

Strategic Report

Year Ended 31 March 2021

Review of the Business

The consolidated financial statements for the Group and DESCOUK are presented at and for the financial years ended 31 March 2021 and 31 March 2020. The results of the Group for the financial year are shown in the consolidated statement of comprehensive income on page 12 and the consolidated statement of financial position on page 13.

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 54 to 66.

A dividend of £0.8 million was declared and approved by the director on 20 July 2020 and subsequently paid on 21 July 2020. A dividend of £56.0 million, which was declared and approved by the director on 23 February 2021, was settled through a non-cash intercompany transaction with DESCOLP on 26 February 2021.

Key Performance Indicators (“KPIs”)

The Group’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

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Year Ended 31 March 2021

Section 172(1) Statement (Continued)

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.

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. The director has also considered the impact of COVID-19 and evaluated the impact on the Company's business in connection with its decision to prepare the financial statements on a going concern basis, which includes an assessment that the Company will be able to continue as a going concern for at least 12 months from the date the financial statements are available to be issued. Thus, the director continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Future Developments

The director does not anticipate any significant change in the nature of the activities of the Company, or the associated risks, for the foreseeable future.

Strategic Report (Continued)

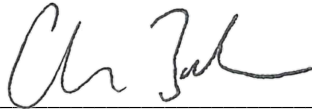
Year Ended 31 March 2021

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 31 December, 2020, the UK left the European Union ("EU"), and the UK and EU reverted to being distinct regulatory, legal, and customs territories. Although an EU-UK Trade and Cooperation Agreement was agreed to in connection with the UK's departure from the EU, it does not include any substantive provisions with respect to financial services. As a result, from 1 January, 2021, cross-border financial services trades between the UK and the EU will be governed by their respective financial services regulations and market access regimes. The Group does not view this as a significant risk to its business, and is well positioned for future uncertainties that may arise due to such an arrangement.

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.



Christopher Zaback, *Director*
2 July 2021