

Registered Office:

12th Floor
Moor House
120 London Wall
London
EC2Y 5ET

CLSA (UK)

**STRATEGIC REPORT, DIRECTORS'
REPORT AND FINANCIAL STATEMENTS**

31st December 2019

Registered Company Number 1008262



CLSA (UK)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31st DECEMBER 2019**

The Directors present their strategic report of CLSA (UK), Registered Company Number 1008262, ("the Company") for the year ended 31st December 2019.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is an unlimited liability company having share capital and is authorised to conduct investment business by the Financial Conduct Authority. Its principal activities are to provide broking services in listed equities and bonds, and corporate finance advisory services, to institutional clients and corporates in the UK/ European time zone to group companies and act as an executing broker.

CLSA (UK) is remunerated for its marketing services to group companies on a cost plus basis and receives a share of revenue for its corporate advisory services and fixed income trading activities.

The Company made a profit for the financial year of £1,673,000 (2018: £1,788,000).

The directors consider the state of affairs of the Company to be satisfactory at 31st December 2019.

STRATEGY AND FUTURE DEVELOPMENTS

The Company's principal objective is to achieve attractive and sustainable profitability and growth in its core business of supplying primary and secondary broking and other advisory services to institutional and corporate clients.

The Directors are confident that the Company will continue to trade profitably in the coming year.

The Directors are of the opinion that the Company has sufficient funding in place to enable it to meet its financial obligations as they fall due for at least twelve months from the date that these financial statements have been signed.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a degree of risk. The key business risks and uncertainties affecting the Company's operations are considered to relate to the condition of global financial markets, reputational risk, market risk and credit risk on the Company's balance sheet, operational and competition risk from other firms active in the sector.

The Company's risk management policy is closely integrated with that of the wider Group and is in the opinion of the Directors appropriate for the nature of the Company's operations. More information regarding the Company's financial risk management is set out in note 17 to the financial statements.

KEY PERFORMANCE INDICATORS ("KPIs")

The CLSA Group of companies is managed globally on a product basis. For this reason the Company's Directors believe that analysis using KPIs for the Company is not necessary, nor appropriate for an understanding of the development, performance or position of the Company.

On behalf of the Board



S. Cowen
Chief Operating Officer
9th April 2020

CLSA (UK)

DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31st December 2019. The information in relation to the Company's future development and financial risk management are discussed within the strategic report.

The immediate parent company of CLSA (UK) is CLSA B.V., a company registered in the Netherlands ("the parent").

REGISTERED ADDRESS

The company is a private unlimited company incorporated and domiciled in the UK. The Company's registered office is 12th Floor, Moor House, 120 London Wall, London EC2Y 5ET.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements were as follows:

J. D. Slone	Chairman (Resigned on 12 th July 2019)
R. G. Gould	Chairman (Appointed on 7 th November 2019)
R.P. Ziegler	Chief Executive Officer
S. Cowen	Director
A. E. Hartley	Director (Appointed on 31 st October 2019 and Resigned on 2 nd March 2020)
A. D. Dwerryhouse	Director
C.C. Hipkins	Non-Executive Director
D. Skinner	Director (Resigned on 12 th July 2019)

DIRECTORS' INTERESTS

None of the Directors held an interest in the share capital of the Company.

DIVIDEND

A dividend of £2,000,000, representing 10p per share, was paid to shareholders in June 2019 (2018 – £1,000,000). No other dividend has been proposed.

EMPLOYEES

Meetings are held on a regular basis with employees to discuss the performance of the business and its future prospects. Opportunity is given at these meetings for questions to be put to senior executives regarding any matters relevant to the employees.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DONATIONS

	<u>2019</u>	<u>2018</u>
	£	£
During the year the Company made the following donations:		
Charitable purposes	<u>2,000</u>	<u>2,000</u>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

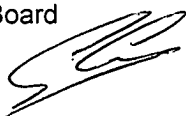
INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be re-appointed as the Company's independent auditors in accordance with S 487 (2) of the Companies Act 2006.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board for issue on 9th April 2020. There are no other parties who have the power to amend the financial statements after they have been issued.

On behalf of the Board



S. Cowen
Chief Operating Officer
9th April 2020

Report on the audit of the financial statements

Opinion

In our opinion, CLSA (UK)'s financial statements:

give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account for the year ended 31 December 2019, the statement of changes in equity for the year ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christopher Dalton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
9 April 2020

CLSA (UK)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	<u>Note</u>	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Turnover	2	18,414	16,890
Administrative Expenses		(16,575)	(14,793)
Operating Profit	4	<u>1,839</u>	<u>2,097</u>
Interest Receivable and Similar Expenses	5	219	221
Interest Payable and Similar Charges	6	(8)	(1)
Profit before Taxation		<u>2,050</u>	<u>2,317</u>
Tax on Profit	7	(377)	(529)
Profit for the Financial Year		<u>1,673</u>	<u>1,788</u>

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

There is no other comprehensive income other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

The above profit and loss account should be read in conjunction with the accompanying notes on pages 10 to 27

CLSA (UK)

BALANCE SHEET (Registered Company Number: 1008262)
AS AT 31ST DECEMBER 2019

	<u>Note</u>	<u>2019</u>		<u>2018</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible Fixed Assets	8	903		881	
Right-of-use assets	15	<u>7,983</u>	8,886	—	881
CURRENT ASSETS					
Debtors	9	231,904		283,952	
Deferred Tax	10	175		10	
Investments	11	614		120	
Short Term Deposits		12,285		14,639	
Cash at bank and in hand		<u>10,571</u>		<u>7,516</u>	
		255,549		306,237	
CREDITORS (amounts falling due within one year)	12	(235,236)		(285,665)	
NET CURRENT ASSETS			20,313		20,572
LEASE LIABILITIES	15		(8,073)		-
NET ASSETS			<u>21,126</u>		<u>21,453</u>
CAPITAL AND RESERVES					
Called up Share Capital			20,000		20,000
Profit and Loss Account			<u>1,126</u>		<u>1,453</u>
TOTAL SHAREHOLDERS' FUNDS	16		<u>21,126</u>		<u>21,453</u>

The notes on pages 10 to 27 form an integral part of the financial statements.

The financial statements on pages 7 to 27 were approved by the Board of Directors on 9th April 2020

and signed on their behalf by:



S. Cowen
Chief Operating Officer
9th April 2020

CLSA (UK)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Called up share capital £000	Profit and Loss Account £000	Total Shareholders' Funds £000
For the year ended 31st December 2019			
At 1 st January 2019	20,000	1,453	21,453
Profit for the financial year	-	1,673	1,673
	<hr/>	<hr/>	<hr/>
Total Comprehensive Income	-	1,673	1,673
Dividend Paid	<hr/> -	<hr/> (2,000)	<hr/> (2,000)
At 31 st December 2019	<u>20,000</u>	<u>1,126</u>	<u>21,126</u>
For the year ended 31st December 2018			
At 1 st January 2018	20,000	665	20,665
Profit for the financial year	-	1,788	1,788
	<hr/>	<hr/>	<hr/>
Total Comprehensive Income	-	1,788	1,788
Dividend Paid	<hr/> -	<hr/> (1,000)	<hr/> (1,000)
At 31 st December 2018	<u>20,000</u>	<u>1,453</u>	<u>21,453</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 27

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of IAS 7, 'Statement of cash flows';
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- The requirements of IAS 1, 'Presentation of financial statements to present the comparative information.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Changes in accounting policy and disclosures

- a) IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see notes 15 and 23.
- b) There are no new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted that will have any impact on the Company.

(1) Accounting Convention and Basis of Preparation

The financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of dealing positions to market value as defined in Note 1 (7) (ii) and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. Outbreak of Coronavirus Disease 2019 ('COVID-19 outbreak') in early 2020 is a non-adjusting event and there is no impact on recognition of assets and liabilities as of 31st December 2019. The Company continues to be a going concern and is generating revenue and liquidity of its receivables regularly.

(2) Offsetting

Amounts due to and from counterparties have been disclosed on a net basis only where the Company has contractually agreed with the counterparty that settlement would be made on that basis.

(3) Translation of foreign currencies into Sterling

All monetary assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the rates ruling at the balance sheet date. Transactions in currencies other than Sterling are recorded at the rates ruling at the dates of the transactions. All translation differences are taken through the profit and loss account.

1. ACCOUNTING POLICIES (continued)

(4) Fixed Assets

Tangible fixed assets are recorded at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The cost of the initial fit out of the Company's offices amounting to £2,162,000 has been borne by another group company and is not reflected in the Company's balance sheet.

(5) Depreciation

Depreciation is provided on a straight line basis on fixed assets at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives. The principal annual rates are as follows:

* Fixtures and Fittings	20% p.a.
* Office Equipment	20% to 33% p.a.
* Leasehold Improvements	10% p.a. (or the length of the lease if shorter)

(6) Current and Deferred Taxation

UK Corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

1. ACCOUNTING POLICIES (*continued*)

(7) Current Assets/Liabilities

i) Trade Debtors/Creditors

Trade debtors/creditors represents amounts anticipated to be received/paid in respect of securities transactions and are stated at the amounts expected to be received/paid. All settled and unsettled transactions at the balance sheet end date are included in the financial statements. The company takes on settlement risk as it is exposed to losses or gains in the event of failed transactions. Therefore, trades would be recognised as trade debtors/ trade creditors until they are fully settled.

ii) Investments

The Company classifies its financial assets at fair value held for trading, carried at fair value with the resulting differences taken directly to the income statement. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.

The fair value of investments held are determined as follows:

- (a) quoted investments in active markets are marked at the latest bid price for long positions and the latest offer price for short positions; and
- (b) investments in open ended funds are marked at the latest net asset value as advised by the fund administrators.

iii) Short Term Deposits

Deposits at banks with an original maturity of less than twelve months are defined in the financial statements as short term deposits.

iv) Cash at bank and in hand

For the purpose of presentation in the financial statements Cash at bank and in hand includes cash on hand, demand deposits with bank, other short term highly liquid investments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, with original maturities of three months or less.

(8) Operating Leases for prior year disclosures

Operating lease costs for the year ended 31st December 2018 are charged to the profit and loss account on a straight line basis over the lease term. The Company has not entered into any finance leases.

(9) Pension Costs

All of the Company's permanent employees are eligible to join a defined contribution Group Personal Pension plan (GPP) under which the Company makes a fixed contribution to the individual employees' plans.

(10) Related Parties

The Company undertakes transactions with fellow group companies in the ordinary course of business.

The directors of the Company are also defined as related parties. They are entitled to deal in securities through a CLSA Group entity in accordance with the Company's and Group's personal account dealing rules. These provide that directors receive the same terms as clients, except that they are entitled to reduced commission rates. The directors do not consider that the financial effects of such transactions will have a material impact on the Company, and, if disclosed, would not influence decisions made by users of these financial statements.

(11) Comparative Figures

Due to adoption of IFRS 16 other than the disclosures of made in note 15. on Leases all Comparatives have been presented in line with the current year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2. TURNOVER

The directors consider that the Company has three main business lines:

- a) Institutional Equities- providing global equity broking services, to institutional clients,
- b) Investment Banking- providing advisory services to clients and affiliates,
- c) Fixed Income- trading fixed income securities on a riskless principal basis with institutional clients.

The Company's principal sources of revenue are from marketing / revenue sharing agreements with Group companies. Commissions and all other income are taken to the profit and loss account on all transactions executed during the year to the balance sheet date.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(1) Staff Costs

	<u>2019</u> £'000	<u>2018</u> £'000
Wages and Salaries	9,779	8,442
Social Security Costs	1,372	1,206
Other Pension Costs (see note 3 (2))	<u>354</u>	<u>476</u>
	<u>11,505</u>	<u>10,124</u>

The monthly average number of persons employed by the Company, including directors on service contracts, by activity during the year was:

	<u>2019</u> Number	<u>2018</u> Number
Management, Administration and Support	18	18
Front Office	<u>34</u>	<u>34</u>
	<u>52</u>	<u>52</u>

(2) Pensions

The CLSA (UK) Group Personal Pension Plan (see note 1(9)) is a defined contribution scheme and open to all eligible employees of CLSA (UK). In addition to the contribution made by the Company, members are entitled to make additional contributions in accordance with prevailing legislation. The Company has no further obligations with regard to the individual plans.

The total pension cost for the Company was:

	<u>2019</u> £'000	<u>2018</u> £'000
Group Defined Contribution Plans	<u>354</u>	<u>476</u>

Group and Other Defined Contribution Schemes

The costs charged to the profit and loss account in the defined contribution schemes represent normal contributions payable in respect of the relevant year. There were no amounts outstanding at the end of the current or previous years.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**(3) Directors' Emoluments**

The emoluments, including pension contributions, of the directors of the Company were:

	<u>2019</u> £'000	<u>2018</u> £'000
Aggregate Emoluments	1,109	1,444
Aggregate Pension Contributions	<u>24</u>	<u>24</u>
	<u>1,133</u>	<u>1,468</u>

The pension contributions were in respect of one director (2018: one) who was a member of the CLSA (UK) Group Personal Pension Plan which is a defined contribution plan administered by Aviva.

The value of total emoluments payable and the value of pension contributions paid by the Company for the highest paid director were:

	<u>2019</u> £'000	<u>2018</u> £'000
Aggregate Emoluments	591	818
Aggregate Pension Contributions	<u>24</u>	<u>24</u>
	<u>615</u>	<u>842</u>

4. OPERATING PROFIT

	<u>2019</u> £'000	<u>2018</u> £'000
Operating Profit is stated after charging/(crediting):		
Staff Costs (Note 3)	11,505	10,124
Rentals Under Operating Leases (plant and machinery)	33	33
Operating Lease Charges in respect of Land and Buildings	557	459
Depreciation of Tangible Fixed Assets (Note 8)	201	203
Services provided by the Company's Auditors		
Fees payable for the statutory audit	64	76
Fees payable for other audit related services	30	15
Intragroup costs	37	95
Other Administrative Expenses	3,571	4,326
Loss / (Profit) on Foreign Exchange Translation	577	(538)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2019</u> £'000	<u>2018</u> £'000
Interest receivable on deposits	219	207
Other Interest Income	=	<u>14</u>
	<u>219</u>	<u>221</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

6.	INTEREST PAYABLE AND SIMILAR EXPENSES	<u>2019</u> £'000	<u>2018</u> £'000
	Interest payable on overdue tax	-	1
	Interest paid on loan	<u>8</u>	<u>1</u>
		8	1
7.	TAX ON PROFIT	<u>2019</u> £'000	<u>2018</u> £'000
(1)	Analysis of Tax Charge:		
	Corporation Tax at 19% (2018: 19%)	542	461
	Deferred Tax (Credit) / Charge	<u>(165)</u>	<u>68</u>
	Tax on profit	<u>377</u>	<u>529</u>
(2)	Factors Affecting Tax Charge for the Current Year:		
	The tax assessed for the year is different from that resulting from applying the average applicable rate of corporation tax of 19% (2018: 19%). The differences are explained below.		
		<u>2019</u> £'000	<u>2018</u> £'000
	Profit before taxation	<u>2,359</u>	<u>2,317</u>
	Corporation Tax at 19% thereon (2018: 19%)	448	440
	Effect of:		
	Over Provision in Previous Year	(3)	(9)
	Expenses not deductible for tax purposes	77	57
	Accelerated Capital Allowances	(69)	(39)
	Other timing differences	89	12
	Current Tax Charge for the Year	<u>542</u>	<u>461</u>
(3)	Deferred Tax Charge/ (Credit):	<u>2019</u> £'000	<u>2018</u> £'000
	Accelerated Capital Allowances	9	40
	Other timing differences	(174)	28
	Deferred Tax (Credit) / Charge for the year	<u>(165)</u>	<u>68</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

8. TANGIBLE FIXED ASSETS

	<u>Leasehold Improvements</u> £'000	<u>Office Equipment</u> £'000	<u>Fixtures & Fittings</u> £'000	<u>Total</u> £'000
Cost				
1 st January 2019	906	1,074	154	2,134
Additions	<u>30</u>	<u>193</u>	-	<u>223</u>
31 st December 2019	<u>936</u>	<u>1,267</u>	<u>154</u>	<u>2,357</u>
Accumulated Depreciation				
1 st January 2019	230	928	95	1,253
Charge for the Year	<u>92</u>	<u>88</u>	<u>21</u>	<u>201</u>
31 st December 2019	<u>322</u>	<u>1,016</u>	<u>116</u>	<u>1,454</u>
Net Book Amount				
31 st December 2018	<u>676</u>	<u>146</u>	<u>59</u>	<u>881</u>
31 st December 2019	<u>614</u>	<u>251</u>	<u>38</u>	<u>903</u>

9. DEBTORS

	<u>2019</u> £'000	<u>2018</u> £'000
Trade Debtors	111,427	185,169
Amounts owed by Group Undertakings	115,210	97,735
Other Debtors	4,931	738
Prepayments and Accrued Income	<u>336</u>	<u>310</u>
	<u>231,904</u>	<u>283,952</u>

Trade debtors consist of outstanding trades in securities where the carrying value is equal to the fair value.

10. DEFERRED TAX

Deferred tax is provided in full on timing differences at rates at 19% (2018: 17-19%) being the effective corporation tax rate(s) at which the deferred tax asset is expected to be utilised. The Company does not discount the provision.

The directors consider it more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, which has therefore been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

10.	DEFERRED TAX (<i>continued</i>)	2019	2018
		£'000	£'000
	Deferred tax asset as at 1 st January	10	78
	Deferred tax credit/(charge) to the profit and loss account	165	(68)
		<u> </u>	<u> </u>
	Deferred tax asset as at 31 st December	<u>175</u>	<u>10</u>
	In respect of:		
	Accelerated Capital Allowances	(9)	(40)
	Deferred Compensation Scheme	159	29
	Other Timing Difference	<u>25</u>	<u>21</u>
		<u>175</u>	<u>10</u>
11.	INVESTMENTS	2019	2018
		£'000	£'000
	Positions in Listed Securities Stated at Fair Value:	<u>614</u>	<u>120</u>
		<u>614</u>	<u>120</u>
12.	CREDITORS	2019	2018
	AMOUNTS FALLING DUE WITHIN ONE YEAR	£'000	£'000
	Trade Creditors	57,151	102,686
	Amounts owed to Group Undertakings	173,154	179,044
	Other Creditors including Taxation and Social Security	957	684
	Accruals and Deferred Income	<u>3,974</u>	<u>3,251</u>
		<u>235,236</u>	<u>285,665</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

13. LIQUIDITY RISK

The table below presents the cash flows (i.e. nominal values) of the Company under financial assets/liabilities, by remaining contractual maturities as at 31st December 2019:

Assets	On Demand £'000	< 1 year £'000	1-5 years £'000	Above 5 years £'000	Total £'000
Debtors	-	231,904	-	-	231,904
Investments	-	489	-	125	614
Short Term Deposits	-	12,285	-	-	12,285
Cash at Bank and in hand	<u>10,571</u>	-	-	-	<u>10,571</u>
Total	<u>10,571</u>	<u>244,678</u>	<u>-</u>	<u>125</u>	<u>255,374</u>
Liabilities					
Creditors amounts falling due within one year	-	<u>234,770</u>	<u>466</u>	-	<u>235,236</u>
Total	-	<u>234,770</u>	<u>466</u>	-	<u>235,236</u>
Contractual maturity gap					
Cumulative contractual maturity gap	<u>10,571</u>	<u>9,908</u>	<u>(466)</u>	<u>125</u>	<u>20,138</u>

The table below presents the cash flows (i.e. nominal values) of the Company under financial assets/liabilities, by remaining contractual maturities as at 31st December 2018:

Assets	On Demand £'000	< 1 year £'000	1-5 years £'000	Above 5 years £'000	Total £'000
Debtors	-	283,952	-	-	283,952
Investments	-	120	-	-	120
Short Term Deposits	-	14,639	-	-	14,639
Cash at Bank and in hand	<u>7,516</u>	-	-	-	<u>7,516</u>
Total	<u>7,516</u>	<u>298,711</u>	<u>-</u>	<u>-</u>	<u>306,227</u>
Liabilities					
Creditors amounts falling due within one year	-	<u>285,513</u>	<u>152</u>	-	<u>285,665</u>
Total	-	<u>285,513</u>	<u>152</u>	-	<u>285,665</u>
Contractual maturity gap					
Cumulative contractual maturity gap	<u>7,516</u>	<u>13,198</u>	<u>(152)</u>	=	<u>20,562</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2019

14. SUBSIDIARY UNDERTAKING

The Company has one subsidiary undertaking in which the Company owns 100% of the ordinary share capital.

<u>Name of the subsidiary</u>	<u>Share Capital</u>	<u>Country of Incorporation</u>	<u>Activity</u>	<u>Percentage Owned</u>
Core Nominees Limited	£2	England and Wales	Nominee Company	100%
Core Nominees Limited has registered office address at 12 th Floor, Moor House, 120 London Wall, London EC2Y 5ET.				

15. LEASES

The amount recognized in the financial statements in relation to the leases are as follows.

i) Amount recognised in the statement of financial position

	<u>2019</u> £'000	<u>01-01-2019</u> £'000
Right-of-use assets		
Buildings	<u>7,983</u>	-
	<u>7,983</u>	=

	<u>2019</u> £'000	<u>01-01-2019</u> £'000
Lease liabilities		
Current	923	900
Non-current	<u>7,150</u>	<u>8,074</u>
	<u>8,073</u>	<u>8,974</u>

ii) Amount recognised in the Profit and Loss Account

	<u>2019</u> £'000	<u>2018</u> £'000
Included under Operating lease charges in respect of Land and Buildings		
Depreciation charge on right-of-use assets	998	-
Interest expense	212	-

Future minimum lease payments as at 31st December 2019

	£'000
No later than 1 year	1,112
Later than 1 year and not later than 5 years	4,449
Later than 5 years	<u>3,336</u>
Total gross payments	8,897
Impact of finance expenses	<u>(824)</u>
Carrying amount of liability	<u>8,073</u>

The total cash outflow for leases in 2019 was £ 1,205,000

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2019</u> £'000	<u>2018</u> £'000
Profit for the Financial Year	1,673	1,788
Dividend paid during the financial year	<u>(2,000)</u>	<u>(1,000)</u>
Net (Decrease) /Increase in Shareholders' Funds	(327)	788
Opening Shareholders' Funds	<u>21,453</u>	<u>20,665</u>
Closing Shareholders' Funds	<u>21,126</u>	<u>21,453</u>

17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks as detailed below. The Company's risk management programme, focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance. The Directors have reviewed the Company's financial risk management practices in light of current market conditions and are confident that these practices remain robust and relevant for the Company's activities and financial position in the current operating environment.

a. Market Risk

The Company became a designated broker under the LSE-SSE Connect in 2019 and as such holds positions in Chinese GDRs listed on the London Stock Exchange, and 'A' shares listed on the Shanghai Stock Exchange. As such the Company is exposed to market risk (including exchange rate risk) on the value of these positions. The Company also trades fixed income securities on a riskless principle basis. The Company also provides facilitation services in US Equities to Group clients.

b. Credit Risk

Credit risk arises from exposure to banks and to trade counterparties. The maximum exposure to credit risk approximates to the carrying value of these items on the balance sheet. As at the year-end cash and short-term deposits are held at banks with credit ratings of A2 and above.

In relation to the company's role in providing brokerage services, the company takes on settlement risk in that it is exposed to losses or gains in the event of failed transactions. This risk is mitigated as trades are undertaken on a delivery against payment basis. Outstanding settlement balances are recorded in trade debtors and trade creditors and amounts due from/to group undertakings.

Exposure to counterparties is controlled and monitored by the setting and daily monitoring of limits set with reference to various factors including:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2019

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

- domicile
- regulatory status
- net equity
- funds under management

There were no defaults on amounts due from counterparties during the year and management does not anticipate any losses from non-performance by its counterparties.

c. Exchange Rate Risk

Apart from the risk referred to under market risk, the Company has minimal exposure to exchange rates with the vast majority of its costs and revenues being incurred in sterling.

d. Liquidity Risk

The Company has minimal exposure to liquidity risk as disclosed in note 13 with no significant forward dated balance sheet items, other than deferred tax.

18. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company holds various financial assets which are valued in accordance with the policy documented in note 1 (7) above. As at 31 December 2019 and 2018, the fair value of investments of £614,000 (2018: £120,000) are classified as level 1 in the fair value hierarchy.

All financial assets and financial liabilities are presented as gross basis on the date of the balance sheet.

19. CAPITAL RISK MANAGEMENT

The Company's objectives when managing shareholders capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain sufficient capital for regulatory purposes, whilst optimising the capital structure.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is required to comply with the financial rules set by the Financial Conduct Authority under the Capital Requirements Directive (CRD).

The company has complied with the regulatory capital requirements throughout the year.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent undertaking is CLSA B.V., a company incorporated in the Netherlands. The ultimate parent undertaking and controlling party is CITIC Securities Company Limited (CITICS), a company incorporated in the People's Republic of China.

CITICS is the ultimate parent undertaking to consolidate these financial statements at 31st December 2019.

The consolidated financial statements of CITICS can be obtained from 16/F, CITIC Securities Tower, N°8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, PRC.

21. SEGREGATED ACCOUNTS

The Company is licensed to hold money on behalf of clients in accordance with the Client Money Regulations of the Financial Conduct Authority. Such money is not shown on the face of the balance sheet as the firm is not beneficially entitled thereto. The amount held in trust accounts on behalf of clients as at 31st December 2019 was £74,329. (2018: £75,715).

22. EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to 31st December 2019 that have not been reflected in the financial statements.

After the outbreak of Coronavirus Disease ('COVID-19 outbreak') in early 2020, a series of precautionary and control measures have been and continue to be implemented by the Company and the wider Group which have enabled the Company to continue to provide services to its clients on a business as usual basis. At the date of the Financial Statements there has been no detrimental effect to the Company's financial position. The Company will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating result of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not able to reliably estimate the impact that the COVID-19 outbreak may have on the Company's future financial position as the COVID-19 outbreak develops and how changes in Government policy may affect the markets in which the Company operates.

23. Effect of adoption of IFRS 16 - Leases

As indicated in notes 1 a) and 15, the company has adopted IFRS 16 Leases retrospectively from 1st January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as on 1st January 2019. The new accounting policies are disclosed in note 1 a)

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrow rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January was 2.50%.

i. Measurement of lease liabilities	£'000
Operating lease commitments disclosed as at 31 st December 2018	8,764
Discounted using the lessee's incremental borrowing rate of 2.5% at the date of initial application	8,974
Lease liability recognised as at 1 st January 2019	8,974
of which are:	
Current lease liabilities	900
Non-current lease liabilities	8,074

ii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31st December 2018.

iii. Adjustments recognised in the statement of financial position on 1st January 2019

The change in accounting policy affected the following items:

Right-of-use assets – increase by £ 8,981,150
Lease liabilities – increase by £ 8,973,823

There was no material impact on retained earnings on 1st January 2019

iv. Lessor accounting

The company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Report on the audit of the country-by-country information

Opinion

In our opinion, CLSA (UK)'s country-by-country information for the year ended 31/12/2019 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31st December 2019 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to note 24 of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is not appropriate; or
- the directors have not disclosed in the country-by-country information 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 country-by-country information is authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in note 24 and accounting policies in note 1 to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, 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.

Auditors' responsibilities for the audit of the country-by-country information

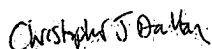
It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 this country-by-country information.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.



Christopher Dalton (Senior Statutory Auditor)
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
9 April 2020

ADDITIONAL DISCLOSURES AS PER ARTICLE 89 OF THE DIRECTIVE 2013/36/EU

CLSA (UK) – Country by Country Reporting

Basis of preparation

The Capital Requirements (Country By Country Reporting) ('CBCR') Regulations 2013 (the 'Regulations') came into effect on 1st January 2014 and have been transposed into UK law and impose certain reporting obligations on institutions within the UK within the scope of Article 89 of the EU Capital Requirements Directive IV. The Directors are responsible for the preparation of CBCR in accordance with the Regulations.

Country by country reporting

CLSA (UK) hereby sets out the required CBCR information for the Company for the year ended 31st December 2019. The Company also confirms that the following information relates only to the United Kingdom, as the Company operates solely within this jurisdiction.

a) Name, nature of activities And geographical location	CLSA(UK) provide broking services in listed equities and bonds, and corporate finance advisory services, to institutional clients and corporates in the European time zone. The company is located in the United Kingdom
b) turnover	£'000 Turnover for the year ended 31 st December 2019 is £ 18,414 (2018: 16,890)
c) number of employees on a full time basis	As at 31 st December 2019, the number of employees on a full time equivalent basis was 52 (31 st December 2018: 52)
d) profit or loss before tax	Profit before tax for the year ended 31 st December 2019 is £ 2,050 (2018: 2,317)
e) tax on profit or loss	tax for the year ended 31 st December 2019 is £ 377 (2018: 529)
f) public subsidies received	The Company did not receive any public subsidies in the year ended 31 st December 2019: nil (2018: nil)

24. Financial Conduct Authority Remuneration Code

As a regulated investment firm the Company is required to comply with the Financial Conduct Authority's remuneration code. The Company acknowledges the following general principles:

- Remuneration policies, procedures and practices should be consistent with and promote sound and effective risk management and not encourage risk-taking that exceeds the level of tolerated risk of the firm.
- Remuneration policies should be in line with the business strategy, objectives, values and long-term interests of the firm and CLSA Group.
- The firm's total variable remuneration should not limit the firm's ability to strengthen its capital base.
- The structure of an employee's remuneration should be consistent with and promote effective risk management.
- Where the firm's financial performance is subdued or negative, total variable remuneration should generally be considerably contracted, taking into account both current remuneration and reductions in pay-outs of amounts previously earned

A breakdown of remuneration for staff defined as code staff under the Financial Conduct Authority regulations is set out below:

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Fixed Remuneration	1,378	1,150
Variable Remuneration	<u>383</u>	<u>760</u>
	<u>1,761</u>	<u>1,910</u>
	<u>Number</u>	<u>Number</u>
Number of Code Staff	8	8