

Strategic Report

Year Ended 31 March 2020

Review of the Business

The consolidated financial statements for the Group and DESCOUK are presented at and for the financial years ended 31 March 2020 and 31 March 2019. The results of the Group for the financial year are shown in the consolidated statement of comprehensive income on page 10 and the consolidated statement of financial position on page 11.

The Group was compensated during the financial year by DESCO LP for its services under the respective License and Services Agreements and Investment Advisory Agreements between DESCO LP and the Group. The Group also received certain services from DESCO LP under each respective License and Services Agreement and compensated DESCO LP for such services. Over the course of the financial year, the average monthly number of Group employees increased from 46 to 54.

A dividend of £1.8 million was declared and approved by the director on 19 August 2019. This amount was subsequently paid on 20 August 2019, by DESCOUK to DESCO LP, the Company's sole shareholder.

Key Performance Indicators ("KPIs")

DESCOUK's activities relate directly to those of its subsidiary, the LLP. The KPIs are therefore linked to those of the LLP. The primary purpose of the LLP is to provide investment advisory services to DESCO LP (and certain of its affiliates), and the director considers that the LLP's turnover, profit, and financial position to be the relevant KPIs.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires the director to act in a way that he considers, in good faith, would most likely promote the success of the Group for the benefit of its sole shareholder. In doing this, Section 172(1) requires the director to have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the Group's employees;
- c) the need to foster the Group's business relationships with suppliers, counterparties, and others;
- d) the impact of the Group's operations on the community and the environment;
- e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members within the Group.

The director has considered the views and interests of a diverse set of stakeholders, including the sole shareholder, relevant regulators, counterparties, and employees, in the course of performing his duties for the Group. The director serves as a member of the Management Committee of the LLP, and considers the interests of the LLP and its stakeholders when evaluating business-related decisions at the Group level.

DESCOUK, as a 100% owned subsidiary of a large global investment firm, recognises the importance of aligning its business strategy and key principles to that of its parent company and primary client.

The Group seeks to engage with its stakeholders and/or consider their respective interests, directly or indirectly, as it believes to be appropriate. Consideration of a broad range of stakeholder interests is an important aspect of the director's decision making process, although in balancing those different perspectives it is not always possible to deliver each stakeholder's desired outcome.

Strategic Report (Continued)

Year Ended 31 March 2020

Section 172(1) Statement (Continued)

The director considers and discusses a broad range of information relating to the Group's activities to help understand the impact of the Group's operations on its key stakeholders. Much of this information is provided to the Management Committee of the LLP and addresses business performance, activities, and developments, as well as key risks, legal and regulatory considerations, and employee matters.

The director believes that, as a result of his activities as a director and in other capacities (e.g., a member of the Management Committee of the LLP), he has discharged his duty under Section 172(1) of the Companies Act 2006.

Going Concern

The Group's business activities are set out under the heading "Principal Activity" as noted within the Director's Report. The financial position of the Group and of DESCOUK and their respective liquidity positions are reflected on their statements of financial position.

While the Group remains dependent on revenue primarily from DESCO LP, the director is not aware of any reason that this relationship will be terminated in the foreseeable future. The nature of the relationship with DESCO LP (and certain of its affiliates) indicates a high degree of certainty that the Group will continue to be profitable and, historically, the Group has received income in a timely manner in order to manage its obligations (which are relatively predictable in nature). As a consequence, the director believes that the Group and the Company are well placed to manage their business risks successfully. The director has a reasonable expectation that the Group and the Company will continue to have adequate resources and has also assessed the financial resources, performance, and client base of DESCO LP in order to arrive at a determination that the Group and the Company will have adequate capital to meet its obligations for the foreseeable future. Thus, the director continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Additionally, the director has considered and assessed the impact of COVID-19 on the Group's business in connection with its decision to prepare the financial statements on going concern basis.

Future Developments

There are no plans to significantly change the activities and risks of the Group.

Principal Risks and Uncertainties

Given that the Group's revenue is primarily derived from DESCO LP, the Group's principal risks relate to the credit default and liquidity risks associated with the receipt of income on a timely basis from this related party. These risks are managed through regular dialogue with DESCO LP and the maintenance of sufficient working capital to meet its liabilities as they fall due.

On 29 March 2017, the British government invoked Article 50 and began a two-year countdown to the United Kingdom ("UK") withdrawing from the European Union ("EU"), known as "Brexit". Parliament ratified the withdrawal agreement on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU are negotiating their future relationship.

Strategic Report (Continued)


Year Ended 31 March 2020

Principal Risks and Uncertainties (Continued)

Negotiations continue, but much uncertainty remains and there are a range of possible outcomes and timeframes for many aspects of UK's exit. The Group is well positioned to manage the challenges that may arise as a result of Brexit.

From an operational perspective, the key risks to the Group relate to the potential for non-compliance by the LLP with applicable regulations, including those issued by the FCA that could lead to the cancellation of the LLP's UK regulatory permissions. These risks are managed through regular review of the LLP's compliance framework by senior management.

The COVID-19 outbreak has resulted in increased volatility in financial markets and material disruptions to the global economy. The extent of the impact of such developments on the Group will depend on many factors, including the duration and spread of the outbreak, that are highly uncertain and cannot be predicted. There can be no assurances that the outbreak and its consequences for financial markets and the global economy will not have a material adverse effect on the Group's consolidated financial statements.



Christopher Zaback, *Director*
2 July 2020