

Company registration number: 02762351

# **Canaccord Genuity Financial Planning Limited**

Reports and financial statements  
For the year ended  
31 March 2018



## Contents

Company Information	1
Strategic Report	2-3
Directors' Report	4-5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7-9
Statement of Income and Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the financial statements	14-22

## Company Information

### The Board of Directors

A De Rosnay (resigned as a Director on 02 November 2017)  
D Esfandi  
T Lyons (resigned as a Director on 02 November 2017)  
D MacFayden (appointed as a Director on 19 June 2017, resigned as  
a Director on 02 November 2017)  
S Massey  
J McAleenan

### Registered Office

41 Lothbury  
London  
EC2R 7AE

### Registered Number

02762351

### Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### Bankers

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

## Strategic Report

The directors present their Strategic Report for Canaccord Genuity Financial Planning Limited ("CGFPL" or the "Company") for the year ended 31 March 2018.

### Principal Activities

The principal activity of the Company is the provision of financial and tax planning services to individuals, trusts, partnerships and corporations. The Company is authorised and regulated by the Financial Conduct Authority.

The Company's key performance indicators are set out in the table below.

	2018	2017
Revenue (£000)	1,461	1,197
Operating profit (£000)	268	143
Number of active clients*	498	538
Average headcount	-	-
Net cash and cash equivalent (£000)	1,412	1,157

Revenue for the year has increased by 22.1% from the prior year.

\*Active clients are defined as either those who have paid ongoing advisor fees or one-off charges in the financial year.

### 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 are reputational, regulatory, operational, credit, liquidity, legal 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.

#### 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 to proactively identify and assess risks in order to manage 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, increase business success and protect and enhance shareholder value.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### **Credit risk**

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. Further credit risk arises on debtor balances in respect of fees and commissions earned. Outstanding items are closely monitored and any irrecoverable amounts are provided against.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

#### **Liquidity risk**

Liquidity risk is the risk that an institution 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 a number of 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.

Given the nature of the Company's business, the Company does not run any liquidity mismatches. Financial liabilities are on the whole short term and the Company maintains sufficient cash resources to cover liabilities. Liquidity risk is also one of the key items taken into account by the directors when considering the going concern basis of the Company.

#### **Legal risk**

The Company advises clients on investment products. If such advice is unsuitable for the client and the client is adversely impacted from actions taken (or acting) on the advice then the Company is exposed to compensation claims. The Company has a strong compliance culture and advice given is subject to control procedures and review.

#### **Political risk**

The result of the UK's Brexit referendum brings additional uncertainty over the future, consequently management are considering the implications of this vote for the Company.

On behalf of the Board



D Esfandi  
Director

25 July 2018

## Directors' Report

The directors present their Directors' Report for the Company for the year ended 31 March 2018.

### Directors and officers

The individuals who held office during the year, together with dates of appointment or resignation as applicable, are set out below.

A De Rosnay (resigned as a Director on 02 November 2017)

D Esfandi

T Lyons (resigned as a Director on 02 November 2017)

D MacFayden (appointed as a Director on 19 June 2017, resigned as a Director on 02 November 2017)

S Massey

J McAleenan

The Company Secretarial role is performed by an employee of Canaccord Genuity Wealth Limited, a fellow subsidiary of Canaccord Genuity Wealth Group Limited.

### Dividends

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

### Future developments

During the year, the Company continued to benefit from restructuring and integration carried out in the prior year and operates as an integrated financial planning business. As a result of these changes the Company is well placed to take advantage of future opportunities.

### Financial instruments

The impact of financial instruments on the affairs of the Company is described in the Strategic Report on pages 2 and 3.

### Going concern

The Company's business activities along with the factors likely to affect its future development, performance and position are set out below. The key risks affecting the Company are also set out on pages 2 and 3 and Notes 13 and 15.

As set out in the balance sheet the Company has a working capital surplus and the Company's forecasts indicate future profitable trading.

Having taken the above factors into account the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Political donations

During the year no political donations (2017 - £nil) were made by the Company.

## Director's Report *(continued)*

### Post balance sheet events

There have been no material events subsequent to the reporting date that would require disclosure.

### 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



D Esfandi  
Director

25 July 2018

## **Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements**

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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; 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 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 2018 which comprise of the Statement of Income and 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 2018 and of its profit 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, 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 6, 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**

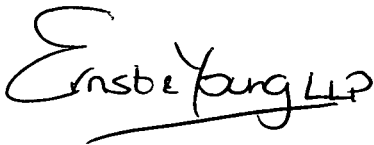
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is stylized, with the "E" being particularly large and the "LLP" at the end.

Sarah Williams (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
25 July 2018

**Statement of Income and Comprehensive Income**  
*for the year ended 31 March 2018*

	Note	2018	2017
		£000	£000
Revenue		1,461	1,197
Administrative expenses		(1,193)	(1,054)
Profit on ordinary activities before tax		<u>268</u>	<u>143</u>
Taxation	7	(52)	(23)
Profit for the year		<u>216</u>	<u>120</u>

The notes on pages 14 to 22 form part of these financial statements.

All items in the above statement derive from continuing operations.

**Statement of Financial Position**  
**As at 31 March 2018**

	Note	2018 £000	2017 £000
<b>Non-current assets</b>			
Deferred tax assets	8	1	1
		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Cash and cash equivalents		1,412	1,157
Trade and other receivables	9	119	145
		<u>1,531</u>	<u>1,302</u>
<b>Total assets</b>		<u>1,532</u>	<u>1,303</u>
<b>Current liabilities</b>			
Trade and other payables	10	(389)	(178)
Corporation tax payable		(51)	(42)
		<u>(440)</u>	<u>(220)</u>
<b>Net current assets</b>		<u>1,091</u>	<u>1,082</u>
<b>Net-current liabilities</b>			
Provisions	11	(35)	(242)
		<u>(35)</u>	<u>(242)</u>
<b>Net assets</b>		<u>1,057</u>	<u>841</u>
<b>Equity</b>			
Share capital	12	133	133
Share premium		544	544
Capital redemption reserve		2	2
Profit and loss account		378	162
<b>Total equity</b>		<u>1,057</u>	<u>841</u>

The notes on pages 14 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on 25 July 2018 and were signed on its behalf by:



D Esfandi  
Director

Company registration number: 02762351

**Statement of Changes in Equity**  
*for the year ended 31 March 2018*

	Share Capital	Capital redemption reserve	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2016	133	2	544	42	721
Total comprehensive income for the year	-	-	-	120	120
Balance at 31 March 2017	<u>133</u>	<u>2</u>	<u>544</u>	<u>162</u>	<u>841</u>
Balance at 1 April 2017	133	2	544	162	841
Total comprehensive income for the year	-	-	-	216	216
Balance at 31 March 2018	<u>133</u>	<u>2</u>	<u>544</u>	<u>378</u>	<u>1,057</u>

**Statement of Cash Flows**  
*for the year ended 31 March 2018*

	Note	2018	2017
		£000	£000
Profit on ordinary activities before taxation		268	143
<b>Net Cash from Operations</b>		<u>268</u>	<u>143</u>
Decrease in trade and other receivables		26	25
Increase in trade and other payables		211	(5)
Decrease in provision		(207)	-
Tax paid		(43)	-
<b>Net cash from operating activities</b>		<u>255</u>	<u>163</u>
<b>Net cash used in investing activities</b>		<u>-</u>	<u>-</u>
<b>Net cash from financing activities</b>		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		255	163
Cash and cash equivalents at the beginning of the year		1,157	994
<b>Cash and cash equivalents at end of the year</b>		<u><u>1,412</u></u>	<u><u>1,157</u></u>

## 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.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. They have also been prepared on a going concern basis as set out on page 4 in the Directors' Report.

The financial statements have been presented in pounds sterling, rounded to the nearest thousand (expressed as thousands - £000's), except where otherwise indicated. They have also been prepared on the historical cost basis, except for the revaluation of certain financial assets and liabilities at fair value through the profit and loss.

There were no changes in the accounting policies set out below during the 12 months ended 31 March 2018 nor were any new standards or interpretations adopted by the Company.

The following standards and amendments to standards that are not yet effective have not been early adopted by the Company.

#### ***IFRS 9 – "Financial Instruments"***

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with the exception of hedge accounting. The Company will adopt IFRS 9 for its fiscal year ending March 31, 2019.

The Company has evaluated the impact of IFRS 9 on its financial statements and the assessment is as follows:

##### **Classification - financial assets and liabilities**

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Company has concluded that the classification of financial assets and liabilities is expected to remain consistent under IFRS 9.

##### **Impairment - financial assets**

IFRS 9 introduces the new "expected credit loss" impairment model which replaces the "incurred loss" model in IAS 39. Based on its assessment, the Company does not believe that new impairment requirements will have a material impact on its financial statements given the short-term nature of the Company's receivables.

#### ***IFRS 15 - "Revenue from Contracts with Customers"***

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods on or after January 1, 2018, with early adoption permitted. Either a modified retrospective application or full retrospective application is permitted under IFRS 15. The Company will be adopting IFRS 15 for its fiscal year ending March 31, 2019 using the modified retrospective application approach.



## Notes to the financial statements *(continued)*

The Company has evaluated the impact of IFRS 15 on its various revenue streams and concluded there is no material change in the amount or timing of revenue recognized under the new standard as the point of transfer of risk and reward for services and transfer of control occur at the same time.

### 2. Summary of significant accounting policies

#### *Functional currency*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in subsidiaries, trade and other receivables, cash and cash equivalents, and trade and other payables.

#### *Revenue recognition*

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 financial advisory fees excluding VAT receivable in respect of the period. Fees received are spread over the period over which the service has been provided.

#### *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.

#### *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.

## Notes to the financial statements (continued)

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 and Comprehensive 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 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.

### ***Provisions***

Provisions are recognised when the Company has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Income and Comprehensive Income net of any reimbursement.

### ***Contingent liabilities***

The Company is subject to asserted and unasserted claims arising in the normal course of business which, as of 31 March 2018, have not resulted in the commencement of legal actions. 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 Income and Comprehensive Income. Impairment losses relating to goodwill cannot be reversed in future periods.

## Notes to the financial statements (continued)

### *Interest receivable and payable*

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

### 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 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.

### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profit. Refer to note 8.

### 4. Staff numbers and costs

From 1 January 2014 the Company had 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:

	2018	2017
	£000	£000
Wages and salaries	485	492
Social security costs	71	69
Contributions to defined contribution plans	48	49
	<u>          </u>	<u>          </u>

### 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. Auditor remuneration

The fee for the audit of the Company's financial statements was £61,032 (2017 - £48,256). The fees payable to the Company's auditor for regulatory services was £3,500 (2017 - £3,500). This cost was borne by Canaccord Genuity Wealth Limited, a fellow subsidiary of Canaccord Genuity Wealth Group Limited.

## Notes to the financial statements *(continued)*

### 7. Taxation

#### Analysis of tax charge for the year

	2018	2017
	£000	£000
<b>Current tax</b>		
UK corporation tax	51	32
Adjustments in respect of prior year	1	(10)
	<u>52</u>	<u>22</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	1
Adjustments in respect of prior year	-	-
	<u>-</u>	<u>1</u>
Deferred tax expense	-	1
	<u>-</u>	<u>1</u>
Total tax charge on profit	<u>52</u>	<u>23</u>

#### Reconciliation of effective tax rate

	2018	2017
	£000	£000
Profit before tax	268	143
	<u>268</u>	<u>143</u>
Standard rate of corporation tax in the UK for the year	19%	20%
Profit on ordinary activities multiplied by the standard rate of corporation tax for the year	51	29
<b>Factors affecting tax charge for the year:</b>		
Expenses not deductible for tax purposes	-	4
Adjustment in respect of prior year	1	(10)
	<u>1</u>	<u>(10)</u>
Total tax charge	<u>52</u>	<u>23</u>

## Notes to the financial statements *(continued)*

### 8. Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	2018	2017
	£000	£000
Deferred tax asset	1	1
	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>
	2018	2017
	£000	£000
Difference between depreciation and capital allowances	1	1
	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

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

The main rate of UK corporation tax reduced from 20% to 19% effective from 1 April 2017. The Finance Act 2016, substantively enacted on 6 September 2016 and enacted on 15 September 2016, further reduced the corporation tax rate to 17% from 1 April 2020. The closing deferred tax balances have been calculated at the rate specific deferred tax assets and liabilities are expected to be realised or settled which is at 19% or 20% (2017 - 20%).

	2018	2017
	£000	£000
Balance at the beginning of the year	1	2
(Charge) to income for the year	-	(1)
	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

## Notes to the financial statements *(continued)*

### 9. Trade and other receivables

	2018	2017
	£000	£000
Fees receivable	119	132
Amounts due from fellow subsidiary undertakings	-	13
	<u>119</u>	<u>145</u>

### 10. Trade and other payables

	2018	2017
	£000	£000
Other taxes payable	-	23
Accruals and deferred income	85	155
Amounts due to fellow subsidiary undertakings	304	-
	<u>389</u>	<u>178</u>

### 11. Provisions

	2018	2017
	£000	£000
Balance at the beginning of the year	242	242
Utilised in the period	(207)	-
	<u>35</u>	<u>242</u>

Provisions are in respect of legal fees payable relating to advice given by the Company during the period 2006 to 2009 where complaints have been received and have been or are expected to be upheld by the Company. This year £207,000 in legal fees related to these complaints were paid by the Company (2017 - £nil).

### 12. Equity

	2018	2017
Allotted, called up and fully paid		
1,250,000 (2014 - 1,250,000) A ordinary shares of £0.10 each	125,000	125,000
77,750 (2014 - 77,750) B & C ordinary shares of £0.10 each	7,775	7,775
	<u>132,775</u>	<u>132,775</u>

All shares are owned by Canaccord Genuity Wealth Group Limited ("CGWGL") and rank *pari passu*. The holder of ordinary shares is entitled to receive dividends as declared from time to time and is 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 ("CGWL") £604,060 (2017 - £596,423) to cover staff and other costs that it incurs in connection with its business. At the year end an amount of £304,375 (2017 - £12,663 owed by CGWL) was owed to CGWL in respect of these and other arrangements.

### 15. Contingent liabilities

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management tax advantaged film partnership products in the UK by a predecessor which could be material if such claims are advanced, additional claims are made and the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. Although the Company intends to vigorously defend itself in the event that claims are advanced, and believes that such claims 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 in respect of these products is estimated to be £8.8m. The aggregate initial tax deferral realized by the Company's clients in respect of these products when they were purchased by those clients during the period from 2006 to 2009 is estimated to be £13.1m. Enforcement in accordance with announcements from HMRC, the outcome of certain litigation proceedings in respect of the taxation of other similar products sold by other financial advisors and certain settlements reached with HMRC by some investors may result in tax liabilities to the purchasers of those products in excess of the initial tax deferral amount. As at the date of these audited financial statements two pre-action protocols have been issued by certain clients, which have been rebutted by the Company. The potential tax liability for those clients engaged in such pre-action protocols which is in excess of the initial tax deferral amount, is estimated to be in the region of £9m plus other potential costs (e.g. interest). The probable outcome of the enforcement actions by the HMRC in respect of this matter and the likelihood of a loss or the amount of any such loss to the Company in connection with any such claims asserted against the Company, or which may be asserted against the Company, are not determinable at the date of these audited financial statements.

## Notes to the financial statements *(continued)*

### **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](http://www.canaccordgenuity.com).

### **18. Post balance sheet events**

There have been no material events subsequent to the reporting date that would require disclosure.