

Alder Asset Management Limited

Report and Financial Statements

31 December 2016

Company Number 01312833

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Alder Asset Management Limited

Report and financial statements for the year ended 31 December 2016

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Directors

R David C Henderson (Chairman)
Christopher J Brougham
Thomas E Hills
Richard T A Postlethwaite
Mark D R Shapley
Sir Edmund R Verney
The Lord Vestey
Hon Arthur G Vestey
George M W Vestey

Secretary and registered office

Alison M Buck
1 King's Arms Yard, London, EC2R 7AF

Company number

01312833

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD

Alder Asset Management Limited

Strategic report for the year ended 31 December 2016

The directors present the strategic report of Alder Asset Management Limited group for the year ended 31 December 2016.

The principal activities of the group are the servicing of clients' investments and trust management accounting services.

Review of the business and principal activities

The group's profit on ordinary activities after taxation for the year ended 31 December 2016 amounted to £354,797 (2015: £237,652). The group's trading results are stated on page 6 of the financial statements.

Alder provides services only to members of one extended family, together with trusts and pension schemes related to that family's interests. It aims to provide a consistently high level of service at a very competitive cost compared with alternative providers. During 2016 there was no significant change in the number of clients of the company or its subsidiary but turnover increased by 2.2% following the decision by the board to increase fees broadly in line with the anticipated rise in costs together with increased revenue from portfolios where fees are linked to funds under management. The company and group expect to continue to trade successfully in 2017 with substantially the same client base and staffing.

Key performance indicators ('KPIs')

As described above the company aims to provide a consistently high level of service at a very competitive cost to its clients and it is therefore considered that further analysis using KPIs is not necessary for an understanding of the development, performance and position of the business.

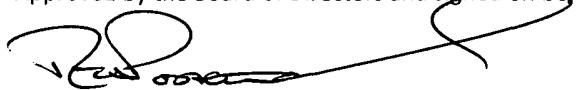
Principal risks and uncertainties

Alder maintains close links with the family, many of whom hold ordinary shares in the company. Individual clients may hold either no shares whatsoever or 5,000 shares. In view of the close ties between Alder and the family the client base is considered to be very strong which, together with the comparatively low charges and maintenance of high standards of service, reduces competitive risks. Nevertheless the board is not complacent and actively confirms that clients are receiving a level of service that matches their needs and expectations.

The group and company are of such a scale that the business model is not complex and the risks inherent in the business are effectively managed. Turnover is comprised of fees that are fixed in advance and those which are market value related. The fixed fees (54% in 2016) provide a more certain source of income since they are not subject to investment market movements. Where fees are a function of market values (46% in 2016), these are calculated monthly to reduce the effect of any short term fluctuations. In addition, substantial reserves have been established to absorb the consequences of more sustained periods of reduced levels of income from such market value related income. Costs largely derive from property and payroll, which can usually be forecast with a relatively high degree of accuracy. The company's performance is primarily measured in terms of comparison to such financial forecasts. The assets are highly liquid and cash balances are deposited with highly rated UK banks and available at short notice. There are no borrowings and no significant exposure to foreign currency risk. Naturally there are always operational risks but these are controlled through the establishment of comprehensive systems and procedures, including disaster recovery arrangements, and mitigated further by insurance policies, where appropriate.

The group has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

Approved by the Board of Directors and signed on behalf of the Board.



R T A Postlethwaite
Director

30 March 2017

Alder Asset Management Limited

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited consolidated financial statements of Alder Asset Management Limited (the "Company") and its subsidiary undertaking (together, the "Group") for the year ended 31 December 2016.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the profit for the year.

The directors recommend the payment of a dividend of 5.5p per share (2015: 5.5p) for both share classes.

Median repurchase price of ordinary shares

The median repurchase price calculated at 31 October 2016, under the terms set out in the private offer document dated 5 March 1992, for the ordinary shares in issue was 193.709p per share (2015: 189.832p).

Directors

The directors of the company during the year and up to the date of this report were:

R David C Henderson +
Christopher J Brougham +
Thomas E Hills +
Richard T A Postlethwaite
Mark D R Shapley
Sir Edmund R Verney +
The Lord Vestey +
Hon Arthur G Vestey (alternate for The Lord Vestey - appointed 19 August 2016) +
George M W Vestey +

+ Non-executive

Directors' responsibilities

The directors are responsible for preparing the directors' report, 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Alder Asset Management Limited
Report of the directors
for the year ended 31 December 2016 (Continued)

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.

Going concern

The company's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 1.

The company has considerable financial resources and income and costs can usually be forecast with a high degree of accuracy. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Re-appointment of auditors

Kingston Smith LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



R T A Postlethwaite
Director

30 March 2017

Alder Asset Management Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALDER ASSET MANAGEMENT LIMITED

We have audited the financial statements of Alder Asset Management Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Parent Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland'.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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.

Alder Asset Management Limited

Independent auditor's report (*Continued*)

Opinion on other matters prescribed by the Companies Act 2006

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

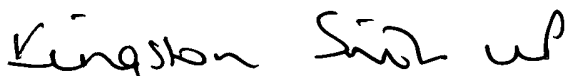
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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 parent company 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.



Rebecca Shields (senior statutory auditor)
For and on behalf of Kingston Smith LLP, statutory auditor
Devonshire House
60 Goswell Road
London EC1M 7AD

6 April 2017

Alder Asset Management Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

| | Note | 2016 £ | 2015 £ |
|--|------|------------------|-------------|
| Turnover | 5 | 3,838,047 | 3,755,570 |
| Operating costs | | | |
| Staff costs | 6 | (2,707,878) | (2,633,255) |
| Other operating costs | | (775,595) | (893,795) |
| Other operating income | | 81,656 | 67,663 |
| Operating profit | | 436,230 | 296,183 |
| Other interest receivable | | 16,324 | 11,142 |
| Profit on ordinary activities before taxation | 8 | 452,554 | 307,325 |
| Tax on profit on ordinary activities | 9 | (97,757) | (69,673) |
| Profit for the financial year | 15 | 354,797 | 237,652 |
| Other comprehensive (loss)/income | | | |
| Actuarial (loss)/gain on unfunded defined benefit pension scheme | | (131,500) | 60,100 |
| Taxation in respect of (loss)/gain on unfunded pension scheme | | 26,300 | (12,020) |
| Total comprehensive income for the financial year | | 249,597 | 285,732 |

All of the amounts above are in respect of continuing operations.

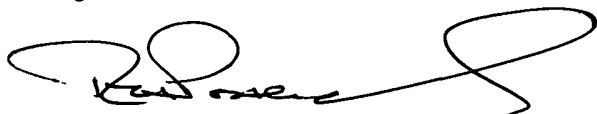
The company has taken advantage of section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The profit dealt with in the financial statements of the company was £91,541 (2015: £39,415).

The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited
Consolidated statement of financial position
at 31 December 2016

| <i>Company number 01312833</i> | <i>Note</i> | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|--|-------------|------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 19,244 | | 14,267 |
| Investments held as fixed assets | 11 | | 19 | | 19 |
| | | | <u>19,263</u> | | <u>14,286</u> |
| Current assets | | | | | |
| Debtors | 12 | 417,184 | | 222,611 | |
| Deferred tax on pension liability | 18 | 204,260 | | 145,420 | |
| Cash at bank and in hand | | 4,098,897 | | 3,706,777 | |
| | | <u>4,720,341</u> | | <u>4,074,808</u> | |
| Creditors: amounts falling due within one year | 13 | (633,052) | | (478,764) | |
| Net current assets | | | <u>4,087,289</u> | | <u>3,596,044</u> |
| Net assets excluding pension liability and provisions | | | <u>4,106,552</u> | | <u>3,610,330</u> |
| Pension liability | 18 | | (1,021,300) | | (727,100) |
| Provisions | 19 | | (72,520) | | (72,520) |
| Net assets including pension liability and provisions | | | <u>3,012,732</u> | | <u>2,810,710</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | | 865,000 | | 865,000 |
| Share premium account | 15 | | 153,580 | | 153,580 |
| Share capital redemption reserve | 15 | | 10,000 | | 10,000 |
| Profit and loss account | 15 | | 1,984,152 | | 1,782,130 |
| Shareholders' funds | | | <u>3,012,732</u> | | <u>2,810,710</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2017.
Signed on behalf of the Board of Directors:



R T A Postlethwaite
Director

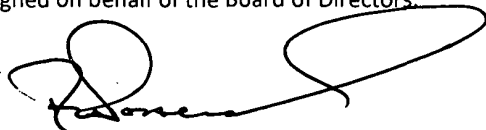
The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited

Company statement of financial position at 31 December 2016

| <i>Company number 01312833</i> | <i>Note</i> | <i>2016</i> <i>£</i> | <i>2016</i> <i>£</i> | <i>2015</i> <i>£</i> | <i>2015</i> <i>£</i> |
|--|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 12,444 | | 4,645 |
| Investments held as fixed assets | 11 | | 640,159 | | 640,159 |
| | | | <hr/> | | <hr/> |
| | | | 652,603 | | 644,804 |
| Current assets | | | | | |
| Debtors | 12 | 800,023 | | 701,671 | |
| Deferred tax on pension liability | 18 | 51,065 | | 36,355 | |
| Cash at bank and in hand | | 727,506 | | 696,830 | |
| | | <hr/> | | <hr/> | |
| | | 1,578,594 | | 1,434,856 | |
| Creditors: amounts falling due within one year | 13 | (262,216) | | (201,895) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 1,316,378 | | 1,232,961 |
| | | | <hr/> | | <hr/> |
| Net assets excluding pension liability and provisions | | | 1,968,981 | | 1,877,765 |
| | | | <hr/> | | <hr/> |
| Pension liability | 18 | (255,325) | | (181,775) | |
| Provisions | 19 | (72,520) | | (72,520) | |
| | | <hr/> | | <hr/> | |
| Net assets including pension liability and provisions | | | 1,641,136 | | 1,623,470 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | | 865,000 | | 865,000 |
| Share premium account | 15 | | 153,580 | | 153,580 |
| Share capital redemption reserve | 15 | | 10,000 | | 10,000 |
| Profit and loss account | 15 | | 612,556 | | 594,890 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds | | | 1,641,136 | | 1,623,470 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2017.
Signed on behalf of the Board of Directors:



R T A Postlethwaite
Director

The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited

Consolidated statement of cash flows for the year ended 31 December 2016

| | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|-----------|-----------|-----------|-----------|
| Cash flows from operating activities | | | | |
| Profit for the financial year | | 354,797 | | 237,652 |
| Adjustments for: | | | | |
| Depreciation of tangible assets | 10,965 | | 57,247 | |
| Pension scheme expense recognised in profit and loss | 162,700 | | 160,400 | |
| Interest received | (16,324) | | (11,142) | |
| Taxation | 94,212 | | 69,673 | |
| Increase in debtors | (194,574) | | (24,532) | |
| Increase in creditors and provisions | 129,339 | | 199,722 | |
| | | 186,318 | | 451,368 |
| Cash from operations | | 541,115 | | 689,020 |
| Income taxes paid | | (101,802) | | (110,999) |
| Net cash generated from operating activities | | 439,313 | | 578,021 |
| Cash flows from investing activities | | | | |
| Purchases of tangible assets | (15,942) | | (5,465) | |
| Interest received | 16,324 | | 11,142 | |
| Net cash from investing activities | | 382 | | 5,677 |
| Cash flows from financing activities | | | | |
| Dividend paid | (47,575) | | (47,575) | |
| Net cash from financing activities | | (47,575) | | (47,575) |
| Net increase in cash and cash equivalents | | 392,120 | | 536,123 |
| Cash and cash equivalents at the beginning of the year | | 3,706,777 | | 3,170,654 |
| Cash and cash equivalents at the end of the year | | 4,098,897 | | 3,706,777 |
| Components of cash and cash equivalents | | | | |
| Cash | | 4,098,897 | | 3,706,777 |

The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited

Consolidated statement of changes in equity for the year ended 31 December 2016

| | Called-up share capital | Share premium account | Share capital redemption reserve | Profit and loss account | Total |
|--|-------------------------------|--------------------------|--|----------------------------|------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2015 | 865,000 | 153,580 | 10,000 | 1,543,973 | 2,572,553 |
| Profit for the year | - | - | - | 237,652 | 237,652 |
| Other comprehensive income/(losses) | - | - | - | 48,080 | 48,080 |
| Dividend paid | - | - | - | (47,575) | (47,575) |
| At 31 December 2015 | 865,000 | 153,580 | 10,000 | 1,782,130 | 2,810,710 |
| Profit for the year | - | - | - | 354,797 | 354,797 |
| Other comprehensive income/(losses) | - | - | - | (105,200) | (105,200) |
| Dividend paid | - | - | - | (47,575) | (47,575) |
| At 31 December 2016 | 865,000 | 153,580 | 10,000 | 1,984,152 | 3,012,732 |

The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited

Company statement of changes in equity for the year ended 31 December 2016

| | Called-up share capital | Share premium account | Share capital redemption reserve | Profit and loss account | Total |
|--|-------------------------------|--------------------------|--|----------------------------|------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2015 | 865,000 | 153,580 | 10,000 | 591,030 | 1,619,610 |
| Profit for the year | - | - | - | 39,415 | 39,415 |
| Other comprehensive income/(losses) | - | - | - | 12,020 | 12,020 |
| Dividend paid | - | - | - | (47,575) | (47,575) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2015 | 865,000 | 153,580 | 10,000 | 594,890 | 1,623,470 |
| Profit for the year | - | - | - | 91,541 | 91,541 |
| Other comprehensive income/(losses) | - | - | - | (26,300) | (26,300) |
| Dividend paid | - | - | - | (47,575) | (47,575) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | 865,000 | 153,580 | 10,000 | 612,556 | 1,641,136 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The notes on pages 12 to 26 form part of these financial statements.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Company information

Alder Asset Management is a limited liability company incorporated in England. The Registered Office is 1 King's Arms Yard, London EC2R 7AF.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to fair value basis for certain financial instruments as specified in the accounting policies below.

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 pound.

The consolidated financial statements incorporate the results of Alder Asset Management Limited and its subsidiary undertakings as at 31 December 2016 using the acquisition method of accounting. Results of the subsidiary undertakings are included from the date of acquisition. The results of Alder Nominees Limited are not included in the consolidated financial statements as it was dormant during the period and the results are considered to be immaterial to the group.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the members.

The company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows

3 Principal accounting policies

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT.

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 fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(Continued)*

3 *Principal accounting policies (continued)*

Tangible assets

Depreciation on leasehold improvements is charged over the life of the lease. All other tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight line basis at an annual rate of 25% so as to write off the cost of tangible assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. Computer software costs are expensed as incurred.

Fixed asset investments

Fixed asset investments are carried at cost transaction value. Provision is made for any impairment in value as appropriate. Interest income from investments is recognised on the accruals basis.

Basic financial liabilities

Basic financial liabilities, including trade creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Fees receivable in foreign currencies are recognised in the profit and loss account at the rates of exchange ruling at the date they were invoiced and foreign exchange differences are taken to the profit and loss account on the date the fees are received.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*Continued*)

3 Principal accounting policies (*continued*)

Pension scheme

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

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice. The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in or as other finance revenue or cost. Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions for dilapidations are recognised on a lease by lease basis and are based on the group's best estimate of the likely committed cash outflow.

Leases

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

4 Judgements and key sources of estimation uncertainty

In the opinion of the directors, there are no significant accounting judgements, estimates or assumptions about the carrying amount of assets and liabilities.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

5 Turnover

Turnover represents the value of investment management and related services rendered in the ordinary course of business during the year, excluding value added tax, and is accounted for on the accruals basis.

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| Turnover | | |
| Rendering of services | 3,838,047 | 3,755,570 |
| | <u> </u> | <u> </u> |
| Turnover analysed by geographical market | | |
| | 2016 £ | 2015 £ |
| UK | 3,406,563 | 3,354,742 |
| Rest of the World | 431,484 | 400,828 |
| | <u> </u> | <u> </u> |
| | 3,838,047 | 3,755,570 |
| | <u> </u> | <u> </u> |

6 Staff costs

| | 2016 £ | 2015 £ |
|-------------------------------|-------------------|-------------------|
| Staff costs consist of: | | |
| Wages and salaries | 2,035,914 | 1,987,382 |
| Social security costs | 257,643 | 250,864 |
| Pension scheme | 355,960 | 346,312 |
| Ill health and life insurance | 30,284 | 29,680 |
| Health insurance | 28,077 | 19,017 |
| | <u> </u> | <u> </u> |
| | 2,707,878 | 2,633,255 |
| | <u> </u> | <u> </u> |

The average number of employees, including directors, during the year and the number at the end of the year was 28 (2015: 27).

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

7 Directors' and key management remuneration

| | 2016 £ | 2015 £ |
|-------------------------------------|----------------|-----------|
| Aggregate remuneration and benefits | 742,826 | 721,855 |

Directors' remuneration is stated in respect of 9 (2015: 8) directors. All of the directors are directors of the subsidiary company, Alder Investment Management Limited. There are no key management who are not directors.

The highest paid director's remuneration totalled £395,407 (2015: £384,450). No pension contributions were made on his behalf in the year (2015: £nil). In addition, another director has accrued benefits under an unfunded defined benefit scheme to the value of £1,021,300 (2015: £727,100) (note 18).

8 Profit on ordinary activities before taxation

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Profit before tax is stated after charging: | | |
| Depreciation | 10,965 | 57,247 |
| Hire of equipment | 22,102 | 21,433 |
| Rent on property | 225,010 | 183,976 |
| Auditor's remuneration for audit - group | 14,650 | 14,000 |
| - company | 7,350 | 7,000 |
| Auditor's remuneration for audit-related assurance services | 2,500 | 2,500 |
| Auditor's remuneration for taxation compliance services | 6,250 | 5,000 |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

9 Taxation

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| (a) Analysis of the charge in the year | | |
| <i>Current tax</i> | | |
| UK corporation tax on result of the year | 127,025 | 103,411 |
| Adjustments in respect of previous periods | (273) | 523 |
| Total current tax | 126,752 | 103,934 |
| <i>Deferred tax</i> | | |
| Unfunded pension scheme timing differences | (32,540) | (32,080) |
| Other timing differences | 3,545 | (2,181) |
| | 97,757 | 69,673 |

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Profit on ordinary activities before tax | 452,554 | 307,325 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%) | 90,511 | 62,233 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 37,997 | 33,879 |
| Capital allowances for period less than depreciation | (1,483) | 7,299 |
| Current tax charge for year (note 9(a)) | 127,025 | 103,411 |
| <i>Reconciliation to profit per the income statement:</i> | | |
| Unfunded pension scheme timing differences | (32,540) | (32,080) |
| Other timing differences | 3,545 | (2,181) |
| Adjustments in respect of previous periods | (273) | 523 |
| Tax expense for the year | 97,757 | 69,673 |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*Continued*)

10 Tangible fixed assets

| | Group Fixtures and fittings £ | Company Fixtures and fittings £ |
|------------------------------------|--|--|
| <i>Cost</i> | | |
| At 1 January 2016 | 469,253 | 370,153 |
| Additions | 15,942 | 12,647 |
| Disposals | - | - |
| | <hr/> | <hr/> |
| At 31 December 2016 | 485,195 | 382,800 |
| | <hr/> | <hr/> |
| <i>Accumulated depreciation</i> | | |
| At 1 January 2016 | 454,986 | 365,508 |
| Charge for the year | 10,965 | 4,848 |
| Eliminated in respect of disposals | - | - |
| | <hr/> | <hr/> |
| At 31 December 2016 | 465,951 | 370,356 |
| | <hr/> | <hr/> |
| <i>Net book value</i> | | |
| At 31 December 2016 | 19,244 | 12,444 |
| | <hr/> | <hr/> |
| At 31 December 2015 | 14,267 | 4,645 |
| | <hr/> | <hr/> |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

11 Investments held as fixed assets

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Investment in subsidiary at cost | - | - | 640,141 | 640,141 |
| Other investments: | | | | |
| Investment in Alder Nominees Ltd | 1 | 1 | - | - |
| Investment in Thewealthworks Ltd at cost | 18 | 18 | 18 | 18 |
| Total investments | 19 | 19 | 640,159 | 640,159 |

Alder Asset Management Limited owns 100% of the issued share capital of Alder Investment Management Limited, a company incorporated in England and Wales. The principal activity of the company is the management of clients' investments. The subsidiaries' results have been included in the consolidated profit and loss account on page 6.

Alder Nominees Limited is a non-trading company formed to hold client investments for, and wholly owned by, Alder Investment Management Limited.

Alder Asset Management Limited owns 1.6% of the issued share capital of Thewealthworks Limited, a company incorporated in England and Wales. The principal activity of Thewealthworks Limited is the management of a trust accounting development software.

12 Debtors

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 222,432 | 42,738 | 14,523 | 38,902 |
| Amounts owed by subsidiary undertaking | - | - | 750,259 | 601,100 |
| Other debtors | 11,700 | 10,760 | 1,807 | 1,791 |
| Prepayments and accrued income | 166,164 | 148,680 | 20,445 | 43,711 |
| | 400,296 | 202,178 | 787,034 | 685,504 |
| Amounts falling due after more than one year: | | | | |
| Deferred taxation (note 17) | 16,888 | 20,433 | 12,989 | 16,167 |
| | 417,184 | 222,611 | 800,023 | 701,671 |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

13 Creditors: amounts falling due within one year

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 8,997 | 68,573 | 1,994 | 16,870 |
| Corporation tax | 78,436 | 53,487 | 16,002 | 11,692 |
| Other taxation and social security | 283,144 | 231,321 | 109,787 | 90,469 |
| Accruals | 262,475 | 125,383 | 134,433 | 82,864 |
| | <u>633,052</u> | <u>478,764</u> | <u>262,216</u> | <u>201,895</u> |

14 Share capital

| | Authorised | | | |
|----------------------------|------------------------------------|------------------|------------------|------------------|
| | 2016 Number | 2015 Number | 2016 £ | 2015 £ |
| Ordinary shares of £1 each | 500,000 | 500,000 | 500,000 | 500,000 |
| 'B' shares of £1 each | 500,000 | 500,000 | 500,000 | 500,000 |
| | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| | Allotted, called up and fully paid | | | |
| | 2016 Number | 2015 Number | 2016 £ | 2015 £ |
| Ordinary shares of £1 each | 415,000 | 415,000 | 415,000 | 415,000 |
| 'B' shares of £1 each | 450,000 | 450,000 | 450,000 | 450,000 |
| | <u>865,000</u> | <u>865,000</u> | <u>865,000</u> | <u>865,000</u> |

The ordinary shares and the 'B' shares rank pari passu as to dividends and distribution of assets on liquidation but, on a poll, whereas ordinary shareholders have one vote per share the maximum aggregate number of votes attaching to the 'B' shares is 5,000.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

15 Reserves

| | Group £ | Company £ |
|---|------------|--------------|
| Profit and loss account | | |
| At 1 January 2016 | 1,782,130 | 594,890 |
| Profit for the financial year on ordinary activities after taxation | 354,797 | 91,541 |
| Unfunded defined benefit pension actuarial loss | (105,200) | (26,300) |
| Dividend paid (5.5 p per share) | (47,575) | (47,575) |
| | <hr/> | <hr/> |
| At 31 December 2016 | 1,984,152 | 612,556 |
| | <hr/> | <hr/> |
| Share premium account | | |
| At 1 January 2016 and 31 December 2016 | 153,580 | 153,580 |
| | <hr/> | <hr/> |
| Share capital redemption reserve | | |
| At 1 January 2016 and 31 December 2016 | 10,000 | 10,000 |
| | <hr/> | <hr/> |

The following describes the nature and purpose of each reserve within shareholders' funds:

| Reserve | Description and purpose |
|----------------------------------|--|
| Share premium | Amount subscribed for share capital in excess of nominal value. |
| Share capital redemption reserve | Amount transferred from capital on redemption of issued shares. |
| Profit and loss account | Cumulative net gains and losses recognised in the profit and loss account. |

Alder Asset Management Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

16 Commitments under operating leases

As at 31 December 2016 the group had total commitments under non-cancellable operating leases as set out below:

| | Land & Buildings 2016 £ | Other 2016 £ | Land & Buildings 2015 £ | Other 2015 £ |
|---------------------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| Operating leases which expire: | | | | |
| Within one year | 239,532 | 24,116 | - | 10,168 |
| Within two to five years | 657,956 | 16,076 | 1,367,710 | - |
| After five years | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

17 Deferred taxation

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Deferred tax arose as follows: | | | | |
| Timing differences | 16,888 | 20,433 | 12,989 | 16,167 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 1 January 2016 | 20,433 | | 16,167 | |
| Deferred tax credit in profit and loss account | (3,545) | | (3,178) | |
| | <u> </u> | | <u> </u> | |
| At 31 December 2016 | <u>16,888</u> | | <u>12,989</u> | |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 *(Continued)*

18 Pension scheme

The total pension cost for the group charged in the 2016 financial statements was £355,960 (2015: £346,312). There were no outstanding contributions at the balance sheet date (2015: nil). Prepaid pension contributions totalling £18,829 at the balance sheet date (2015: £Nil) are included in debtors.

(a) Western United Group Pension Scheme/Western Pension Trust

Alder Asset Management Limited ("the Company") and its subsidiary company participated during the year in the Western United Group Pension Scheme ("the Scheme") until the Scheme completed winding up in July 2016. The Scheme was made up of a closed defined benefit ("DB") section, which provided benefits based on length of pensionable service and pensionable salary at retirement or earlier deferment, and a defined contribution ("DC") section, which provided benefits based on the amounts contributed in respect of each member and the returns achieved on their invested assets to retirement.

When the Scheme wound up, all the Scheme's DB liabilities and corresponding assets were transferred to an insurance company. The completion of the wind up means that the Company no longer has defined benefit obligations relating to the Scheme.

As part of the wind up, the DC section of the Scheme was transferred to a new DC arrangement, the Western Pension Trust. During 2016 the group contributed to the DC section of the Scheme until its wind up and subsequently contributed to the Western Pension Trust to cover future accrual for its employees. DC contributions during 2016 totalled £180,391 including £18,829 of prepaid contributions.

(b) Unfunded Executive Pension Arrangement

The Company provides retirement benefits based on final salary for one director via a defined benefit pension arrangement. The arrangement is unfunded, and so there are no assets backing the liability.

The valuation used for FRS102 disclosures was undertaken by a qualified actuary and has been based on a full assessment of the liabilities of the arrangement as at 31 December 2016. The present values of the defined benefit obligation and the service cost were measured using the projected unit credit method.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

| | | | | |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| Reconciliation of funded status to balance sheet | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
| | £ | £ | £ | £ |
| Fair value of scheme assets | - | - | - | - |
| Present value of scheme obligations | (1,021,300) | (727,100) | (255,325) | (181,775) |
| Pension liability | | | | |
| Deficit in scheme | (1,021,300) | (727,100) | (255,325) | (181,775) |
| Deferred taxation | | | | |
| Related deferred tax asset | 204,260 | 145,420 | 51,065 | 36,355 |
| Analysis of profit and loss account charge | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
| | £ | £ | £ | £ |
| Current service cost | 133,000 | 137,100 | 33,250 | 34,275 |
| Interest cost | 29,700 | 23,300 | 7,425 | 5,825 |
| Scheme expense recognised in profit and loss | 162,700 | 160,400 | 40,675 | 40,100 |
| Related deferred tax asset | (32,540) | (32,080) | (8,135) | (8,020) |
| Net profit and loss charge | 130,160 | 128,320 | 35,240 | 32,080 |
| Analysis of amounts recognised in other comprehensive income | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
| | £ | £ | £ | £ |
| Total actuarial (losses)/gains | (131,500) | 60,100 | (32,875) | 15,025 |
| Related deferred tax asset | 26,300 | (12,020) | 6,575 | (3,005) |
| Net gains/(losses) recognised in other comprehensive income | (105,200) | 48,080 | (26,300) | 12,020 |
| Changes to the present value of the defined benefit obligation during the year | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
| | £ | £ | £ | £ |
| Opening defined benefit obligation | 727,100 | 626,800 | 181,775 | 156,700 |
| Current service cost | 133,000 | 137,100 | 33,250 | 34,275 |
| Interest cost | 29,700 | 23,300 | 7,425 | 5,825 |
| Actuarial gain/(loss) on scheme liabilities | 131,500 | (60,100) | 32,875 | (15,025) |
| Closing defined benefit obligation | 1,021,300 | 727,100 | 255,325 | 181,775 |

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

18 Pension scheme (continued)

| | 2016 | 2015 |
|--|------|------|
| Key Assumptions | | |
| | % | % |
| RPI inflation | 3.25 | 3.10 |
| CPI inflation | 2.15 | 2.00 |
| Rate of general long-term increase in salaries | | |
| - Pre 1 August 2011 service | 4.75 | 4.60 |
| - Post 31 July 2011 service | 3.25 | 3.10 |
| Rate of pension increase to pensions in payment: | | |
| - RPI capped at 5% pa | 3.20 | 3.05 |
| - RPI capped at 2.5% pa | 2.20 | 2.20 |
| Discount rate for scheme liabilities | 2.70 | 3.75 |

Significant demographic assumptions

The mortality assumption uses 75% of mortality rates included in the standard tables known as "S2NXA". Allowance for future improvements is made in line with the CMI2015 projections with a long term improvement rate of 1.5% pa.

Under this assumption, a 60 year old man is assumed to live for another 29.8 years and a 60 year old woman for 32.0 years

19 Provisions

| | Dilapidations provision Group £ | Company £ |
|---|---------------------------------------|---------------|
| As at 1 January and 31 December 2016 | 72,520 | 72,520 |

The dilapidations provision is based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of the lease term.

The 1 King's Arms Yard lease expires in 2020. Contractual amounts are due to be incurred at the end of the lease term.

Alder Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

20 Related party disclosure

100% of the company's turnover arises from services provided to members of the Vestey Family (five of whom were directors of the company during 2015), their spouses, companies owned by family trusts and pension funds set up to provide benefits for current and previous employees of companies controlled or formerly controlled by members of the Vestey Family. Additionally, all of the directors except the Chairman are trustees of a number of the Vestey family settlements. All fees charged are at arm's length on commercial terms.

| | Group 2016 £ | Group 2015 £ | Company 2016 £ | Company 2015 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Fees received from related parties | <u>1,404,588</u> | <u>1,498,209</u> | <u>667,023</u> | <u>666,739</u> |

Of these amounts £2,122 Group (Company: £1,155) were outstanding at 31 December 2016 (2015: £385 Group; £385 Company).

There were no loans made by directors to the group and company during the year and there were no amounts outstanding at 31 December 2016 (2015: £nil). There were no loans made to directors by the group (2015: £nil).

21 Immediate and ultimate controlling party

In the opinion of the directors, there is no single ultimate controlling party of the group.