

**Company Registration No. 3089062**

**SODITIC LIMITED**

**Report and Financial Statements**

**31 December 2016**

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# **SODITIC LIMITED**

## **Report and financial statements 2016**

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# **SODITIC LIMITED**

## **Report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

O. M. Lewisohn (Chairman)  
P. Stormonth Darling  
M. E. Dwek  
E. Dwek  
E. Morpurgo

#### **Secretary**

R. Balkwill

#### **Registered office**

12 Charles II Street  
London  
SW1Y 4QU

#### **Bankers**

Barclays Bank PLC  
Strand Corporate Banking Group  
99 Hatton Garden  
London  
EC1N 8DN

Scotia Bank  
Scotia House  
33 Finsbury Circus  
London  
EC2A 1BB

#### **Solicitors**

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London  
EC4H 9HA

#### **Auditor**

Deloitte LLP  
London

# **SODITIC LIMITED**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The company has taken an exemption to prepare a Strategic Report on the basis that it is a small company.

### **Principal activity and business review**

The principal activity of the company is to provide investment research services and advice on investments and other financial transactions. In addition, the company trades on its own account in equities.

The company operated in a challenging business environment in 2016 and took a suitably cautious approach to its own account trading activities. During 2016 investment research services and corresponding income continued to perform well. Overall the results were considered satisfactory. The directors also consider that the company is well positioned at the year end to exploit future business opportunities.

### **Key performance indicators ("KPIs")**

Given the nature of the business, the company's directors are of the opinion that the relevant KPIs are the measurement of pre-tax profit or loss and regulatory capital. The profit before tax for the year of £149,725 (2015: £153,399) is mainly due to research fee income. Regulatory capital has remained adequate throughout the year.

### **Future outlook**

The business environment is expected to remain competitive in 2017. The investment research activities are projected to provide the major source of income in 2017. This together with equity trading resources and any corporate finance activities that may arise, enables the company to remain confident with regard to the medium term outlook.

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company relate to the volatility of securities traded, competition from global trading houses and retention of key employees.

### **Results and dividends**

The profit for the year amounted to £124,868 (2015: £153,399). The directors do not recommend the payment of a dividend (2015: £nil).

### **Charitable and political donations**

The company made no charitable or political contributions during the year (2015: £nil).

### **Directors and their interests**

The directors of the company who served were as follows:

O. M. Lewisohn	(Chairman)
P. Stormonth Darling	
M. E. Dwek	
E. Dwek	
E. Morpurgo	

No director held shares in the company during the year to 31 December 2016.

## **SODITIC LIMITED**

### **Directors' report (continued)**

#### **Financial risk management**

The disclosures required to be included in the Directors' Report in respect of the company's financial risk management policies are given in note 18 to the accounts.

#### **Directors' indemnities**

The company has put in place for the benefit of its directors, throughout the financial year ended 31 December 2016 and at least up to the date of this report, qualifying third party indemnity provision, details of which are available at the Company's Registered Office.

#### **Going concern**

As demonstrated by the balance sheet on page 8, the company remains satisfactorily capitalised. With this year's profits, cash at bank remains at a comfortable level with no need to rely on outside funding facilities. After making due enquiries as to future business prospects and cash flow projections, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. This has also been described in note 1 to the financial statements.

#### **Auditor**

Each of the directors at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



R Balkwill  
Company Secretary

26 April 2017

## **SODITIC LIMITED**

### **Directors' responsibilities statement**

The directors are responsible for preparing the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 all applicable UK Accounting Standards have been followed; 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Soditic Limited**

We have audited the financial statements of Soditic Limited for the year ended 31 December 2016 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes 1 to 24. 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 Republic of 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 so that we might state to the company's members those matters we are required to state to them in an auditor's 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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 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 company's affairs as at 31 December 2016 and of its 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the member of Soditic Limited (continued)

### Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



Fiona Walker FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, England

[date] 28 April 2017



## **SODITIC LIMITED**

### **Profit and loss account Year ended 31 December 2016**

	Notes	2016 £	2015 £
Turnover	2	2,954,111	3,729,154
Operating expenses		(3,255,905)	(3,904,044)
Operating loss	3	(301,794)	(174,890)
Rental income	2	450,146	328,282
Interest income	4	1,373	7
Profit on ordinary activities before taxation		149,725	153,399
Taxation on profit on ordinary activities	7	(24,857)	
Profit for the financial year attributable to the equity shareholders of the company		<u>124,868</u>	<u>153,399</u>

The company has no recognised gains or losses or other comprehensive income for the current and prior year other than the results above. Therefore, a separate Statement of Comprehensive Income has not been shown.

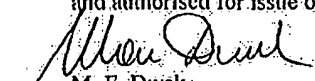
All results were derived from continuing operations.

# SODITIC LIMITED

## Balance sheet As at 31 December 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	9	16,807	29,084
<b>Current assets</b>			
Debtors due within one year	10	520,291	429,736
Investments	11	651	54
Cash at bank and in hand		2,686,723	2,448,200
		3,207,665	2,877,990
<b>Current liabilities</b>			
Trade and other payables	12	(1,231,814)	(1,064,141)
Corporation tax liabilities	7	(24,857)	-
		(1,256,671)	(1,064,141)
<b>Net current assets</b>		1,950,994	1,813,849
<b>Net assets</b>		1,967,801	1,842,933
<b>Capital and reserves</b>			
Called up share capital	13	4,000,000	4,000,000
Profit and loss account	8	(2,032,199)	(2,157,067)
<b>Equity shareholders' funds</b>	16	1,967,801	1,842,933

The financial statements of Soditic Limited (registered number 3089062) were approved by the Board of Directors and authorised for issue on 24 April 2017 and are signed on its behalf by:

  
M. E. Dwek  
Director

# **SODITIC LIMITED**

## **Cash flow statement Year ended 2016**

	Notes	2016 £	2015 £
Net cash inflow from operating activities	14	<u>238,686</u>	<u>73,474</u>
Investing activities			
Interest received	4	1,373	7
Purchases of tangible fixed assets	9	<u>(1,536)</u>	<u>(34,664)</u>
Net cash used in investing activities		<u>(163)</u>	<u>(34,657)</u>
Net increase in cash and cash equivalents		238,523	38,817
Cash and cash equivalents at beginning of period		<u>2,448,200</u>	<u>2,409,383</u>
Cash and cash equivalents at end of period	15	<u>2,686,723</u>	<u>2,448,200</u>

# **SODITIC LIMITED**

## **Notes to the accounts Year ended 31 December 2016**

### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the previous year are set out below.

#### **Basis of accounting**

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments at fair value as permitted by the Companies Act 2006 and in accordance with FRS102.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The financial position of the company, its cash flows and balances are described on pages 7 to 9. In addition, notes 18 & 19 to the financial statements include the company's objectives, policies and processes for managing its capital, its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The company has adequate financial resources with which to support the development of its business activities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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.

#### **Income recognition**

Profit or loss on buying and selling of securities is recognised on trade date.

Financial assets and financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss are recorded at fair value. Changes in fair value are recognised in the profit or loss account together with dividends and interest receivable and payable.

Commissions and advisory fees receivable which represent income for services, are recognised on an invoiced basis except for regular fees receivable which are recognised on an accruals basis. Interest income is recognised on an accruals basis.

#### **Financial assets**

Financial assets are classified into loans and receivables, held-for-trading and available for sale ('AFS').

**Loans and receivables.** - Trade debtors, cash and cash equivalents, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any provision for impairment, except for short-term receivables when the recognition of interest would be immaterial.

Current asset investments are classified as held-for-trading.

# SODITIC LIMITED

## Notes to the accounts

Year ended 31 December 2016

### 1. Accounting policies (continued)

*Held-for-trading* - a financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the near term. Held-for-trading financial assets are initially recognised at fair value with transaction costs being recognised in the profit and loss account. Subsequently they are measured at fair value. Gains and losses on held-for-trading financial assets are recognised in the profit and loss account as they arise. Derivative assets and liabilities are presented in the balance sheet on a gross basis and included in debtors and creditors as appropriate. Derivative instruments used by the company are futures, forward exchange contracts and contracts for difference. The company does not apply any hedge accounting.

*Available for sale* - financial assets that are not classified as held to maturity or held for trading are classified as available for sale. Financial assets can be designated as available for sale on initial recognition. Available for sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Changes in the fair value of available for sale financial assets are reported in a separate component of shareholders' equity. Where an investment is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in AFS reserve is included in the profit or loss for the year.

#### Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

*Financial assets carried at fair value* - when a decline in the fair value of a financial asset classified as available for sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the profit and loss account. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value.

#### Taxation

Corporation taxation is provided on taxable profits at the current rate.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is charged to write off cost, less any residual value, on a straight-line basis over the following estimated useful economic lives:

Furniture and fittings	3 - 5 years
Computer equipment	3 years

# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 1. Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract value.

#### Operating leases

Operating lease rentals are charged to profit and loss on a straight-line basis over the lease term.

#### Pension costs

The company operates a money purchase pension scheme to which it has no commitment beyond the payment of regular contributions which are charged to the profit and loss account as incurred.

#### Functional currency

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 2. Income

All the company's turnover relates to trading and fee income, its principal activity in the UK, and is made up as follows:

	2016 £	2015 £
Existing operations:		
Securities trading	-	(7,855)
Research and advisory fees	2,954,111	3,737,009
	<u>2,954,111</u>	<u>3,729,154</u>

Rental income is derived from sub letting part of the premises of the company.

### 3. Operating profit

Operating profit is stated after charging:

	2016 £	2015 £
Auditor's remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts (audit services)	18,750	42,000
- fees payable to the company's auditor in respect of tax services (non-audit services)	10,000	16,850
Rentals payable under operating leases	158,827	84,420
Depreciation	<u>13,813</u>	<u>26,348</u>

# **SODITIC LIMITED**

## **Notes to the accounts Year ended 31 December 2016**

### **4. Interest income**

	2016 £	2015 £
Interest receivable	1,373	7
	<u>1,373</u>	<u>7</u>

### **5. Staff costs**

Particulars of employees (including executive directors) are shown below:

	2016 £	2015 £
Employee costs during the year amounted to:		
Wages	1,887,975	2,579,261
Social security costs	250,129	348,640
Pension costs	32,009	19,653
Other staff costs	36,136	22,118
	<u>2,206,249</u>	<u>2,969,672</u>

The average weekly number of persons employed by the company during the year was 12 (2015 - 10). The company employed 8 front office (2015 - 7) and 4 back office (2015 - 3) staff during 2016.

### **6. Directors' emoluments**

The aggregate directors' emoluments were £1,242,899 (2015: £2,183,580). This amount includes £626,310 (2015: £1,066,939) paid in respect of the highest paid director. In addition payments of £9,344 (2015: £4,875) have been made to a director (2015: 1 director) in respect of a money purchase pension scheme. No pension contributions were paid on behalf of any other director.

### **7. Tax on profit on ordinary activities**

The taxation is based on the profit for the year and comprises:

	2016 £	2015 £
Tax on ordinary activities	<u>24,857</u>	-

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%).

# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 7. Tax on profit on ordinary activities (continued)

	2016 £	2015 £
Profit on ordinary activities before tax	149,725	153,399
Tax at standard rate of corporation tax in the UK at 20.0% (2015: 20.00%)	29,945	30,680
Effects of:		
Prior year adjustments	7,514	-
Expenses not deductible for tax purposes	736	548
Movement in deferred tax not recognised	(13,338)	(31,228)
Total tax charge for the year	24,857	-

A deferred tax asset, relating to carried forward tax trading losses and deferred claims for writing down allowances, has not been recognised on the grounds that the timing of future profits is uncertain. The amount of the asset not recognised is £403,822 (2015: £437,800).

### 8. Profit and loss account

	2016 £	2015 £
As at 1 January 2016	(2,157,067)	(2,310,466)
Profit for the year	124,868	153,399
As at 31 December 2016	(2,032,199)	(2,157,067)

### 9. Tangible fixed assets

	Computer equipment £	Furniture and fittings £	Total £
Cost			
As at 1 January 2016	157,278	240,093	397,371
Additions	-	1,536	1,536
As at 31 December 2016	157,278	241,629	398,907
Accumulated depreciation			
As at 1 January 2016	(129,130)	(239,157)	(368,287)
Charge for the year	(12,395)	(1,418)	(13,813)
As at 31 December 2016	(141,525)	(240,575)	(382,100)
Net book value			
As at 31 December 2016	15,753	1,054	16,807
As at 31 December 2015	28,148	936	29,084



# **SODITIC LIMITED**

## **Notes to the accounts Year ended 31 December 2016**

### **10. Debtors**

	2016 £	2015 £
Amounts falling due within one year		
Prepayments	229,365	155,141
Other debtors	290,926	274,595
	<u>520,291</u>	<u>429,736</u>

### **11. Current asset investments**

	2016 £	2015 £
Held for trading:		
Listed equities	651	54
	<u>651</u>	<u>54</u>

### **12. Creditors: amounts falling due within one year**

	2016 £	2015 £
Social security and PAYE	172,970	194,157
Accruals	1,058,844	869,984
	<u>1,231,814</u>	<u>1,064,141</u>

### **13. Called up share capital**

	2016 £	2015 £
Allotted, called up and fully paid		
4,000,000 (2015: 4,000,000) ordinary shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>

The company has a single class of ordinary shares which has no right to fixed income.

# SODITIC LIMITED

## Notes to the accounts

Year ended 31 December 2016

### 14. Reconciliation of operating profit to net cash inflow from operating activities

	2016 £	2015 £
Operating profit	148,352	153,392
Depreciation	13,813	26,348
(Increase)/Decrease in trading asset	(597)	8,929
(Increase) in debtors	(90,555)	(162,249)
Increase in creditors	167,673	47,054
Net cash inflow from operating activities	<u>238,686</u>	<u>73,474</u>

### 15. Reconciliation of net cash flow to movement in net funds

	2016 £	2015 £
Increase in cash during the year	238,523	38,817
Increase in net funds	<u>238,523</u>	<u>38,817</u>
Net funds as at 1 January	2,448,200	2,409,383
Net funds as at 31 December	<u>2,686,723</u>	<u>2,448,200</u>

### 16. Reconciliation of movement in shareholders' funds

	2016 £	2015 £
Shareholders' funds as at 1 January 2016	1,842,933	1,689,534
Profit for the year	<u>124,868</u>	<u>153,399</u>
Shareholders' funds as at 31 December 2016	<u>1,967,801</u>	<u>1,842,933</u>

### 17. Operating lease commitments

The amount of lease payments charged as an expense in 2016 is £158,827 (2015: £84,420)

Total future minimum lease payments under the non-cancellable operating lease in respect of land and buildings are as follows:

	2016 £	2015 £
Leases which expire:		
Within one year	441,576	337,680
Between two and five years	1,361,526	1,350,720
More than five years	-	30,530
	<u>1,803,102</u>	<u>1,718,930</u>

## SODITIC LIMITED

### Notes to the accounts

#### Year ended 31 December 2016

#### 18. Financial risk management

In the ordinary course of business, the company is exposed to a variety of risks as detailed below. These risks are identified, measured and monitored through various control mechanisms imposed by the Board including individual and total trading book counterparties. Interest rate and foreign exchange risks are similarly monitored and controlled. Due to the size of the company each area of risk is continuously monitored directly by a Board member and this constitutes a fundamental aspect of financial risk management.

##### Credit risk

Credit risk is the risk of default by counterparties to transactions or non payment by obligors and guarantors of the company's portfolio. The company's credit risk management function ensures that appropriate policies are in place and a board member ensures compliance with established controls.

Credit exposure is monitored on a regular basis.

The maximum credit risk exposure on the Balance Sheet is as follows:

	2016 £	2015 £
Debtors	520,291	429,736
Investments	651	54
Cash	2,686,723	2,448,200
Total	3,207,665	2,877,990

There is no collateral held or other credit enhancements. As at 31 December 2016 there was no outstanding forward foreign exchange trade (2015: nil).

##### Market risk

The Company is exposed to market risk mainly because of its trading book and cash positions. Market risk comprises three types of risk: price, currency and interest rate risk. Accordingly, these movements may affect the company's profitability. Market risk is actively monitored and reviewed by the company to ensure compliance with market risk limits imposed by the Board.

Price risk results from the revaluation of securities.

Currency risk results from adverse movements in the rate of exchange between currencies if there is a net currency position in one or more currencies. The net position in any currency is monitored on a continuous basis so that it is maintained within set limits.

Interest rate risk arises as a result of timing differences on the repricing of assets and liabilities. The company regularly monitors movements in interest rates. The company's only exposure to interest rate risk relates to cash on deposit with banks amounting to £2,686,723 at 31 December 2016 (2015: £2,448,200). One percent of movement either way will result in a profit or loss fluctuation of £26,867 (2015: £24,482).

# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 18. Financial risk management (continued)

#### Sensitivity analysis of market risk

The tables below summarise the effect of percentage changes in exchange rates against sterling and investment book market price movements on the company's assets and liabilities as at 31 December 2016.

#### Foreign currency exchange risk

##### As at 31 December 2016

US Dollars			% change in US\$/£ exchange rate			
	US\$	£	+5%	+10%	-5%	-10%
Total assets	39,336	31,991	33,675	35,546	30,468	29,083
Total liabilities	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Net	39,336	31,991	33,675	35,546	30,468	29,083
Movement	-	-	1,684	3,555	(1,523)	(2,908)

Euros			% change in EUR/£ exchange rate			
	EUR	£	+5%	+10%	-5%	-10%
Total assets	8,461	7,253	7,635	8,059	6,908	6,594
Total liabilities	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Net	8,461	7,253	7,635	8,059	6,908	6,594
Movement	-	-	382	806	(345)	(659)

##### As at 31 December 2015

US Dollars			% change in US\$/£ exchange rate			
	US\$	£	+5%	+10%	-5%	-10%
Total assets	2,469	1,667	1,756	1,853	1,589	1,517
Total liabilities	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Net	2,469	1,667	1,756	1,853	1,589	1,517
Movement	-	-	89	186	(78)	(150)

Euros			% change in EUR/£ exchange rate			
	EUR	£	+5%	+10%	-5%	-10%
Total assets	8,461	6,236	6,565	6,930	5,940	5,670
Total liabilities	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Net	8,461	6,236	6,565	6,930	5,940	5,670
Movement	-	-	329	694	(296)	(566)

# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 18. Financial risk management (continued)

#### Price risk

As at 31 December 2016:

		% change in market price			
	£	+5%	+10%	-5%	-10%
Current asset investments	651	684	716	618	586
Movement		33	65	(33)	(65)

As at 31 December 2015:

		% change in market price			
	£	+5%	+10%	-5%	-10%
Current asset investments	54	57	59	51	49
Movement		3	5	(3)	(5)

#### Liquidity risk

Liquidity risk is the risk that the company is unable to meet payment obligations and potential payment obligations as and when they fall due without incurring unacceptable losses.

The company's businesses require a stable flow of funds. Commitments are taken into consideration in monitoring the company's liquidity position.

To manage this risk, the company maintains a material cash balance deposited with highly rated banks on call or very short notice.

The table below summarises the company's contractual maturities for its financial liabilities.

As at 31 December 2016

	Total	Due within 1 month	Due within 1-3 months	Due within 3-12 months	Due over 1 year
	£	£	£	£	£
Other liabilities	1,231,814	380,866	850,948	-	-

As at 31 December 2015

	Total	Due within 1 month	Due within 1-3 months	Due within 3-12 months	Due over 1 year
	£	£	£	£	£
Other liabilities	1,064,141	290,090	774,051	-	-

## **SODITIC LIMITED**

### **Notes to the accounts Year ended 31 December 2016**

#### **18. Financial risk management (continued)**

##### **Regulatory risk**

Regulatory risk is the risk arising from failing to meet the requirements of our regulator. To mitigate this risk the company keeps abreast of various regulatory developments affecting risk, capital, large exposures and liquidity management.

##### **Capital management**

It is the company policy to maintain an adequate capital base to support the development of its business and to meet regulatory requirements at all times. The principal forms of capital are included in the following balances on the company's balance sheet: called up share capital, and retained earnings.

##### **Capital allocation**

The FCA supervises the company on a solo basis and as such receives information on the capital adequacy of the company. In implementing the EU's Banking Consolidation Directive, the FCA requires the maintenance of a prescribed ratio of total capital to risk weighted assets taking into account both balance sheet assets and off-balance sheet transactions. Changes to the definition of capital came into force on 1 January 2008.

The company operations are categorised as either trading book or non-trading book and risk-weighted assets are determined accordingly. The Trading book risk-weighted assets are measured by a hierarchy of risk weightings classified according to the nature of each asset and counterparty.

#### **19. Operational risk**

Operational risk is defined as the risk arising in an organisation from:

- people-risk arising from inappropriate level of staff, inadequately skilled or staffed;
- process-risk caused by inadequate or failed processes;
- systems-risk of inadequately designed and maintained systems; and
- assets-risk of damage, misappropriation or theft of the company's assets.

This risk is mitigated by direct senior management control and review processes on all day-to-day operations.

## SODITIC LIMITED

### Notes to the accounts Year ended 31 December 2016

#### 20. Fair values of financial instruments

Set out below is a year-end comparison of current and book values of the company's financial instruments by class.

*As at 31 December 2016*

	Trading Book		Non-Trading Book	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
<b>Financial assets:</b>				
<b>Held for trading</b>				
Current asset investments	651	651		
<b>Loans and receivable</b>				
Debtors	-	-	520,291	520,290
Cash at bank and in hand	-	-	2,686,723	2,686,723
<b>Financial liabilities at amortised cost:</b>				
Other liabilities falling due within 1 year	-	-	(1,231,814)	(1,231,814)

*As at 31 December 2015*

	Trading Book		Non-Trading Book	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
<b>Financial assets:</b>				
<b>Held for trading</b>				
Current asset investments	54	54		
<b>Loans and receivable</b>				
Debtors	-	-	429,736	429,736
Cash at bank and in hand	-	-	2,448,200	2,448,200
<b>Financial liabilities at amortised cost:</b>				
Other liabilities falling due within 1 year	-	-	(1,064,141)	(1,064,141)

# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 20. Fair values of financial instruments (continued)

#### Valuation hierarchy

The company holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities where prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient frequency to provide ongoing pricing information;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, as prices, or indirectly, derived from prices; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ("unobservable inputs").

The company's financial instruments which are held at fair value are analysed in the following table at the balance sheet date.

#### As at 31 December 2016

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets:</b>				
Current asset investments	651	-	-	651
<b>Liabilities:</b>				
Foreign exchange forward	-	-	-	-

#### As at 31 December 2015

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets:</b>				
Current asset investments	54	-	-	54
<b>Liabilities:</b>				
Foreign exchange forward	-	-	-	-

There were no transfers between levels in the period.



# SODITIC LIMITED

## Notes to the accounts Year ended 31 December 2016

### 21. Currency risk

#### Currency denomination

	Trading Book		Non-Trading Book	
	Net currency positions		Net currency positions	
	2016	2015	2016	2015
	£	£	£	£
Euro	-	-	7,253	6,236
US Dollars	-	-	31,991	1,667

The amounts shown in the table above are net of the effect of forward contracts to manage these currency exposures.

The currency risk above relates to trading and non-trading book positions. The disclosure includes all monetary assets and liabilities including short term debtors and creditors. Those assets and liabilities denominated in sterling have been excluded.

### 22. Related party transactions

A fee was payable by the company's fellow subsidiary company Sodic Investment Management Limited of £2,696,000 (2015: £754,000) in respect of time spent by employees of the company performing services for Sodic Management Services Limited. No amounts were outstanding for these services at the beginning or end of the year.

O.M. Lewisohn and M.E. Dwek are also directors of Sodic Discount & Trade Limited ("SDT"). During the year, the company derived income of £175,804 (2015: £120,681) from SDT for sub-letting part of its premises together with £100,000 (2015: £100,000) in respect of time spent by employees of the company performing services for SDT. No amounts were outstanding for the sub-letting and services at the beginning or end of the year.

Four of the directors of the company are directors of the majority member of Sodic Asset Management LLP ("SAML"). During the year the company derived income of £263,697 (2015: £183,601) from SAML for sub-letting part of its premises together with £91,600 (2015: £81,695) in respect of time spent by employees of the company performing services for SAML. The company paid £51,235 (2015: £52,003) to SAML in respect of time spent by the employees of SAML performing services for the company. No amounts were outstanding for the sub-letting and services at the beginning or end of the year.

### 23. Ultimate parent undertaking

The company's immediate parent undertaking is SFH Jersey Limited, a company incorporated in Jersey. The SFH Jersey Limited group is the largest group within which the results of Sodic Limited are consolidated.

The company's ultimate parent undertaking is JEJ Limited, a company incorporated in the British Virgin Islands.

The directors consider the company's ultimate controlling party to be JEJ Foundation.

The financial statements of SFH Jersey Limited, JEJ Limited and JEJ Foundation are not available to the public.