Company registration number: 02762351

# Canaccord Genuity Financial Planning Limited

## Reports and financial statements

For the year ended

31 March 2020

# Contents

# Company Information

| | |
|---|---|
| The Board of Directors | D Esfandi<br>S Massey<br>J McAleenan |
| Registered Office | 41 Lothbury<br>London<br>EC2R 7AE |
| Registered number | 02762351 |
| Auditor | Ernst & Young LLP<br>25 Churchill Place<br>London<br>E14 5EY |
| Bankers | Barclays Bank plc<br>1 Churchill Place<br>London<br>E14 5HP |

# Strategic Report

The directors present their Strategic Report for Canaccord Genuity Financial Planning Limited (the "Company") for the year ended 31 March 2020.

## Principal Activities

The principal activity of the Company is the provision of financial planning services to individuals, trusts, partnerships and corporations.

The Company is authorised and regulated by the Financial Conduct Authority.

## Review of the business

The Company's key performance indicators are set out below:

| | 2020 | 2019 |
|---|---|---|
| Revenue (£000) | 1,129 | 1,255 |
| Loss before tax (£000) | (98) | (99) |
| Number of revenue generating financial planners | 8 | 9 |
| Net current assets (£000) | 1,898 | 1,478 |
| Cash and bank balances (£000) | 3,279 | 2,122 |

The number of financial planners generating revenues for the business decreased during the year leading to a 10% reduction in revenue and a similar reduction in costs resulting in a small loss before taxation.

Net current assets have increased following receipt of £500,000 from the issue of shares to the Company's immediate parent undertaking, Canaccord Genuity Wealth Limited ("CGWL"). Cash balances have increased as CGWL have not requested settlement of amounts due from the Company in respect of expenses recharged.

The Company has continued to incur significant legal expenses in connection with certain claims which are further described in note 15 of these financial statements. The majority of these costs are recoverable under the Company's professional indemnity insurance arrangements.

## Impact of COVID-19

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The Company has been able to continue to service its clients throughout the pandemic and moved seamlessly to a position where all staff were working from home. As restrictions have relaxed a growing number of staff are returning to their office.

The full extent to which the COVID-19 pandemic may impact the Company's results, operations or liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company, the financial planning industry and the broader economy.

There are signs that the economy is beginning to recover from the lows of the first few months of the pandemic however the level of uncertainty remains high and a second spike could result in asset prices and, as consequence, revenue levels falling significantly.

The Company has a strong balance sheet and significant cash resources. Stress tests have been performed, as set out in the Directors' Report, which demonstrate the Company's ability to continue to meet its regulatory capital requirements and to remain solvent in the event of further significant falls in asset values.

# Strategic Report *(continued)*

## Principal risks and uncertainties

The Company maintains an effective and appropriate corporate governance and risk management infrastructure through a committee structure. The key risks facing the Company, in addition to those directly arising from COVID-19 detailed above, are reputational, regulatory, operational, credit, market, liquidity and political risk which are summarised below. In the case of risks related to financial instruments those are also detailed further in note 13 to the financial statements.

| Risk | Description |
|---|---|
| *Reputational risk* | Reputational risk is the risk that an entity's ability to conduct business will be damaged as a result of its reputation being tarnished, including as a result of regulatory censure. The Company has policies and procedures in place to manage this risk to the extent possible which include, inter alia, procedures for employee hiring, the taking on of new business and conduct of business rules. It also has policies and procedures to counter fraud and corruption. |
| *Regulatory risk* | The Company's business is regulated by the FCA and a breach of regulations could lead to a fine or disciplinary action against the Company. The Company monitors actual and impending changes in regulation in order to assess the impact on its business and plans, to ensure any changes are implemented in a timely manner. |
| *Operational risk* | Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The overall objective of the Company's operational risk management approach is not to attempt to avoid all potential risks, but proactively identify and assess risks in order to manage and mitigate them in an efficient and informed manner, whilst always being mindful of the associated costs relative to the benefits. This approach enables the Company to exploit existing opportunities and to increase business success in a controlled manner. |
| *Credit risk* | Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from deposits with banks. An impairment analysis is performed at each reporting date on an individual basis for major clients and counterparties. In addition, many minor receivables are grouped into homogenous groups and assessed for impairment collectively. Credit risk exposure arising from the placement of deposits with banks is mitigated through the placement of funds with banks with high credit ratings. The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Company's maximum exposure to credit risk. |
| *Market risk* | The Company has no direct exposure to market risk on its balance sheet however a significant part of its revenue stream is based on the value of client investments under advice. The Company mitigates this risk by maintaining the ability to reduce costs in the event of revenue declines and by maintaining sufficient capital and liquidity buffers to absorb short term losses. |
| *Liquidity risk* | Liquidity risk is the risk that the Company is unable to generate sufficient cash or other liquid assets in a timely and cost-effective manner to meet its commitments as they become due. The Company has several systems, policies and processes in place to monitor and manage regulatory capital requirements, working capital needs and cash flows to help provide a sufficient buffer against liquidity risk.<br><br>Given the nature of the Company's business, the Company does not run liquidity mismatches. Financial liabilities are on the whole short term and the Company maintains sufficient cash resources to cover its immediate liabilities. |

# Strategic Report *(continued)*

## Principal risks and uncertainties *(continued)*

| Risk | Description |
|---|---|
| ***Political risk*** | The Company continues to monitor political developments relating to Brexit closely through its Divisional Risk Committee, which reports to the Company's Board of Directors, to identify and mitigate any potential operational, regulatory and financial risks arising from all potential Brexit trade deal scenarios, including exiting the European Union without a deal. As such, the Company has been preparing to ensure that it can continue to provide existing services to all clients beyond the current deal deadline of 31 December 2020. |

On behalf of the Board

S Massey
Director
24 July 2020

# Directors' Report

The directors present their Directors' Report for the Company for the year ended 31 March 2020.

### Directors and officers

The individuals who held office during the year are set out below:

D Esfandi
S Massey
J McAleenan

The Company Secretarial role is performed by an employee of a fellow subsidiary undertaking.

### Dividends

The Company did not pay any dividends during the current or the prior financial year.

### Future developments

The full implications of COVID-19 are still unknown. The Directors are confident that the Company is well placed to manage the business successfully through the existing challenges and for it to grow its clients base and revenues as markets and business practices evolve over the coming months and years.

### Financial instruments

The impact of financial instruments on the affairs of the Company is described in the Strategic Report on pages 2 to 4 and also in note 13 to the financial statements.

### Going concern

As referred to in the Strategic Report, the COVID-19 pandemic has created a greater level of uncertainty as to future earnings. Other key risks affecting the Company are set out in the Strategic report and in notes 13 and 15. The Company's cash and capital position enable it to absorb losses that might arise from short and medium term operating losses.

The Company is strongly capitalised, as demonstrated by its pillar one own funds ratio of 70% (*2019 - 50%*), as at 31 March 2020, which compares favourably to the regulatory minimum ratio of 8%. Net cash and cash equivalent resources were £3.3m (*2019 - £2.1m*) as at 31 March 2020.

Stress test scenarios are undertaken as part of the Individual Capital Adequacy Assessment ("ICAAP") review and continue to be updated. These tests model the impact of a variety of external and internal events, identifying their impact on the Company's income, costs, cash flow and capital and enable the Directors to assess management's ability to implement effective actions that can be taken to mitigate the impact of the stress events. Reverse stress tests are performed to ascertain what severe scenarios would render the Company's business model unviable.

The Directors believe the Company is able to manage its business risk successfully. The Company's forecasts and projections, taking account of possible adverse changes in trading performance as a result of the COVID-19 pandemic related economic uncertainties show that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt a going concern basis for the preparation of the financial statements. In forming their view, the Directors have considered the Company's prospects for a period exceeding twelve months from the date the financial statements are approved.

## Director's Report *(continued)*

**Post balance sheet events**

COVID-19 continues to impact the Company's operational environment and create volatility in asset prices. Further details are provided in in note 18 of the financial statements.

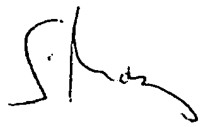
**Disclosure of information to Auditor**

Each of the persons who is a Director, at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company has elected to dispense with the obligation to appoint its auditor annually. Ernst & Young LLP have indicated their willingness to be reappointed and therefore are deemed to be reappointed for a further term.

On behalf of the Board



S Massey
Director
24 July 2020

## Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. 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.

# Independent Auditor's Report to the members of Canaccord Genuity Financial Planning Limited

## Opinion

We have audited the financial statements of Canaccord Genuity Financial Planning Limited for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, 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 (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs 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 Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent Auditor's Report to the members of Canaccord Genuity Financial Planning Limited *(continued)*

**Opinions 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 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 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 by the company, 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 set out 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.

**Auditor's 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 auditor's 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Independent Auditor's Report to the members of Canaccord Genuity Financial Planning 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 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.

Ernst & Young LLP

Denise Davidson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 July 2020

# Statement of Comprehensive Income
*for the year ended 31 March 2020*

| | | 2020 | 2019 |
|---|---|---|---|
| *Continuing operations* | Note | £'000 | £'000 |
| Revenue | | 1,129 | 1,255 |
| Administrative expenses | | (1,228) | (1,354) |
| Operating loss | | (99) | (99) |
| Finance income | 7 | 1 | - |
| Loss before tax | | (98) | (99) |
| Tax credit | 8 | 18 | 21 |
| Loss on ordinary activities for the year | | (80) | (78) |
| Total comprehensive income for the year | | (80) | (78) |

The notes on pages 15 to 24 form part of these financial statements.

# Statement of Financial Position
*as at 31 March 2020*

| | Note | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Deferred tax assets | 9 | 1 | 1 |
| Total non-current assets | | 1 | 1 |
| *Current assets* | | | |
| Trade and other receivables | 10 | 1,068 | 110 |
| Current tax receivable | | 18 | - |
| Cash and cash equivalents | | 3,279 | 2,122 |
| Total current assets | | 4,365 | 2,232 |
| Total assets | | 4,366 | 2,233 |
| **Liabilities** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 11 | (2,467) | (720) |
| Corporation tax payable | | - | (34) |
| Total current liabilities | | (2,467) | (754) |
| **Net assets** | | 1,899 | 1,479 |
| **Equity** | | | |
| Share capital | 12 | 1,133 | 633 |
| Share premium | | 544 | 544 |
| Capital redemption reserve | | 2 | 2 |
| Retained earnings | | 220 | 300 |
| **Total equity** | | 1,899 | 1,479 |

The notes on pages 15 to 24 form part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

S Massey
*Director*
24 July 2020
Company number 02762351

# Statement of Changes in Equity
*for the year ended 31 March 2020*

| | Share capital | Share premium | Capital redemption reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 April 2018** | 133 | 544 | 2 | 378 | 1,057 |
| *Comprehensive income* | | | | | |
| Loss for the year | - | - | - | (78) | (78) |
| Total comprehensive income | - | - | - | (78) | (78) |
| *Transactions with owners* | | | | | |
| Issue of share capital | 500 | - | - | - | 500 |
| Total transactions with owners | 500 | - | - | - | 500 |
| **Balance at 31 March 2019 and 1 April 2019** | 633 | 544 | 2 | 300 | 1,479 |
| *Comprehensive income* | | | | | |
| Loss for the year | - | - | - | (80) | (80) |
| Total comprehensive income | - | - | - | (80) | (80) |
| *Transactions with owners* | | | | | |
| *Issue of share capital* | 500 | - | - | - | 500 |
| Total transactions with owners | 500 | - | - | - | 500 |
| **Balance at 31 March 2020** | 1,133 | 544 | 2 | 220 | 1,899 |

# Statement of Cash Flows
*for the year ended 31 March 2020*

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | (98) | (99) |
| Adjustments for: | | | |
| Finance income recognised in profit | 7 | (1) | - |
| (Increase)/decrease in trade and other receivables | | (958) | 9 |
| Increase in trade and other payables | | 1,747 | 331 |
| Decrease in provisions | | - | (35) |
| Cash generated from operating activities | | 690 | 206 |
| Taxation paid | | (34) | 4 |
| Net cash generated by operating activities | | 656 | 210 |
| **Cash flows from investing activities** | | | |
| Interest received | 7 | 1 | - |
| Net cash generated from investing activities | | 1 | - |
| **Cash flows from financing activities** | | | |
| Issue of shares | 12 | 500 | 500 |
| Net cash generated in financing activities | | 500 | 500 |
| **Net increase in cash and cash equivalents** | | 1,157 | 710 |
| Cash and cash equivalents at the beginning of the year | | 2,122 | 1,412 |
| **Cash and cash equivalents at the end of the year** | | 3,279 | 2,122 |

# Notes to the financial statements

## 1. Corporate information

Canaccord Genuity Financial Planning Limited (the "Company") is incorporated in England and Wales, with its registered office at 41 Lothbury, London, EC2R 7AE. The nature of the Company's operations and principal activities are set out in the Strategic Report.

The financial statements are presented in pounds sterling, rounded to the nearest thousand (expressed as thousands - £000's), except where otherwise indicated.

## 2. Principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations, as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and liabilities at fair value through the profit or loss.

### Going concern

The Company's business activities, together with the factors likely to affect its future development and performance, the financial position of the Company, its cash flows, capital and liquidity position are set out in the Strategic report on pages 2 to 4. In addition, note 13 includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The full extent to which the COVID-19 pandemic may impact the Company's results, operations or liquidity is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company, the financial planning industry and the broader economy. Management has performed a COVID-19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's operations, liquidity, solvency and regulatory capital position as well as a reverse stress test to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and including an assessment of any relevant mitigations management have within their control to implement.

The most likely expected financial impact is in respect of the Company's future ongoing advice fee income as this is calculated based on a percentage of the value of assets under advice. Asset values fell sharply in the last quarter of the financial year due to the impact of COVID-19 on listed global equity and debt markets and have remained volatile since. It is not possible to quantify the overall impact of COVID-19 as financial markets continue to react to developments and management have a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis management believes regulatory capital requirements will continue to be met and the Company will have sufficient liquidity to meet its liabilities for at least the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

# Notes to the financial statements *(continued)*

## 2. Principal accounting policies *(continued)*

**New accounting standards and interpretations**
The accounting policies applied in the preparation of these financial statements are consistent with those set out in note 2 to financial statements for the year ended 31 March 2019 except for the adoption of the following new accounting standards as of 1 April 2019.

***IFRS 16 Leases***
IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The Company has no lease arrangements and accordingly the implementation of IFRS16 does not have a material impact on the Company's financial statements.

***IFRIC 23 Uncertainty over Income Tax Treatments***
On 7 June 2017, the IASB issued IFRIC 23 which became effective on 1 January 2019. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. IFRIC 23 does not have a material impact on the Company's financial statements.

The Company did not implement the requirements of any other Standards or Interpretations that were in issue but were not required to be adopted by the Company at the year-end date.

No other Standards or Interpretations have been issued that are expected to have a material impact on the Company's financial statements.

**Functional currency**
The Company's financial statements are presented in pounds sterling which is also the Company's functional currency.

**Translation of foreign currency transactions**
Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the exchange rate in effect at the reporting date. All differences upon translation are recognised in the Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling using historic rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates effective at the date when the fair value is determined.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash balances and call deposits.

**Accrued Income**
Asset based fees such as ongoing advisory charges are calculated at the end of the calendar quarter and amounts receivable are unbilled revenue which are not dependent on future performance. Certain fees are calculated either semi-annually or annually and the financial statements include estimates of fees receivable where the actual amounts have not yet been determined.

# Notes to the financial statements *(continued)*

## 2. Principal accounting policies *(continued)*

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

***(i) Financial assets***

*Initial recognition and measurement*

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is applied, the trade date being the date at which the Company commits itself to either the purchase or sale of the asset. Upon initial recognition, the Company classifies financial assets as either fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost.

*Classification and subsequent measurement*

*(a) Financial assets classified as FVTPL*

Financial assets are classified as FVTPL when they either fail the contractual cash flow test or are held in a business model in which the aim is to realise the asset's value through a short-term sale. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognised in the Statement of Income. The net gain or loss recognised in the Statement of Income includes any dividend or interest earned on the financial asset. The Company did not designate any financial assets upon initial recognition as fair value through profit and loss.

*(b) Financial assets classified as FVOCI*

The Company does not have any financial assets designated as FVOCI.

*(c) Financial assets at amortised cost*

The Company measures financial assets at amortised cost when they are held within a business model with the objective of collecting contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest. Financial assets at amortised cost comprise the Company's cash and cash equivalents and trade and other receivables.

*Impairment of financial assets*

The Company has adopted a forward-looking expected credit loss (ECL) approach in its assessment of the impairment of financial assets. The Company applies a simplified approach in calculating ECLs and does not track changes in credit risk but recognises a loss allowance based on lifetime ECLs at each reporting date. This utilises the Company's historic loss experience by age banding, adjusted for forward looking estimates and other considerations as applicable. Any losses are recognised in the Statement of Comprehensive Income.

***(ii) Financial liabilities***

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and classified as either FVTPL or other financial liabilities.

*Classification and subsequent measurement*

*(a) Financial liabilities classified as FVTPL*

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. The Company did not designate any financial assets upon initial recognition as FVTPL.

(b) *Financial liabilities classified as other financial liabilities*

After initial recognition, financial liabilities classified as other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Income through the effective interest rate method of amortisation. Other financial liabilities include trade payables and accrued liabilities. The carrying value of other financial liabilities approximates their fair value.

# Notes to the financial statements *(continued)*

## 2. Principal accounting policies *(continued)*

### Financial instruments (continued)

***(iii) Offsetting of financial instruments***
Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***(iv) Fair value of financial instruments***
The fair value of financial instruments that are traded in active markets at each reporting date is determined by referencing quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate and reliable valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; and discounted cash flow analysis or other valuation models. Valuation techniques may require the use of estimates or management assumptions if observable market data is not available. When the valuation technique is not considered as reliable, then the financial instrument is measured at cost.

***(v) De-recognition of financial assets and liabilities***
The Company de-recognises financial assets when the contractual rights to cash flows arising from a financial asset have expired, or it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset.

### Revenue recognition
The Company's revenue is accounted for in accordance with the requirements of IFRS 15. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable and represents gross commission, investment management fees, other fees and income, excluding VAT, receivable in respect of the period. Fees received are spread over the period over which the service has been provided. The revenue streams are considered in more detail below:

***Advisory fees***
Advisory fees are charges to clients using an hourly rate or by a fixed fee arrangement and are recognised over the period the service is provided. Commission receivable and payable are accounted for in the period in which they are earned.

***Ongoing advice fees***
Ongoing advice fees are generally billed quarterly in arrears based on a percentage of assets under management at the end of the quarter or, in the case of certain clients, semi-annually in advance based on a percentage of opening assets under management. Both fees represent revenue earned over time under IFRS 15. Quarterly and semi-annual fee calculation dates correspond with the accounting reference date and accordingly income incorporated in the financial statements is no dependent upon future performance.

### Current taxation
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, when the Company generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# Notes to the financial statements *(continued)*

## 2. Principal accounting policies *(continued)*

***Deferred taxation***

Deferred taxes are accounted for using the liability method. This method requires that deferred taxes reflect the expected deferred tax effect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the Statement of Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is recognised directly against equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

**Value Added Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax, except where the amount of sales tax incurred is not recoverable from the tax authority. In these circumstances, sales tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade receivables or trade payables in the Statement of Financial Position.

**Contingent liabilities**

The Company is subject to asserted and unasserted claims arising in the normal course of business which, as of 31 March 2019, had not resulted in the commencement of legal actions. Since the date of the Statement of Financial Position, civil claim proceedings have commenced in respect of a pre-action protocol, the merit and substance of which the Company is in the process of assessing prior to submitting its response. See note 15 for more detail. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company would record a provision.

**Impairment of non-financial assets**

Impairment may exist when the carrying value of an asset exceeds its recoverable amount. The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Such an assessment will involve identifying the higher of the asset's disposal value or its value in use. A value in use assessment involves identifying the discounted cash flows attributable to the non-financial asset which are then compared to its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss can be reversed up to the lower of its recoverable amount and the carrying amount that would have resulted had no impairment been recognised in prior periods. Any reversal of impairment is recognised in the Statement of Comprehensive Income. Impairment losses relating to goodwill cannot be reversed in future periods.

# Notes to the financial statements *(continued)*

## 2. Principal accounting policies *(continued)*

**Interest receivable and payable**

Interest receivable and payable is recognised respectively as interest income and expense using the effective interest rate method.

**Amounts recoverable from insurers**

Amounts due in connection with insurance claims, to the extent there is a high degree of certainty of recoverability are shown gross of any accrued costs that they relate to. Insurance proceeds are netted in the income statement against those costs that they are reimbursing.

## 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those of estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are set out below. From time to time management applies judgement in legal matters that may require provision or disclosure as a contingent liability.

*Going concern*

Management have concluded that it is appropriate to prepare the financial statement on a going concern basis after considering the uncertainties created by COVID-19. The basis for conclusion is set out in note 2, Going concern.

*Contingent liabilities*

The Company is subject to asserted and unasserted claims arising in the normal course of business. Civil claim proceedings have commenced in respect of a pre-action protocol, the merit and substance of which the Company is in the process of assessing prior to submitting its response. See note 15 for more detail. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company would record a provision.

*Amounts recoverable from insurance claims*

The Company's balance sheet contains amounts receivable in respect of insurance claims. Management have assessed the likelihood that the claims will be paid and have concluded that there is a high degree of certainty of their receipt.

## 4. Staff numbers and costs

The Company has no employees of its own. Canaccord Genuity Wealth Limited ("CGWL") a fellow subsidiary undertaking has made and continues to make available a number of its employees to be engaged either on a full-time or part time basis in the performance of certain functions or operations in connection with the Company's business and recharges these costs under administrative expenses.

The aggregate payroll costs incurred or allocated to the Company were as follows:

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Wages and salaries | 801 | 606 |
| Social security costs | 102 | 86 |
| Other pension costs | 83 | 69 |
| Total staff costs | 986 | 761 |

# Notes to the financial statements *(continued)*

## 5. Directors' remuneration

The directors of the Company are also directors of other Group companies. No costs for directors are borne by the Company as the directors do not believe that it is practicable to apportion their time between their services as directors of the Company and their services as directors of other Group companies.

## 6. Auditors remuneration

The fee for the audit of the Company's financial statements was £30,000 (*2019 - £30,000*). The fees payable to the Company's auditor for regulatory services was £10,000 *(2019 - £7,000)*.

## 7. Finance income

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Interest income on cash and bank balances | 1 | - |
| Total finance income | 1 | - |

## 8. Taxation

The tax charge on the loss for the year was as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Current tax | | |
| UK corporation tax - group relief at 19% *(2018 - 19%)* | (17) | (17) |
| Adjustment in respect of prior years | (1) | (4) |
| Total current tax | (18) | (21) |
| Deferred tax expense | - | - |
| Tax credit for the year | (18) | (21) |

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the time apportioned tax rate applicable to profits as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Loss before taxation | (98) | (99) |
| Loss multiplied by the standard rate of tax in the UK of 19% (PY - 19%) | (18) | (18) |
| Tax effect of: | | |
| - Expenses not deductible for tax purposes | 1 | 1 |
| - Adjustments in respect of the prior year | (1) | (4) |
| Tax credit for the year | (18) | (21) |

## 9. Deferred tax assets

### *Recognised deferred tax assets*

Deferred tax assets are attributable to the following:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Differences between depreciation and capital allowances | 1 | 1 |
| Total deferred tax asset | 1 | 1 |

# Notes to the financial statements *(continued)*

## 9. Deferred tax assets *(continued)*

### *Movements in deferred tax during the year*

The main rate of UK corporation tax was reduced to 19% from 1 April 2017 and was expected to reduce to 17% from 1 April 2020. This reduction has been reversed and corporation tax will remain at 19%. The closing deferred tax balance has been calculated at the rate specific deferred tax assets and liabilities are expected to be realised or settled.

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Balance at the beginning of the year | 1 | 1 |
| Credit/(charge) to income for the year | - | - |
| Balance at the end of the year | 1 | 1 |

## 10. Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fees receivable | 50 | 110 |
| Other debtors | 68 | - |
| Amounts recoverable in respect of insurance claims | 950 | - |
| Total current trade and other receivables | 1,068 | 110 |

## 11. Trade and other payables

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Trade payables and accrued expenses | 378 | 129 |
| Other creditors | 31 | 10 |
| Amounts payable to fellow subsidiary undertakings | 2,058 | 581 |
| Total current trade and other payables | 2,467 | 720 |

## 12. Equity

| Number of shares | 2020 | 2019 |
|---|---|---|
| A ordinary shares of £0.10 each | 11,250,000 | 6,250,000 |
| B ordinary shares of £0.10 each | 65,000 | 65,000 |
| C ordinary shares of £0.10 each | 12,750 | 12,750 |
| Total number of shares allotted, called up and fully paid | 11,327,750 | 6,327,750 |

*Movement on share capital*

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Share capital at the beginning of the year | 633 | 133 |
| A ordinary shares issued during the year | 500 | 500 |
| Share capital at the end of the year | 1,133 | 633 |

All shares are owned by Canaccord Genuity Wealth Group Limited and rank pari passu. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

# Notes to the financial statements *(continued)*

## 13. Financial risk management

In conducting its business activities, the Company is exposed to a number of types of risk.

The Board of Directors has overall responsibility for the establishment and maintenance of an appropriate control framework around these risks. The Board has defined, documented and annually reviews its risk appetite. A Committee structure, reporting to the Board, is in place to ensure that procedures, controls and limits are consistent with the stated risk appetite.

The Company must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the Financial Conduct Authority ("FCA"). The Company has put in place processes and controls to monitor and manage its capital requirements and no breaches were reported to the FCA during the year.

Credit risk exposure arises from the placement of deposits with banks. Exposure is mitigated through the placement of funds with banks with high credit ratings. Other short-term credit risk arises from fees and commissions receivable.

The Company faces liquidity risk to the extent it is unable to pay creditors as they fall due. It maintains at all times sufficient liquid bank balances to settle all liabilities.

The Company does not face any material market or interest rate risk. The carrying value of all financial assets and liabilities equates to fair value as carrying value is considered to be the best estimate of fair value.

## 14. Related parties

The Company enters into transactions with fellow subsidiary undertakings and other related parties. The principal relationships are:

The Company was charged by Canaccord Genuity Wealth Limited £992,591 (*2019 - £760,561)* to cover staff and other costs that it incurs in connection with its business. At the end of the year the Company had a liability of £2,052,865 (*2019 – £580,593*) in respect of these and other arrangements.

An amount of £5,901 was due to CG Wealth Planning Limited at 31 March 2020.

### *Key management compensation*

Key management personnel are defined as the board of directors as these persons have authority for planning, directing and controlling the activities of the Company. As disclosed in Note 5 of these accounts no costs for directors are borne by the Company.

### *Director's Transactions*

In the prior year, one director used the financial planning services of the Company which are available to all staff and is charged at an amount below that charged to non-staff clients. This transaction amounted to a total £1,138. There were no such transactions in the current year.

## 15. Contingent liabilities

Proceedings have been brought against the Company in respect of the recommendation of certain wealth management tax advantaged film partnership products which could be material if such claims are successful, additional claims are made or the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods.

# Notes to the financial statements *(continued)*

## 15. Contingent liabilities *(continued)*

The Company is either vigorously defending such proceedings or intends to in respect of any further claims that may be advanced. Notwithstanding that the Company considers that all such claims are, and would be, without merit, the Company may be required to record a provision for an adverse outcome, which could have a material adverse effect on the Company's financial position. The aggregate investment by the Company's clients who have standstill agreements in place in respect of these products, and for whom such information is available, is estimated to be approximately £6.0 million. The aggregate initial tax deferral amount realised by the Company's clients, who have standstill agreements, in respect of these products when they were purchased during the period from 2006 to 2009, is estimated to be less than £9.0 million.

Enforcement by HMRC, the outcome of litigation in respect of the taxation of other similar products sold by other financial advisors, and settlements reached with HMRC by some investors may result in tax liabilities to the purchasers of these products in excess of the initial tax deferral amount. As at the date of these audited annual financial statements, civil claims have been issued by current and former clients, and one former client is involved in pre-action correspondence under the relevant pre-action protocol. All the claims (or potential claims) notified to the Company have been defended or denied. The potential tax liability for those clients engaged in pre-action correspondence and the issued civil claims, which is in addition to the initial tax deferral amount is estimated to be less than £10.8 million, plus other potential costs (such as interest). For those clients not currently engaged in the issued civil claims and pre-action correspondence that could assert a tax liability against the Company the potential tax liability which is in addition to the initial tax deferral amount is estimated to be approximately £3.0 million.

The probable outcome of the enforcement actions by HMRC in respect of this matter and the likelihood of a loss to, or the amount of any such loss suffered by the Company in connection with any such claims made or asserted of the type set out above, or which may be further asserted are not determinable at the date of these audited annual financial statements

## 16. Ultimate parent company and parent company of larger group

The immediate parent undertaking is Canaccord Genuity Wealth Group Limited a company registered in England and Wales.

The ultimate parent of the Company is Canaccord Genuity Group Inc. a public corporation incorporated under the laws of Province of British Columbia, Canada with its registered office at Suite 1000-840 Howe Street, Vancouver, British Columbia, Canada V6Z 2M1.

## 17. Pillar three disclosures

These can be found on the Company's website: www.canaccordgenuity.com.

## 18. Post balance sheet events

The Company transitioned seamlessly to an operating model where staff were based at home immediately prior to the UK Government's advice on 23 March 2020. The operating model enables business continuity, operational resilience, and its sustainability for the foreseeable future. The balance sheet and income statement at 31 March 2020 include the impact of the COVID-19 environment at that date. For details of potential impacts and the consideration of the impact on these financial statements see note 2 (Going concern). The Company is reviewing steps for the eventual return of the Company's employees to its offices as the COVID-19 lockdown is eased by the UK Government.

The post reporting impact of COVID-19 is deemed to be a non-adjusting event.