



GVQ Investment Management Limited

Registered Number - 4493500

**Annual Report and Financial Statements
For the year ended 31 December 2019**



GVQ Investment Management Limited 16 Berkeley Street London W1J 8DZ Tel: +44 (0)20 3907 4190 Fax: +44 (0)20 3907 3913 www.gvqim.com

REGISTERED OFFICE: 16 BERKELEY STREET LONDON W1J 8DZ REGISTERED IN ENGLAND: NO.4493500 AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

GVQ Investment Management Limited

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GVQ Investment Management Limited

Strategic Report for the year ended 31 December 2019

Principal activities and strategy

GVQ Investment Management Limited (the 'Company' or the 'Firm') is a London based specialist fund manager and advisor, created with the objective of adopting private equity investment techniques and adapting them for use in the public equity markets. The registered office of the Company is 16 Berkeley Street, London, W1J 8DZ. The Company is a Limited Company (by shares) and incorporated in the United Kingdom.

The Company was authorised as a full scope AIFM on 22 July 2014 and currently offers three investment strategies that follow the same distinctive investment process and are driven by a single research platform:

GVQ UK Focus Fund

GVQ UK Focus Fund ('UKFF') invests in the equity of UK publicly listed companies where our private equity based research indicates they are undervalued and where we have identified a specific catalyst that should lead to an increase in shareholder value. This is a focused portfolio typically made up of up to 35 holdings, offering full liquidity and transparency.

GVQ Opportunities Fund

GVQ Opportunities Fund ('OPPS') invests in the equity of up to 45 UK quoted companies which have been identified as undervalued using private equity based valuation techniques. The Fund may also invest in up to 20% of its net asset value in non-UK domiciled companies.

Strategic Equity Capital plc

Strategic Equity Capital plc ('SEC') is a London-listed Investment Trust which seeks to create shareholder value through constructive corporate engagement with publicly quoted UK companies. SEC listed on the London Stock Exchange on 19 July 2005, having raised funds from a wide range of investors including institutions, pension funds and private banks.

Key performance indicators

The Directors consider the key performance indicators for the Company to be as follows:

Measure	2019	2018	Change
Management Fee income (£)	3,621,246	4,458,190	(836,944)
Performance Fee income (£)	484,494	-	484,494
Profit before tax (£)	642,459	838,891	(196,432)
Funds Under Management (£'m)	546	492	54

During the year funds under management increased from £492m as at 31 December 2018 to £546m as at 31 December 2019. During the year UKFF generated a total return of 33.1% (2018: -17.7%), OPPS generated a total return of 29.1% (2018: -17.1%) and SEC generated a total return of 23.1% (2018: -14.1%). Management fee income decreased from £4,458,190 in 2018 to £3,621,245 in 2019 as a result of decreased average funds under management. However, the Company did earn a performance fee for the year of £484,494 (2018: Nil). Overall, the total fee income decreased from £4,458,190 in 2018 to £4,105,740 in 2019.

Likely future developments

The Company aims to increase funds under management through positive fund performance and net fund inflows.

GVQ Investment Management Limited

Strategic Report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties

The Directors are responsible for the risk management of the Company from a strategic, business and process risk perspective. The Directors have assessed the currency risk, operational risk, client risk, price risk, credit risk and liquidity risk exposure of the Company based on underlying activity performed.

Market Price risk

The Company is exposed to market price risk as management fee income is calculated as a percentage of net asset value of the managed funds.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to credit risk in relation to management fee payments, and deposits held with the bank.

Liquidity risk

The Firm does not maintain any credit, overdraft or loan facilities. For this reason, the Directors consider any liquidity risk to be negligible.

Covid-19 risk

The Company has contingency plans in place to deal with major events to ensure the company can continue to operate effectively to serve and support its customers and meet its regulatory obligations. The Directors continue to monitor the Covid-19 pandemic situation as it evolves and assess its affect and potential future affect on financial markets, the profitability of the Company and its capital resource requirements.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

When setting the Company strategy, the Directors consider the potential consequence of decisions which may have a long term impact on all of the Company's stakeholders. The key stakeholders of the Company are its clients, suppliers, shareholders and employees. The Directors also consider the impact of their decisions and of the operations of the Company in general, on the community and the environment at large.

The Directors regularly engage with stakeholders in order to gain information necessary to make informed decisions having regard to stakeholder interests.

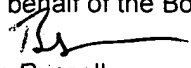
The Directors understand that culture, values and standards underpin how the Company creates and sustains value over the long term and are a key element of how it maintains a reputation for high standards of business conduct.

The Directors believe the capital allocation and dividend policies of the Company are appropriate to promote its long term success.

Ultimate parent undertaking

The Company is a wholly owned subsidiary of GVQIM Holdings Limited

On behalf of the Board, 18 March 2020


Ben Russell
Director

GVQ Investment Management Limited

Report of the Directors for year ended 31 December 2019

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 December 2019.

Directors

The Directors in office during the year and as at the date of this report were:

Ben Russell
Jamie Seaton
Jonathan Morgan

Results and dividends

During the year the Company made a profit after tax for the year of £542,085 (2018: profit of £675,011). A dividend of £321,412 was paid during the year to the parent company to cover a deferred consideration payment of the same amount to the former owner, RIT Capital Partners plc (2018: £1,500,000 was paid to the former owner, RIT Capital Partners plc).

Directors and directors' interests

Jamie Seaton is a 50% shareholder of GVQIM Holdings Limited and Jonathan Morgan is a 50% shareholder of GVQIM Holdings Limited.

Directors' and officers' liability insurance

The Company maintains its own directors' and officers' liability insurance policy. The policy includes a qualifying third party indemnity provision which was in force during the financial year and also at the date of approval of the financial statements.

Financial instruments and risk profile

The Company's financial instruments are discussed in Note 1 and Note 17. The main financial risks faced by the Company and the management of those risks are set out in Note 17.

Going concern

The Directors believe that the Company is positioned to manage its business risks successfully and, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company made profit after tax in the year of £542,085 (2018: £675,011) and had a cash balance of £3,102,671 as at 31 December 2019 (2018: £3,031,921). Therefore, the Company has adequate financial resources to continue in operational existence. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

GVQ Investment Management Limited

Report of the Directors for year ended 31 December 2019 (continued)

Matters covered in the Strategic Report

The Company's principal risks and uncertainties, key performance indicators and s172 Statement are set out in the Strategic Report.

Independent Auditors

Under section 487(2) of the Companies Act 2006, Rawlinson & Hunter Audit LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Provision of information to auditors

With regard to the preparation of the Annual Report and Financial Statements of the Company for the year ended 31 December 2019, the Directors have confirmed to the auditors that:

- so far they are aware, there is no relevant audit information of which the auditors are unaware; and
- they have taken the steps appropriate as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Pillar 3 Disclosures

The Company's Pillar 3 disclosures are published on the Company's website www.gvqim.com

On behalf of the Board, 18 March 2020



Ben Russell
Director

GVQ Investment Management Limited

Statement of Directors' responsibilities in respect of the financial statements for year ended 31 December 2019

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

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

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

The Directors are responsible for 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.

The Directors 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.

GVQ Investment Management Limited

Independent auditors' report to the members of GVQ Investment Management Limited

Opinion

We have audited the financial statements of GVQ Investment Management Limited ("the Company") for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Cash flow statement, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our Auditors' 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.

GVQ Investment Management Limited
Independent auditors' report to the members of GVQ Investment Management Limited (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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

GVQ Investment Management Limited
Independent auditors' report to the members of GVQ Investment
Management Limited (continued)

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 Auditors' 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.

Rawlinson & Hunter Audit LLP,

Kulwarn Nagra
Senior Statutory Auditor
for and on behalf of

Rawlinson & Hunter Audit LLP
Statutory Auditor & Chartered Accountants
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

18 March 2020

GVQ Investment Management Limited

Statement of comprehensive income for the year ended 31 December 2019

	Notes	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Operating income			
Fee income		4,105,740	4,458,190
Total revenue	2	4,105,740	4,458,190
Operating expenses			
Administrative expenses	3	(3,459,457)	(3,619,348)
Operating profit		646,283	838,842
Other operating income		14,385	6,559
Exchange loss		(8,339)	(6,510)
Finance costs	6	(9,870)	-
Profit before tax		642,459	838,891
Tax	7	(100,374)	(163,880)
Profit for the year and total comprehensive income		542,085	675,011

All items in the above statement derive from continuing operations.

The notes on pages 15 to 28 form an integral part of these financial statements.

GVQ Investment Management Limited

**Statement of changes in equity for the year ended
31 December 2019**

	Called up Share capital	Share Premium	Capital contribution reserve	Profit and loss reserve	Total equity
	£	£	£	£	£
For the year ended 31 December 2019					
Balance as at 1 January 2019	799,999	672,800	500,000	1,249,829	3,222,628
Profit for the year and total comprehensive income	-	-	-	542,085	542,085
Dividend paid	-	-	-	(321,412)	(321,412)
Balance at 31 December 2019	799,999	672,800	500,000	1,470,502	3,443,301
For the year ended 31 December 2018					
Balance as at 1 January 2018	799,999	672,800	500,000	2,074,818	4,047,617
Profit for the year and total comprehensive income	-	-	-	675,011	675,011
Dividend paid	-	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2018	799,999	672,800	500,000	1,249,829	3,222,628

The notes on pages 15 to 28 form an integral part of these financial statements.

GVQ Investment Management Limited

Statement of financial position as at 31 December 2019

	Notes	As at 31 December 2019 £	As at 31 December 2018 £
Non-current assets			
Property, plant and equipment	8	79,776	-
Deferred tax asset	11	9,603	11,105
		89,379	11,105
Current assets			
Trade and other receivables	9	1,037,981	1,111,002
Cash and cash equivalents	9	3,102,671	3,031,921
		4,140,652	4,142,923
Total assets		4,230,031	4,154,028
Current liabilities			
	10	(786,730)	(931,400)
Net assets		3,443,301	3,222,628
Equity			
Called up share capital	12	799,999	799,999
Share Premium	12	672,800	672,800
Capital contribution reserve		500,000	500,000
Profit and loss reserve	13	1,470,502	1,249,829
Total equity		3,443,301	3,222,628

The financial statements on pages 11 to 28 were approved by the Board of Directors on 18 March 2020 and were signed on its behalf by:



Ben Russell
Director

GVQ Investment Management Limited

Cash flow statement for the year ended 31 December 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	15	562,212	104,257
Investing activities			
Purchase of property, plant and equipment		-	(1,233)
Net cash used in investing activities		-	(1,233)
Financing activities			
Dividend paid	14	(321,412)	(1,500,000)
Payments of leasing liabilities	8	(161,711)	-
Net cash used in financing activities		(483,123)	(1,500,000)
Net increase/(decrease) in cash and cash equivalents		79,089	(1,396,976)
Cash and cash equivalents at beginning of year		3,031,921	4,435,407
Effect of foreign exchange on cash and cash equivalents		(8,339)	(6,510)
Cash and cash equivalents at end of year		3,102,671	3,031,921

The notes on pages 15 to 28 form an integral part of these financial statements.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019

1. Accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

International Financial Reporting Standards as adopted by the EU differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). References to International Financial Reporting Standards hereafter should be construed as references to International Financial Reporting Standards as adopted by the EU.

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

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The accounting policies have been applied consistently.

Critical accounting estimates and judgements

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. The Directors do not consider there to be any critical accounting estimates and judgements in the preparation of these financial statements.

Financial instruments

Financial assets and financial liabilities are made up of accounts receivable, accounts payable and cash and cash equivalents. The Directors consider the fair values of accounts receivable and accounts payable approximate their carrying value. The Directors do not believe that the Company is exposed to significant credit risk, liquidity risk, currency risk or interest rate risk and have not taken any specific actions to mitigate these financial risks. There are no other financial instruments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Management fees are calculated as a percentage of the net asset value of the funds. Management fees are invoiced quarterly in arrears.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Revenue recognition (continued)

Performance fees accrued by Strategic Equity Capital plc are only recognised once they become payable. GVQ UK Focus Fund and GVQ Opportunities Fund do not pay performance fees.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is classified within operating activities in the cash flow statement.

Operating Expenses

Costs are recognised on an accruals basis which means they are recorded when the service is performed regardless of when the expense is settled.

Foreign currencies

The functional currency of the Company is pounds sterling. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Trade and other receivables

Trade and other receivables are measured on recognition at fair value and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of comprehensive income based on the expected loss model at recognition in accordance with IFRS 9.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Fixtures and equipment are stated at cost, including direct acquisition costs, less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. The rates used for calculation of depreciation are as follows:

Furniture and Fixtures	20%
Office Equipment	33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Accounting policies (continued)

Retirement benefit costs

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

Summary of new standards and interpretations applied or not applied

Accounting policies have been consistently applied other than where new policies have been adopted. The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2019:

IFRS 16 Leases

IFRS 16 replaces IAS 17 leases effective for the reporting period commencing 1 January 2019. The new standard defines a lease as a contract that has the 'right to control the use of an identified asset for a period of time in exchange for consideration'.

The mechanism of assessing whether a contract is or contains a lease lies with the customer and it must contain both items mentioned below to exist:

- 1) The right to obtain substantially all the economic benefits from use of the identified asset, and
- 2) The right to direct the use of the identified asset.

IFRS 16 removes the classification of leases as either operating lease or finance leases for lessees. It recognises all leases on the lessee's Statement of financial position (subject to certain exemptions). The lessee is required to recognise right of use asset (measured at cost) and corresponding lease liabilities (measured at present value of future lease payments discounted using a discount rate of an incremental borrowing rate) in the Statement of financial position for all leases. However, this does not apply for short term lease and leases of low value.

Depreciation is charged on the right of use asset on a straight line basis over the expected life of the lease. The lease liability will be reduced as lease payments are made with interest expense being recognised as a component of finance costs.

A lessee can apply IFRS 16 either by full retrospective approach or modified retrospective approach. The Company intends to use the modified retrospective approach and comparative information is not restated, the cumulative effect of applying IFRS 16 is presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

On 1 January 2019 the Company recognised right of use assets of £231,616 and lease liabilities of £231,616, with no impact on retained earnings on adoption of IFRS 16. The incremental borrowing rate used is 6.50%. This asset is being amortised on a straight line basis over the lease term.

Other standards

Other future developments include the International Accounting Standards Board ('IASB') undertaking a comprehensive review of existing IFRSs. The Company will consider the financial impact of these standards as they are finalised.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. Total Revenue

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Income from investment management services	3,621,246	4,458,190
Income from performance fees	484,494	-
	4,105,740	4,458,190

3. Administrative expenses

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Auditors' remuneration for statutory audit	13,000	20,000
Depreciation (Note 8)	-	22,304
Right-of-use asset depreciation (Note 8)	151,840	-
Staff costs (Note 4)	2,473,401	2,592,939
General expenses	817,216	984,105
	3,455,457	3,619,348

4. Staff costs (including Directors' emoluments)

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Wages and salaries	1,920,699	2,032,831
Social security costs	256,749	269,934
Other pension costs	216,961	224,495
Other staff costs	78,992	65,679
	2,473,401	2,592,939

The Company has a total of 10 employees which were divided into 6 employees performing investment management activities and 4 employees performing support activities (2018: 12 employees – 6 investment management and 6 support). The monthly average number of staff employed by the Company was 11 (2018: 12).

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Directors' emoluments

The emoluments owing to the Directors of the Company are as follows:

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Aggregate remuneration in respect of qualifying services	673,919	672,434
Aggregate amounts paid into defined contribution pension schemes	60,000	60,000
In respect of the highest paid director:		
Aggregate remuneration	355,532	354,955
Company contributions to defined contribution pension schemes	30,000	30,000

6. Finance Costs

	31 December 2019 £	31 December 2018 £
Interest expense in respect of lease liabilities (Note 8)	9,870	-
	9,870	-

7. Tax

Analysis of charge in year

Major components of the income tax expense for the years ended 31 December 2019 and 31 December 2018:

	2019 £	2018 £
<i>Current tax charge</i>		
Current tax on profits for the year	100,441	163,242
Total current tax	100,441	163,242
<i>Adjustments in respect of prior years</i>		
	(1,569)	-
<i>Deferred tax:</i>		
Current year	1,502	638
Adjustments in respect of prior years	-	-
Effect of changes in tax rates	-	-
Total deferred tax (Note 11)	1,502	638
Tax per income statement	100,374	163,880

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7. Tax (continued)

The tax assessed for the year is lower (2018: higher) than the standard rate of corporation tax in the UK for a large company. The differences are explained below:

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Profit before tax	642,459	838,891
Tax calculated at the UK rate of 19.00% (2018: 19.00%)	122,067	159,389
Effect of:		
Adjustments in respect of prior years	(1,569)	341
Expenses not deductible	727	1,080
Tax rate changes	-	-
Group relief claimed	(19,091)	(475)
Deferred tax not recognized & rounding	(1,760)	3,545
Tax charge for the year	100,374	163,880

8. (a) Property, plant and equipment

	Office Equipment £	Furniture and Fixtures £	Total £
Cost			
At 1 January 2019 and at 31 December 2019	9,936	49,808	59,744
Accumulated Depreciation			
At 1 January 2019 and at 31 December 2019	9,936	49,808	59,744
Net book value			
At 31 December 2018 and 31 December 2019	-	-	-

8. (b) Leases

On the adoption of IFRS 16 on 1 January 2019, the Company recognised a right-of-use asset in respect of buildings of £231,616 and a lease liability of the same amount. During the year, the depreciation charge in respect of this right-of-use asset was £151,840 whilst an interest expense of £9,870 has also been recognised. At the year end, the Company is carrying on its Statement of financial position a right-of-use asset of £79,776, with a liability of the same amount (Note 10). Total cash outflow for leases in 2019 was £161,711.

GVQ Investment Management Limited
Notes to the financial statements for the year ended
31 December 2019 (continued)

9. Current assets

Trade and other receivables	31 December 2019	31 December 2018
	£	£
Amounts owed by group companies	-	13
Prepayments and other debtors	124,576	130,212
Accrued investment management fee income	913,405	980,777
	1,037,981	1,111,002

Cash and Cash Equivalents	31 December 2019	31 December 2018
	£	£
Cash at Bank	3,102,671	3,031,921

Cash at bank earns interest at floating rates.

10. Current liabilities

Trade and Other payables	31 December	31 December
	2019	2018
	£	£
Tax payable (Note 11)	100,441	163,242
Other creditors and accruals	606,513	768,158
Lease liabilities (Note 8)	79,776	-
	786,730	931,400

GVQ Investment Management Limited
Notes to the financial statements for the year ended
31 December 2019 (continued)

10. Current liabilities (continued)

Tax Payable	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Balance brought forward	163,242	-
Adjustments in respect of prior years (Note 7)	(1,569)	-
Corporation tax paid (Note 15)	(161,673)	-
Corporation tax charged (Note 7)	100,441	163,242
Balance carried forward	100,441	163,242

11. Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17%, reflecting the rate expected to be applicable at the time the net deferred tax asset is realised (2018: 17%). The deferred tax asset relates to non trading losses brought forward to be utilised against future non trade interest receivable.

£2,458 (2018: £1,250) of the deferred tax asset is expected to be recovered or settled no more than 12 months after the reporting period and £7,145 (2018: £9,855) is expected to be recovered or settled more than 12 months after the reporting period.

The movement on deferred tax account is as shown below:

	For the year ended 31 December 2019 £	For the year ended 31 December 2018 £
Balance brought forward	11,105	11,743
Income statement charge	(1,502)	(638)
Balance carried forward	9,603	11,105

Deferred tax assets	Accelerated capital allowances £	Temporary differences & Tax losses £	Total £
Balance at 1 January 2019	-	11,105	11,105
Credit / (charge) to income statement	1,161	(2,663)	(1,502)
Balance at 31 December 2019	1,161	8,442	9,603

GVQ Investment Management Limited
Notes to the financial statements for the year ended
31 December 2019 (continued)

12. Called up Share capital and Share Premium

	Ordinary Shares	Ordinary Shares	Share Premium
		£	£
At 1 January 2019	80,000,001	799,999	672,800
Issue of shares in 2019	-	-	-
At 31 December 2019	80,000,001	799,999	672,800
At 1 January 2018	80,000,001	799,999	672,800
Issue of shares in 2018	-	-	-
At 31 December 2018	80,000,001	799,999	672,800

The par value of ordinary shares is £0.01.

13. Profit and loss reserve

	31 December 2019	31 December 2018
	£	£
Balance brought forward	1,249,829	2,074,818
Dividend Paid (Note 14)	(321,412)	(1,500,000)
Profit for the year	542,085	675,011
Balance carried forward	1,470,502	1,249,829

14. Dividends

	31 December 2019	31 December 2018
	£	£
Equity - ordinary		
Interim Paid: 0.402p (2018: 1.875p) per 1p share	321,412	1,500,000
	321,412	1,500,000

15. Reconciliation of profit before tax to net cash inflow/outflow from operating activities

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Profit before tax	642,459	838,891
Adjustments for:		
Exchange loss	8,339	6,510
Depreciation	151,840	22,304
Finance costs	9,870	-
Operating cash flows before movements in working capital	812,508	867,705
Decrease in receivables	73,021	286,883
(Decrease) in payables	(161,644)	(1,050,331)
Cash generated from operations	723,885	104,257
Taxes paid	(161,673)	-
Net cash generated from operating activities	562,212	104,257

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Related party transactions

Jamie Seaton is 50% shareholder of GVQIM Holdings Limited and Jonathan Morgan is a 50% shareholder of GVQIM Holdings Limited. GVQIM Holdings Limited is the parent company of GVQ Investment Management Limited. During the year, the Company declared and paid a dividend of £321,412 to the parent company to cover a deferred consideration payment of the same amount to the former owner, RIT Capital Partners plc.

17. Risk and Capital Management Policies

Client risk

The main risk faced by the Company is the potential loss of investment management fee contracts. In certain circumstances, investors may be able to terminate these contracts. This could arise because of poor investment advice, significant errors, negligence, fraud or other matters. These risks are mitigated by implementing a rigorous investment process for approving investment decisions. The potential for significant errors is also reduced by using well established third party administrators to deal with the day-to-day operations of the Firm.

Financial assets and liabilities of the Company

The financial assets of the Company are as follows:

	Floating Rate 2019 £	Fixed Rate 2019 £	Non interest Bearing 2019 £	Total 2019 £
Currency denomination of assets as at 31 December 2019:				
Sterling	3,102,671	-	1,037,981	4,140,652

	Floating Rate 2018 £	Fixed Rate 2018 £	Non interest Bearing 2018 £	Total 2018 £
Currency denomination of assets as at 31 December 2018:				
Sterling	3,031,921	-	1,111,002	4,142,923

The financial liabilities of the Company are as follows:

	Floating Rate 2019 £	Fixed Rate 2019 £	Non Interest Bearing 2019 £	Total 2019 £
Currency denomination of liabilities as at 31 December 2019:				
Sterling	-	-	686,289	686,289

	Floating Rate 2018 £	Fixed Rate 2018 £	Non Interest Bearing 2018 £	Total 2018 £
Currency denomination of liabilities as at 31 December 2018:				
Sterling	-	-	758,158	758,158

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Risk and Capital Management Policies (continued)

Maturity analysis

Financial assets (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realised.

Financial liabilities (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

2019:

	<1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
	£	£	£	£	£	£
Financial assets						
Cash and cash equivalents	3,102,671	-	-	-	-	3,102,671
Prepayments and other debtors	11,456	41,850	30,018	41,250	-	124,574
Accrued investment management fee income	-	913,405	-	-	-	913,405
	3,114,127	955,255	30,018	41,250	-	4,140,650
Financial liabilities						
Other creditors and accruals	(525,004)	(74,009)	(87,276)	-	-	(686,289)
	(525,004)	(74,009)	(87,276)	-	-	(686,289)
Available liquidity	2,589,123	881,246	(57,258)	41,250	-	3,454,361

2018:

	<1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
	£	£	£	£	£	£
Financial assets						
Cash and cash equivalents	3,031,921	-	-	-	-	3,031,921
Prepayments and other debtors	10,868	91,477	27,880	-	-	130,225
Accrued investment management fee income	-	980,777	-	-	-	980,777
	3,042,789	1,072,254	27,880	-	-	4,142,923
Financial liabilities						
Other creditors and accruals	(660,129)	(95,179)	(12,850)	-	-	(768,158)
	(660,129)	(95,179)	(12,850)	-	-	(768,158)
Available liquidity	2,382,660	977,075	15,030	-	-	3,374,765

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Risk and Capital Management Policies (continued)

Interest rate risk

Bank deposits are subject to interest rate risk. At 31 December 2019, the Company held cash of £3.1 million (2018: £3.0 million) earning interest at market rates.

If the interest rates on cash deposits had been 200 basis points higher during the year, the profit for the year would have increased by £61,346 (2018: increased by £74,673). If the interest rates on cash deposits had been 200 basis points lower, the profit for the year would have decreased by £14,367 (2018: decreased by £6,559).

Credit risk

Accrued investment management fees amounting to £913,405 (2018: £980,777) and other receivables amounting to £124,576 (2018: £130,225) were exposed to credit risk as at 31 December 2019, although the Directors consider such risk to be negligible.

Currency risk

The Company has some suppliers who invoice in USD and EUR but the Directors consider currency risk to be negligible.

Market price risk

The Company is exposed to market price risk as management fee income is calculated as a percentage of net asset value of the managed funds.

If market prices had been 10% higher, the profit for the year would have increased by £362,125 (2018: £445,819). If market prices had been 10% lower, the profit for the year would have decreased by £362,125 (2018: £445,819).

Regulatory risk

As an entity regulated by the Financial Conduct Authority ("FCA"), the Company is subject to various regulatory requirements. A risk exists that the Company could fail to satisfy the obligations under the FCA regime. A breach of the Company's regulatory requirements could have adverse financial consequences and could be damaging in terms of the Company's reputation. The Company employs a Compliance Officer in order to mitigate this risk.

Capital Management

The Company's primary objective in relation to management of capital is to ensure its ability to continue as a going concern. In addition, the company is subject to capital requirements imposed by the FCA and must ensure that there is adequate capital to meet the requirements as set out by the FCA. The Company was in compliance with those capital requirements throughout the year.

The Company's capital as at 31 December 2019 and 31 December 2018 were as follows:

£	2019	2018
Equity Share Capital	799,999	799,999
Retained Earnings and other reserves	2,643,302	2,422,629
Total Capital	3,443,301	3,222,628

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

18. Commitments under operating leases

From 1 January 2019, the Company has recognised a right-of-use asset in relation to certain leases, refer Note 8(b) for further information. At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases that are not recognised as a liability, ending as follows:

£	2019	2018
Not later than 1 year	3,196	169,527
Later than 1 year end not later than 5 years	6,795	84,065
Total commitments	9,991	253,592

19. Ultimate parent undertaking

The Company is a wholly owned subsidiary of GVQIM Holdings Limited. The ultimate controlling party is Jamie Seaton and Jonathan Morgan.