Audit Committee report

Review and challenge

The Audit Committee meets at least twice a year and has been chaired throughout the Period by Andrew Baddeley; its membership as at 31 December 2018, in addition to the Chairman, comprised William McKee and Nigel Greenaway, all of whom are non-executive directors of the Group.

Duties and terms of reference

The committee monitors the integrity of the financial statements of the Group, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments that they contain.

The committee reviews and challenges, where necessary, the consistency of, and any changes to, the accounting policies across the Group. It considers the clarity of the disclosures in the Group's financial reports, in addition to the context in which statements are made, and all material information presented with the financial statements, such as the business, strategic and financial reviews together with the corporate governance statements.

The committee keeps under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems, and monitors and reviews the effectiveness of the Group's internal financial controls in the context of the Group's overall risk management system and, specifically, considers and keeps under review whether the Group requires an internal audit function.

The committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditor. The committee also oversees the relationship with the external auditor including, but not limited to, recommendations on its remuneration, developing a policy for the supply of non-audit services, monitoring adherence to that policy, and approving fees for such non-audit services, and ensuring that the level of fees for the audit is appropriate to, enable an effective and high quality audit to be conducted.

The committee considers the terms of engagement of the external auditor, including the engagement letters issued at the start of the audit and the scope of the audit, assessing its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services. The committee meets the external auditor at least once a year, without management being present, to discuss its remit, and any issues arising from the audit.

Activities during the Period

During the Period from incorporation to 31 December 2018, the committee met on two occasions and among other matters:

- reviewed the appropriateness of the accounting policies used in preparing the Group's financial statements;
- reviewed and approved the unaudited interim financial statements for the Period from incorporation to 30 September 2018;
- considered the external auditor's report on its review of the unaudited interim financial statements for the Period from incorporation to 30 September 2018; and
- discussed with the external auditor the audit plan for the Period from Admission to 31 December 2018, with acquisition accounting, the treatment of the partnership agreement with KKR, accounting for loan receivables, share-based payments, and management override of controls being identified as significant risk areas.

Significant accounting matters

During the Period, the committee considered key accounting issues, matters and judgments in relation to the Group's financial statements and disclosures relating to:

Acquisition accounting

The committee considered the asset management business comprising the employees, systems and client contacts, together with existing receivables purchased at the IPO. The committee determined that this should be accounted for as a business combination under IFRS and that the amounts receivable for performance should be valued as a contract asset under IFRS 15, and for loan financing accounted for under IFRS 9.

Accounting for the partnership agreement with KKR

The committee considered whether the Group had either joint control or significant influence over the agreement between the Group and KKR, and determined it should be accounted for as a general trade investment under IFRS 9, held at fair value at the reporting date and accounted for at fair value through profit and loss.

Accounting for loan receivables

The committee considered the loans made by the Group, evaluating the recoverability of balances, management's intended approach to managing the loan book, the value of the loans, and the basis of recognising earnings from the portfolio. The committee concluded that the loans should be accounted for under IFRS 9 and held at fair value through profit and loss.

Share-based payments

The committee evaluated the valuation and resulting expense to be recorded in respect of the share options accounted for as share-based payments under IFRS 2.

Internal controls

The committee is satisfied that the current controls are effective in the context of the Group's overall risk management framework, given the size of the Group. Any internal control system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Internal audit function

The Group has a system of internal controls that is reviewed by the external auditor as part of the annual audit. The committee considers that the internal controls are appropriate for the present stage of development, given the entrepreneurial nature of the Group's business. The committee regularly considers whether there is a need for an internal audit function and reports its findings to the Board. The committee and Board do not believe that there is currently a need for an internal audit function over and above the existing activities performed by management but this position will continue to be reviewed.

External auditor

BDO LLP has provided audit services to the Group since its appointment in May 2018 following the Initial Public Offer. The committee is satisfied with the performance of the auditor and considers it appropriate to recommend to the Board and shareholders that BDO LLP be reappointed as auditor at the forthcoming AGM.

Prior to the Company's admission to AIM, the Company awarded a number of non-audit assignments to BDO LLP, such as corporate and tax advisory work and is conscious of the need to ensure its independence and objectivity is not compromised.

The committee determined that the award of non-audit assignments to BDO LLP did not compromise its independence on the basis that different teams worked on the separate engagements. The committee continues to believe that, in some circumstances, the external auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. For this reason, we have continued to appoint BDO for the provision of tax services, with an estimated fee of £20,000.

The committee will keep under review the provider of audit and non-audit assignments and future non-audit services will be authorised on the basis that they are permissible under regulations relating to listed entities.

Andrew Baddeley
Chairman, Audit Committee
2 April 2019