business overview

The group carries on business as a discretionary investment manager pursuing a long-only, buy-and-hold global equity strategy. The investment objective is to achieve positive absolute returns over the long term with a strong capital preservation bias.

The board of directors is responsible for the overall stewardship of the company. Full time employees are also shareholders of the company and therefore participate directly in its profitability and growth.

As at 31 October 2020, the group provides investment management services to three segregated accounts. The group is also the investment manager of two pooled investment funds: Cedar Rock Capital Partners LLC, a limited liability company incorporated in Delaware, USA to which Cedar Rock Capital LLC (the company's wholly-owned US subsidiary) acts as managing member and Cedar Rock Capital ICAV ("the ICAV"), an open-ended Irish Collective Asset-Management Vehicle.

The group has approximately \$11,264m (2019: \$12,676m) in assets under management at 31 October 2020 representing an 11% decrease compared to the prior year.

Following the UK's departure from the European Union ("Brexit") the directors anticipate no interruption to the group's provision of investment management services to its clients. Significantly, the Central Bank of Ireland will permit the group to continue managing the ICAV when, after Brexit, the company becomes a non-EU Alternative Investment Fund Manager. Moreover, the group is not materially dependent on EU marketing passports which will no longer be available. Finally, Brexit is not expected to lead to structural changes in the trading of EU equities for client portfolios although related market sentiment may be volatile which the group will closely monitor.

The performance of the group and company for the year is contained in the Report of the Directors on page 5 which forms part of the Strategic Report.

Principal risks and uncertainties

The principal risks and uncertainties faced by the group are described below:

- Market risk – the group's performance is exposed to movements in the prices of individual stocks and the market generally;
- Investment risk – poor investment strategy or stock selection may result in poor returns or loss of capital for investors ultimately leading to a loss of assets under management;
- Regulatory risk – as a regulated business in the UK, US and Ireland, breach of regulatory rules may lead to sanctions by the authorities, and new regulations may impose undue pressure on the company's infrastructure;
- Covid-19 – the group's performance is exposed to the global macro-economic impact of Covid-19;
- Brexit risk – the group may suffer indirectly from a deterioration in the UK's economy as a result of Brexit;

CEDAR ROCK CAPITAL LIMITED

STRATEGIC REPORT (Continued)

- Operational risk – failure of its operational systems or those of third-party service providers may disrupt the group's ability to manage investment portfolios;
- Financial risk – inadequate controls or policies could lead to misappropriation of assets and failure to comply with accounting standards and related regulations;
- Foreign exchange risk – the group is exposed to foreign exchange risk as evidenced by its US dollar denominated income;
- Credit risk – the group is exposed to debtors who may fail to settle investment management fees, the primary source of revenue;
- Liquidity risk – the group's policy is to maintain significant cash balances to ensure continuity of funding and short-term flexibility to meet its obligations associated with financial liabilities; and
- Interest rate risk – interest bearing assets comprise cash and bank deposits, which earn interest at both fixed and variable rates. There are no interest-bearing liabilities.

The directors seek to mitigate and manage each of these risks and limit the adverse effects on the financial performance of the company, through continual review and policy setting. The financial and regulatory compliance functions are outsourced to a third-party provider thus offering a degree of independence.

Key performance indicators

The group uses a number of performance measures to assess its success in meeting its objectives, including:

- Investment performance – the group's success depends on satisfying its clients. The group believes that its clients expect investment returns over time that are attractive in relation to the risks associated with equity investment in general and to the investment strategy in particular;
- Assets under management – as reported above; and
- Profitability – the current year's results are reported in the Report of the Directors on page 5.

The Strategic Report was approved by the board on 11 December 2020 and was signed on its behalf by:



Joy-Isabelle Besse
Director

CEDAR ROCK CAPITAL LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company and group for the year ended 31 October 2020.

Results and dividends

The group profit for the year after tax and before dividends amounted to £68,942,366 (2019: £73,448,697). The company made a profit after tax and before dividends of £68,932,262 (2019: £73,406,704).

During the year interim dividends totalling £73,725,000 (2019: £71,595,000) were paid. The directors have not resolved to pay a final dividend (2019: £Nil).

Future developments

The eventual impact of Covid-19 on the global economy and the financial markets in which the group operates on behalf of its clients will largely depend on the scale and duration of the pandemic and on the consequences of the monetary and fiscal actions taken by governments in response. Notwithstanding the challenging environment, the directors expect the group to remain profitable during the forthcoming year.

Financial instruments – financial risk management and exposure to risk

The group's objectives and policies on financial risk management and exposure to risks from financial instruments are discussed in the Strategic Report.

Directors and their interests

The officers of the company who held office during the year end and up to the date of signing the financial statements were:

Directors	Joy-Isabelle Besse Andrew Brown
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Secretary	Joy-Isabelle Besse
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Dividends paid to directors who were shareholders during the year amounted to £42,232,617 (2019: £42,078,217).

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 laws including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

CEDAR ROCK CAPITAL LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors' responsibilities statement (continued)

- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of its directors.

Pillar 3 disclosures

The company has documented the disclosures required by the FCA under BIPRU 11.3 and BIPRU 11.5.18 in the unaudited Appendix to these financial statements.

Auditor

Grant Thornton UK LLP have indicated their willingness to continue in office as auditor. A resolution concerning their reappointment will be proposed at the annual general meeting.

The report of the directors was approved by the Board on 11 December 2020 and was signed on its behalf by:



Joy-Isabelle Besse
Director

CEDAR ROCK CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR ROCK CAPITAL LIMITED

Opinion

We have audited the financial statements of Cedar Rock Capital Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2020 and of the group's 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's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group or parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's or parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or parent company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 group's or the parent 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.

CEDAR ROCK CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR ROCK CAPITAL LIMITED

(Continued)

In our evaluation of the directors' conclusions, we considered the risks associated with the group's or the parent company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's or parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or parent company will continue in operation.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

CEDAR ROCK CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR ROCK CAPITAL LIMITED

(Continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 5 and 6, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



David Pearson BSc ACA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

11 December 2020

CEDAR ROCK CAPITAL LIMITED**CONSOLIDATED INCOME STATEMENT**
For the year ended 31 October 2020

	Note	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Turnover	1d & 2	90,445,451	95,932,732
Administrative expenses		(5,374,948)	(5,354,284)
Other operating income		-	14,126
Operating profit	4	85,070,503	90,592,574
Interest receivable		44,675	88,629
Gain on investments	10	54	1,843
		44,729	90,472
Profit before taxation		85,115,232	90,683,046
Taxation	7	(16,172,866)	(17,234,349)
Profit after taxation		68,942,366	73,448,697

The group's operations are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2020

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Profit for the year	68,942,366	73,448,697
Total comprehensive income for the year attributable to equity holders of the parent company	68,942,366	73,448,697

The notes on pages 14 to 26 form part of these financial statements.

CEDAR ROCK CAPITAL LIMITED**CONSOLIDATED AND COMPANY BALANCE SHEETS**
as at 31 October 2020

	Note	Group 31 October 2020 £	Company 31 October 2020 £	Group 31 October 2019 £	Company 31 October 2019 £
Fixed assets					
Tangible assets	9	64,031	64,031	42,203	42,203
Investments	10	21,642	648	21,606	122,219
		85,673	64,679	63,809	164,422
Current assets					
Debtors	11	12,785,094	12,785,094	10,857,600	10,861,423
Cash at bank and in hand		32,027,154	31,984,571	44,123,738	43,967,036
		44,812,248	44,769,665	54,981,338	54,828,459
Creditors: Amounts falling due within one year	12	(971,572)	(983,706)	(9,952,739)	(9,966,080)
Net current assets		43,840,676	43,785,959	45,028,599	44,862,379
Total assets less current liabilities		43,926,349	43,850,638	45,092,408	45,026,801
Provision for liabilities and charges	13	(9,855)	(9,855)	(4,784)	(4,784)
Net assets		43,916,494	43,840,783	45,087,624	45,022,017
Capital and reserves					
Called up share capital	16	543,274	543,274	514,536	514,536
Capital redemption reserve		401,589	401,589	401,589	401,589
Share premium account		9,259,701	9,259,701	5,676,935	5,676,935
Profit and loss account		33,711,930	33,636,219	38,494,564	38,428,957
Equity shareholders' funds		43,916,494	43,840,783	45,087,624	45,022,017

The company made a profit after tax and before dividends of £68,932,262 (2019: £73,406,704).

The financial statements were approved by the Board on 11 December 2020 and signed on its behalf by:



Andrew Brown
Director

Company Number: 04466326

The notes on pages 14 to 26 form part of these financial statements

CEDAR ROCK CAPITAL LIMITED**CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY**
For the year ended 31 October 2020

Group	Called up share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
	£	£	£	£	£
Balance as at 1 November 2018	514,536	401,589	5,676,935	36,640,867	43,233,927
Profit and total comprehensive income for the year	-	-	-	73,448,697	73,448,697
Dividends paid	-	-	-	(71,595,000)	(71,595,000)
Balance as at 31 October 2019	514,536	401,589	5,676,935	38,494,564	45,087,624
Profit and total comprehensive income for the year	-	-	-	68,942,366	68,942,366
Shares issued	28,738	-	3,582,766	-	3,611,504
Dividends paid	-	-	-	(73,725,000)	(73,725,000)
Balance as at 31 October 2020	543,274	401,589	9,259,701	33,711,930	43,916,494

Company	Called up share capital	Capital redemption reserve	Share premium account	Profit and loss account	Total
	£	£	£	£	£
Balance as at 1 November 2018	514,536	401,589	5,676,935	36,617,253	43,210,313
Profit and total comprehensive income for the year	-	-	-	73,406,704	73,406,704
Dividends paid	-	-	-	(71,595,000)	(71,595,000)
Balance as at 31 October 2019	514,536	401,589	5,676,935	38,428,957	45,022,017
Profit and total comprehensive income for the year	-	-	-	68,932,262	68,932,262
Shares issued	28,738	-	3,582,766	-	3,611,504
Dividends paid	-	-	-	(73,725,000)	(73,725,000)
Balance as at 31 October 2020	543,274	401,589	9,259,701	33,636,219	43,840,783

The notes on pages 14 to 26 form part of these financial statements.

CEDAR ROCK CAPITAL LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
For the year ended 31 October 2020

	Note	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Net cash inflow from operating activities	18	85,182,553	90,907,963
Taxation paid		<u>(25,065,756)</u>	<u>(17,045,839)</u>
Net cash generated from operating activities		<u>60,116,797</u>	<u>73,862,124</u>
Cash flow from investing activities			
Interest received		55,866	88,020
Purchase of tangible fixed assets		<u>(49,151)</u>	<u>(36,682)</u>
Net cash generated from investing activities		<u>6,715</u>	<u>51,338</u>
Cash flow from financing activities			
Issue of share capital		1,476,654	-
Dividends paid		<u>(73,725,000)</u>	<u>(71,595,000)</u>
Net cash used in financing activities		<u>(72,248,346)</u>	<u>(71,595,000)</u>
Net (decrease)/increase in cash and cash equivalents		(12,124,834)	2,318,462
Exchange gain on cash and cash equivalents		28,250	28,120
Cash and cash equivalents at the beginning of the year		<u>44,123,738</u>	<u>41,777,156</u>
Cash and cash equivalents at the end of the year		<u>32,027,154</u>	<u>44,123,738</u>

The notes on pages 14 to 26 form part of these financial statements.

CEDAR ROCK CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2020

1. ACCOUNTING POLICIES

General information

The principal activity of the group and company is the provision of investment management and advisory services.

The company is limited by shares and is incorporated in England and Wales, United Kingdom. The address of its registered office is Suite 1, 3rd Floor, 11-12 St James's Square, London SW1Y 4LB.

Statement of compliance

The group and the individual financial statements of Cedar Rock Capital Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

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

a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

b) Going concern

As outlined in the Report of the Directors, although the Covid-19 pandemic has resulted in a challenging environment, the directors have a reasonable expectation based on their assessment of the group's financial position and resources that the group will continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Basis of consolidation

The consolidated financial statements have been prepared in accordance with section 9 of FRS 102. The consolidated financial statements consolidate the results and the position of the company and its subsidiary undertakings for the year ended 31 October 2020.

Subsidiaries are entities that are directly or indirectly controlled by the group. Control exists where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

CEDAR ROCK CAPITAL LIMITED

1. ACCOUNTING POLICIES (CONTINUED)

c) Basis of consolidation (continued)

Uniform accounting policies have been used across the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

d) Turnover

Turnover comprises monthly management fees that are recognised when earned by the group at the end of each month and are stated net of Value Added Tax.

e) Administrative expenses

Expenses relate to cost incurred by the group in relation to the administration and business of the group and are recognised on an accruals basis.

f) Employee benefits

The group provides benefits to employees, including a defined contribution pension scheme.

Short term benefits:

Short-term employee benefits such as salaries are recognised as an expense in the year employees render services to the group.

Pension contributions:

Pension contributions to occupational or personal pension schemes for eligible employees are accounted for in the group's income statement on an accruals basis.

g) Foreign currency

Functional and presentation currency:

The financial statements are presented in the currency of the primary economic environment in which the group and the company operates. The group's functional and presentation currency is pound sterling.

Transactions and balances:

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within the operating profit.

h) Taxation

Current tax, including UK corporation tax and foreign tax, is provided using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date on the excess of taxable income and allowable expenses.

CEDAR ROCK CAPITAL LIMITED

1. ACCOUNTING POLICIES (CONTINUED)

i) Deferred taxation

Deferred tax is accounted for on an undiscounted basis at expected tax rates on all timing differences that have originated but not reversed at the balance sheet date where transactions and events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements other than differences regarded as permanent. A deferred tax asset is only recognised where it is more likely than not that the asset will be recoverable in the foreseeable future out of taxable profits from which the reversal of timing differences can be deducted.

j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

k) Financial instruments

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

Financial assets:

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities:

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

CEDAR ROCK CAPITAL LIMITED

1. ACCOUNTING POLICIES (CONTINUED)**k) Financial instruments (continued)**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting:

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

l) Investment in subsidiaries

Investments in subsidiary companies are held at cost less accumulated impairment losses.

m) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation and accumulated impairment losses. They are depreciated so as to write off the cost or valuation of each asset over its estimated useful life. Costs include those costs which are directly attributable to bringing the asset into working condition for its intended use.

Depreciation is provided to write off the cost, less estimated residual value, of all tangible fixed assets, over their estimated useful lives. It is calculated on a straight-line basis over the following period:

Office equipment	-	3 years
Furniture & fixtures	-	3 years
Computer equipment	-	3 years
Leasehold improvements	-	5 years

n) Investments

Investments comprise an investment in an unquoted Delaware limited liability company incorporated in the United States which is measured at fair value. Changes in fair value are recognised in the profit or loss. Fair value is considered to equate to the independent valuation obtained on a monthly basis.

o) Impairment of non-financial assets

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

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

CEDAR ROCK CAPITAL LIMITED

1. ACCOUNTING POLICIES (CONTINUED)

o) Impairment of non-financial assets (continued)

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

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

p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Payments under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

q) Critical judgements and estimates in applying accounting policies

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

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. TURNOVER

The turnover earned during the year is attributable to fees arising from the group's investment management of four segregated accounts, one Irish domiciled fund (Cedar Rock Capital ICAV) and one Delaware limited liability company (Cedar Rock Capital Partners LLC). These fees are fully derived from the United Kingdom.

3. SUBSIDIARY COMPANIES

The company is the sole member of Cedar Rock Capital LLC ("the LLC"), a Delaware limited liability company incorporated in the United States. The LLC manages Cedar Rock Capital Partners LLC, another Delaware limited liability company incorporated in the United States, from which the company receives an investment management fee for providing investment management advice. For the year ended 31 October 2020, the LLC made a profit after tax of equivalent £10,258 (2019: £12,224). The LLC is the company's principal wholly owned subsidiary included in the consolidation.

The company was the sole member of Cedar Rock Capital Management Limited ("CRCM"), a limited company incorporated in Ireland, which was liquidated during the year. For the year ended 31 October 2020, CRCM made no profit or loss after tax (2019: loss of equivalent £14,598).

CEDAR ROCK CAPITAL LIMITED**4. OPERATING PROFIT**

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
The operating profit is stated after charging:		
Auditors' remuneration -		
Fees payable to the company's auditor for the audit of the annual financial statements	20,400	18,650
Fees payable to the company's auditor and its associates for other services:		
– other services relating to taxation	8,000	7,000
– other services relating to CASS	5,200	5,150
– other services	16,480	-
Operating lease rentals – property	294,569	294,553
Depreciation	27,323	20,478
Foreign exchange differences	37,935	(168,719)

5. DIRECTORS' REMUNERATION

	Group and Company Year ended 31 October 2020 £	Group and Company Year ended 31 October 2019 £
Emoluments	190,000	190,000

The highest paid director received earnings of £190,000 (2019: £190,000).

Key management includes the directors and members of senior management, who were paid £1,078,487 (2019: £933,000) compensation during the year.

6. STAFF COSTS (INCLUDING DIRECTORS)

	Group and Company Year ended 31 October 2020 £	Group and Company Year ended 31 October 2019 £
Wages and salaries	1,184,613	1,409,808
Social security costs	159,526	189,386
Other pension costs	548	902
	<u>1,344,687</u>	<u>1,600,096</u>
The average monthly number of employees and directors for the group and company was as follows:		
Office and management	<u>10</u>	<u>10</u>

CEDAR ROCK CAPITAL LIMITED**7. TAXATION****a) Tax on profit**

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Current tax:		
Corporation tax at 19.00% (2019: 19.00%)	16,167,795	17,229,969
Adjustment in respect of prior periods	-	2,348
Tax charge in respect of current year	<u>16,167,795</u>	<u>17,232,317</u>
 Deferred tax	 <u>5,071</u>	 <u>2,032</u>
 Total tax charge	 <u>16,172,866</u>	 <u>17,234,349</u>

b) Reconciliation of tax charge

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Profit before taxation	<u>85,115,232</u>	<u>90,683,046</u>
Theoretical tax at UK corporation tax rate of 19.00% (2019: 19.00%)	16,171,894	17,229,779
Effects of:		
- Expenses not deductible for tax purposes	3,706	(6,246)
- Income not credited for tax purposes	(1,376)	-
- Overseas tax	(1,921)	-
- Difference in tax rates	563	(563)
- Loss on investment	-	9,293
- Adjustment in respect of prior periods	-	2,086
 Total tax charge	 <u>16,172,866</u>	 <u>17,234,349</u>

c) Tax rate changes

The standard rate of corporation tax in the UK has been 19.00% since 1 April 2017. Accordingly, the group's profits for the year are taxed at an effective rate of 19.00% (2019: 19.00%). Deferred tax has also been recognised at a rate of 19%.

8. DIVIDENDS

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
"A" ordinary (£139.66 per share)	42,232,617	42,078,217
"B" ordinary (£139.66 per share)	<u>31,492,383</u>	<u>29,516,783</u>
	<u>73,725,000</u>	<u>71,595,000</u>

CEDAR ROCK CAPITAL LIMITED**9. FIXED ASSETS**
Group and Company

	Furniture & fixtures	Office equipment	Computer equipment	Leasehold improvements	Total
	£	£	£	£	£
Cost:					
At 1 November 2019	124,139	51,261	107,625	207,021	490,046
Additions	-	6,231	42,920	-	49,151
Disposal	-	-	(7,690)	-	(7,690)
At 31 October 2020	124,139	57,492	142,855	207,021	531,507
Depreciation:					
At 1 November 2019	120,808	40,240	81,426	205,369	447,843
Charge for year	1,536	6,535	19,027	225	27,323
Disposal	-	-	(7,690)	-	(7,690)
At 31 October 2020	122,344	46,775	92,763	205,594	467,476
Net book value:					
At 31 October 2020	1,795	10,717	50,092	1,427	64,031
At 31 October 2019	3,331	11,021	26,199	1,652	42,203

10. INVESTMENTS

	Group Other fixed asset investments	Company Investment in subsidiaries (note 3)
	£	£
At 1 November 2019	21,606	122,219
Change in fair value during the year	36	-
Disposal	-	(121,571)
At 31 October 2020	21,642	648

Investment in subsidiary

Company name	Country of incorporation	Nature of business	Interest
Cedar Rock Capital LLC	US	Investment management	100% participation

The directors consider the value of the investment to be supported by its underlying assets.

CEDAR ROCK CAPITAL LIMITED**11. DEBTORS**

	Group 31 October 2020 £	Company 31 October 2020 £	Group 31 October 2019 £	Company 31 October 2019 £
Trade debtors	7,600,096	7,600,096	7,682,840	7,682,840
Other debtors	4,478,684	4,478,684	2,349,442	2,349,442
Corporation tax	179,500	179,500		
VAT	13,932	13,932		
Amounts owed by Cedar Rock Capital LLC	-	-	-	3,823
Prepayments and accrued income	512,882	512,882	825,318	825,318
	<u>12,785,094</u>	<u>12,785,094</u>	<u>10,857,600</u>	<u>10,861,423</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 October 2020 £	Company 31 October 2020 £	Group 31 October 2019 £	Company 31 October 2019 £
Trade creditors	36,515	36,515	44,367	41,718
Other creditors	33,951	33,951	46,758	46,758
Corporation tax	-	-	8,718,460	8,718,460
VAT	-	-	3,757	3,757
Other taxes and social security	41,220	41,220	45,699	45,699
Amounts owed to Cedar Rock Capital LLC	-	25,534	-	29,401
Accruals and deferred income	859,886	846,486	1,093,698	1,080,287
	<u>971,572</u>	<u>983,706</u>	<u>9,952,739</u>	<u>9,966,080</u>

13. PROVISION FOR LIABILITIES AND CHARGES

	Group 31 October 2020 £	Company 31 October 2020 £	Group 31 October 2019 £	Company 31 October 2019 £
Deferred tax provided: Accelerated capital allowances	9,855	9,855	4,784	4,784
The movement in the provision is as follows:				
At 1 November 2019	4,784	4,784	2,752	2,752
Deferred tax expense	5,071	5,071	2,032	2,032
At end of year	<u>9,855</u>	<u>9,855</u>	<u>4,784</u>	<u>4,784</u>

Deferred tax has been recognised at 19% (2019: 17%) because of uncertainty as to the average rate of tax that will apply when the underlying timing differences will reverse.

CEDAR ROCK CAPITAL LIMITED**14. FINANCIAL RISK MANAGEMENT**

The group has exposure to four main areas of financial risk: foreign exchange risk, credit risk, capital risk and, to a lesser extent, liquidity risk.

Foreign exchange risk

The group is exposed to currency exchange rate risk due to a significant proportion of its receivables being denominated in US dollars compared to an expense base that is predominantly pounds sterling. The net currency exposure is closely monitored and the current policy is to exchange US dollars into pounds sterling on receipt or as soon as practicable thereafter, taking into account any US dollar denominated expenses that are due to be paid.

Credit risk

The group is at risk to the extent that its clients do not pay the investment management fees that have been earned by the group. This risk is mitigated by regular review of aged debtors and strong on-going client relationships.

Capital risk

There is the risk that the group has insufficient capital to support its level of operations and absorb unexpected business shocks. Historically the group has maintained capital and reserves that comfortably exceed its regulatory capital requirements.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. As the group is consistently in a strong net positive operating cash flow position, it is more than able to meet its commitments and obligations as they fall due.

15. FINANCIAL INSTRUMENTS BY CATEGORY

	Group 31 October 2020 £	Company 31 October 2020 £	Group 31 October 2019 £	Company 31 October 2019 £
Financial assets at amortised cost through profit and loss	32,048,796	31,984,571	44,145,344	43,967,036
Financial assets that are debt instruments measured at amortised cost	12,391,551	12,391,551	10,623,989	10,627,812
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities measured at amortised cost	930,352	942,486	1,184,823	1,198,164

CEDAR ROCK CAPITAL LIMITED**16. CALLED UP SHARE CAPITAL**

Group and Company	31 October 2020 £	31 October 2019 £
Allotted -		
“A” ordinary shares of £1 each	302,406	302,406
“B” ordinary shares of £1 each	240,868	212,130
	<u>543,274</u>	<u>514,536</u>
Called up and fully paid -		
“A” ordinary shares of £1 each	302,406	302,406
“B” ordinary shares of £1 each	206,733	197,542
	<u>509,139</u>	<u>499,948</u>

There are two classes of ordinary shares: “A” ordinary shares and “B” ordinary shares. The “B” ordinary shares rank *pari passu* with the “A” ordinary shares for dividends but carry no voting rights. There are no restrictions on the distribution of dividends and the repayment of capital.

In March 2020 the company allotted 28,738 of additional “B” ordinary shares which have not been called up and remain unpaid at 31 October 2020. In November 2019 the company made a call on 9,191 “B” ordinary shares (note 16) totalling £1,476,654 which was paid by December 2019.

17. RESERVES

Called up share capital represents the nominal value of shares that have been issued. Capital redemption reserve reflects the nominal value of those shares that the company has repurchased and cancelled. Share premium account comprises any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. Profit and loss account includes all current and prior period retained profits and losses.

18. RECONCILIATION OF PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group Year ended 31 October 2020 £	Group Year ended 31 October 2019 £
Profit for the financial year	68,942,366	73,448,697
Adjustments for:		
Tax on profit	16,172,866	17,234,349
Net interest receivable	(44,675)	(88,629)
Gain on investments	(54)	(1,843)
Operating profit	<u>85,070,503</u>	<u>90,592,574</u>
Depreciation of tangible assets	27,323	20,478
Exchange gain on cash and cash equivalents	(28,250)	(28,120)
Working capital movements:		
Decrease in debtors	375,666	54,657
(Decrease)/increase in creditors	<u>(262,689)</u>	<u>268,374</u>
Net cash inflow from operating activities	<u>85,182,553</u>	<u>90,907,963</u>

CEDAR ROCK CAPITAL LIMITED**19. ANALYSIS OF CHANGES IN NET DEBT****Group**

	1 November 2019 £	Cash flows £	Other non-cash changes £	31 October 2020 £
Cash at bank and in hand	44,123,738	(12,124,834)	28,250	32,027,154
Cash and cash equivalents	44,123,738	(12,124,834)	28,250	32,027,154
Borrowings	-	-	-	-
	44,123,738	(12,124,834)	28,250	32,027,154

20. CONTROLLING PARTY

Mr Andrew Brown is the ultimate controlling party of the company.

21. FINANCIAL COMMITMENTS – OPERATING LEASES

As at 31 October 2020 the company had future minimum lease payments under non-cancellable operating leases for land and buildings expiring as follows:

	31 October 2020 £	31 October 2019 £
Within one year	307,360	307,360
Between one and two years	307,360	307,360
Between two and five years	922,080	922,080
After five years	406,726	717,173
	<u>1,943,526</u>	<u>2,253,973</u>

22. RELATED PARTY TRANSACTIONS

Mr Andrew Brown is a member of Cedar Rock Capital Partners LLC ("the LLC"), a Delaware limited liability company incorporated in the United States, from which the company earned investment management fees of £67,890,521 (2019: £71,065,512) during the year. As at 31 October 2020 Mr Andrew Brown's interest in the LLC amounted to US\$243,890,949 (2019: US\$240,922,596) with the total net asset value of the LLC being US\$8,302m (2019: US\$9,313m). At 31 October 2020 Cedar Rock Capital Partners LLC owed the company £5,342,144 (2019: £5,998,034) in investment management fees.

Ms Joy-Isabelle Besse is a director of Cedar Rock Capital ICAV ("the ICAV") from which the company earned investment management fees of £15,566,551 (2019: £15,366,400). At 31 October 2020 Ms Joy-Isabelle Besse held units in the ICAV valued at equivalent £4,965,192 (2019: £3,750,005) with the total net asset value of the ICAV being US\$2,042m (2019: US\$1,920m). At 31 October 2020 the ICAV owed the company £1,292,981 (2019: £1,235,094) in investment management fees.

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year there have been expenses of £1,700,000 (2019: £1,700,000) for professional services rendered to the company by Meteora Partners LLP, of which Ms Joy-Isabelle Besse is a designated member. At 31 October 2020, £700,000 (2019: £700,000) was due to be paid to Meteora Partners LLP.

The company has taken advantage of the FRS102 exemption and chosen not to disclose transactions with its wholly owned subsidiaries.

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APPENDIX: PILLAR 3 AND REMUNERATION DISCLOSURE

The following Appendix does not form part of the audited financial statements:

Pillar 3 disclosure fulfils the obligation of Cedar Rock Capital Limited (the “Company”) to disclose publicly key information on the Company’s capital, risk exposures and risk assessment and remuneration processes in accordance with the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), Chapter 11.

The Company was incorporated with limited liability in England and Wales on 20 June 2002. It is authorised and regulated by the Financial Conduct Authority (the “FCA”) as a full scope Alternative Investment Fund Manager (“AIFM”) providing discretionary investment management services to alternative investment funds and segregated managed accounts pursuant to the Alternative Investment Fund Managers Directive (“AIFMD”). The Company is categorised by the FCA as a collective portfolio management investment firm (“CPMI”) and a BIPRU investment firm for regulatory capital purposes.

I. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company determine its business strategy and risk appetite. They have designed and implemented a risk management framework that recognizes the risks that the business faces. The Directors of the Company also determine how those risks may be mitigated and assess on an ongoing basis the controls and procedures necessary to manage those risks. The Directors of the Company (including the Compliance Officer) meet on a regular basis, generally monthly, to discuss projections for profitability, liquidity, regulatory capital, business planning and risk management.

As an investment manager, the Company considers the following to represent the key risks to its business:

1. Corporate Governance Risks

In order to manage its business affairs effectively the Company must have adequate internal arrangements including a proper organisational structure and clear lines of responsibility for its staff, the ability to oversee any outsourced functions and identify and prevent or manage conflicts of interests. These risks are largely mitigated through the Company having a very small number of staff and a simple business model.

2. Business and Market Risks

The Company considers that its key resource is the quality and experience of its staff and therefore is exposed to the business risk inherent in staff turnover. This risk is mitigated by the fact that the majority of the Company’s full time employees are also shareholders of the Company. The Company relies upon the investment performance of its client portfolios in order to retain business and generate revenue; consequently, the Company is exposed to the risk of loss of client mandates or investor redemptions from the funds that it manages and/or a material decline in the value of client portfolios due to adverse market conditions. The Company mitigates these risks by maintaining high levels of capital relative to its operating costs.

3. Operational Risks

The Company is exposed to risks inherent in a possible failure of its operational controls resulting for example in trading errors or incorrect client valuations; failure or errors of an third party service provider; systems failures and cybersecurity threats. The Company mitigates these risks through the ongoing review of its operational procedures, holding professional indemnity insurance, cyber-security insurance and operating a business continuity plan.

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4. Prudential and Credit Risks

The Company is exposed to counterparty risk relating to the Company's trade debtors, bank accounts and any other debtors. Management fees are paid monthly or quarterly and the Company maintains appropriate cash levels to mitigate against a possible default by a client. The Company holds its own funds with a large regulated UK bank. See "II. Capital Resources" below for the Company's approach to calculating its risk weighted exposures.

5. Legal and Reputational Risks

The Company operates in regulated markets and is exposed to the potential risk of material legal and regulatory sanction. It aims to mitigate such risks through its compliance policies and procedures, ensuring that its staff are fully aware of their responsibilities, compliance monitoring and holding professional indemnity and cyber-security insurance.

6. Liquidity Risks

The Company is required to maintain sufficient levels of liquidity to ensure that it can meet its liabilities as they fall due and, as an AIFM, to hold liquid assets in excess of AIFMD capital required as contained in its formal written liquidity risk policy. The Company maintains sufficient cash reserves to meet its working capital requirements in case of an unexpected shortfall. Debtors have historically settled promptly and the Company considers the risk of a cash flow deficit arising to be minimal. Cash positions are monitored by senior management monthly.

7. Interest Rate Risks

The Company has not historically financed itself with debt, nor has it held interest rate sensitive investments for its own account.

The above risks are assessed and mitigated as part of the business risk assessment undertaken in the Internal Capital Adequacy Assessment Process ("ICAAP") in order to ensure that material risks of the firm are adequately covered by capital.

II. CAPITAL RESOURCES

As a CPMI firm, the Company is subject to both the regulatory capital regimes applicable to investment firms contained in the Capital Requirement Directive ("CRD"), as amended, and to AIFMs contained in the AIFMD.

Capital requirements arising from the Pillar 1 and Pillar 2 components of the CRD are compared to any higher requirements arising from the AIFMD asset based and professional indemnity insurance elements to derive the total regulatory capital required by the Company.

CRD Pillar 1 capital requirement is the greatest of:

1. a base capital requirement of Euro 50,000;
2. the sum of Credit and Market Risk Requirements; and
3. the Fixed Overhead Requirement, representing a quarter of the Company's audited fixed annual expenditure.

In calculating Pillar 1, the Company applies a standardised approach to credit risk, applying 8% to the Company's risk weighted exposure amounts, consisting mainly of management fees due but not paid, and bank balances. The Position Risk Requirement arising on the Company's foreign currency exposures, excluding assets attributable to its AIFs, constitutes the Company's Market Risk Requirement.

CRD Pillar 2 capital requirement is calculated by the Company as representing any additional capital to be maintained against any risks identified during the ICAAP which are not adequately covered under the

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requirement in Pillar 1 as part of its ICAAP. Based on its ICAAP, it is the Company's opinion that no additional capital is required in excess of its Pillar 1 capital requirement.

The Company is also subject to the AIFMD capital requirements consisting of the aggregate of initial capital of Euro 125,000 plus 0.02% of the value of the portfolios of the AIFs it manages in excess of Euro 250 million, subject to a cap of Euro 10 million, and capital to cover exclusions in the professional indemnity insurance. The Company must also hold sufficient liquid assets or assets readily convertible to cash in the short term to cover its AIFMD capital requirement.

As at the 31 October 2020 the Company's combined regulatory capital position is:

Capital item	£000
Tier 1 Capital: Share Capital and Audited Reserves	5,730
Total capital requirements	2,563

III. MANAGEMENT OF THE ICAAP

The approach of the Company to evaluating the adequacy of its internal capital to support current and future activities is contained in the ICAAP. This process includes an assessment of the specific risks to the Company and the internal controls in place to mitigate those risks. Finally, an assessment is made of the probability of occurrence and the potential impact, in order to arrive at a level of required capital, as relevant.

The Company's ICAAP is formally reviewed by the Directors of the Company annually or in the event of any material change to the Company's business or risk profile.

IV. THE REMUNERATION CODE

The aim of the BIPRU Remuneration Code (the "Code") is to ensure that firms have risk focussed remuneration policies which promote and are consistent with effective risk management, and do not expose firms to excessive risk.

Under the Code, the Company is classified as a Level 3 firm, the lowest risk category as the Company does not manage or trade proprietary positions. This means that the Company can dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles.

In accordance with BIPRU 11 (Pillar 3) the Company is required to disclose the Company's remuneration policy and practices, as well as aggregate quantitative disclosure for staff whose actions are deemed to have a material impact on the firm's risk, including senior management ("Code Staff").

The disclosure obligations applicable to remuneration subject to the Code ("Remuneration") includes all forms of fixed remuneration and variable remuneration but excludes dividends paid to such individuals as shareholders of the Company.

1. Remuneration Policies

The Company has established a Remuneration Policy which addresses potential conflicts of interest arising from remuneration arrangements by taking into account the controls in place to guard against the Company's authorised persons being rewarded for taking inappropriate levels of risk. The Company is satisfied that the policies in place are appropriate to its size, internal organization and the nature, scope and complexity of its activities.

2. The Decision Making Process

The majority shareholder of the Company determines remuneration arrangements and individual awards. The Board of Directors provides oversight of the overall remuneration arrangements to ensure that they are consistent with the Company's level of tolerated risk.

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3. Code Staff and Senior Management

During its financial year ending 31 October 2020, the Company had eight Code Staff.

One member of Code Staff was an external Director receiving no Remuneration as their firm is engaged to provide outsourced services to the Company. The remaining Code Staff, who are employees and in receipt of Remuneration, totalled seven. Senior Management comprises the Company's two Directors holding office during the financial year.

4. Link between Pay and Performance

Remuneration is based on an assessment of the profitability of the Company, an individual's performance and contribution to the overall business of the Company.

In addition to a fixed salary, the Company's Code Staff who are employees are eligible to receive a discretionary bonus as determined by the Directors. Code Staff are also equity shareholders in the Company and their shares all rank pari passu in terms of rights to dividends. This ownership structure ensures that the long term interests of such Code Staff is aligned with the overall profitability of the Company and is not tied to individual financial metrics or the performance of any single client portfolio. Due to the size, nature and complexity of the Company's business, including operating a single investment strategy and the fact that it does not charge any performance fees to its clients, relevant Code Staff do not earn variable Remuneration attributable to any single client.

4. Quantitative Remuneration Data

For the Company's financial year ended 31 October 2020 Code Staff received fixed Remuneration totalling £1,022,442 of which £190,000 was paid to Senior Management.