

Company Registration No. 0863502 (England and Wales)

ROBERT W. BAIRD GROUP LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



ROBERT W. BAIRD GROUP LIMITED

COMPANY INFORMATION

Directors	B Doyal (appointed 5 February 2019) S G Booth (resigned 5 February 2019) S Holt G Pan J A Langenfeld D M Silver A Ferguson
Secretary	TMF Corporate Administrative Services Limited
Company number	0863502
Registered office	Finsbury Circus House 15 Finsbury Circus London England EC2M 7EB
Auditor	KPMG LLP 15 Canada Square London E14 5GL

ROBERT W. BAIRD GROUP LIMITED

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ROBERT W. BAIRD GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for the year ended 31 December 2018.

Review of the business

The Group made a profit after taxation of £4,040,903 for the year ended 31 December 2018 (2017: £963,791).

During the year the Group's revenue increased by £6,388,147 to £51,607,783 (2017: £45,219,636). The increase in revenues is reflective of the increased Corporate Finance average fee size.

The Group's operating profit margin increased to 6.1% from 4.4%. This has been driven by strong revenue growth in the investment banking business unit.

At the end of the year the Group had net current assets of £23,213,871 and total net assets of £37,366,080 indicating a strong financial position.

Key performance indicators (KPIs)

The directors monitor a number of KPIs in each business, these include:

Private Equity

The directors monitor a number of KPIs including the value of active funds under management at the year end which decreased to £52.3m (2017: £59.9m), undrawn commitments available at the year end of £13.4m (2017: £14.9m) as well as capital deployed and realised during the year of £3.7m and £14.1m respectively (2017: £1.5m and £1.4m respectively).

Corporate Finance

The number of local deals completed by European investment banking was 19 in 2018 (2017: 19). Contribution for the business was £6,400,887 (2017: £4,293,348).

Institutional Equity Sales

The number of institutional sales clients increased to 198 in 2018 from 179 in 2017. Contribution for the business was £140,735 (2017: £953,999) which is reflective of the decreased Institutional Equity Research activity.

Principal risks and uncertainties

The Group's operations expose it to a variety of financial risks that include credit risk liquidity risk and currency risk. The Group monitors these risks and seeks to limit the adverse effects on the financial performance of the Group. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, but policies are implemented by the Company's finance department.

Credit risk

The amount of exposure to any individual counterparty is monitored and assessed on a case by case basis.

Liquidity risk

The Group maintains cash reserves ensuring it has sufficient available funds to meet its debts as they fall due. These are monitored at a company and group level.

Currency risk

The Group has currency risk from its relationships with both its German business, and with its US parent. The main exposure arises from the Group holding a proportion of its cash in USD as part of the global group's hedging strategy. This is monitored by the Finance department, and also by the global group.

On behalf of the Board

S Holt

Director

5 April 2019



ROBERT W. BAIRD GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of Robert W. Baird Group Limited is as a holding and service company to other companies within the Group. The Group of companies' activities during the year was the provision of financial and investment services to companies and financial institutions. This included three primary business streams: Corporate Finance, Institutional Equity Sales and Private Equity.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B Doyal (appointed 5 February 2019)
S G Booth (resigned 5 February 2019)
S Holt
G Pan
J A Langenfeld
D M Silver
A Ferguson

Results and dividends

The results for the year are set out on pages 8 and 9.

The directors proposed and paid a dividend of £24,300,000 during the year (2017: £nil).

Events since the balance sheet date

There is no event to be reported since the balance sheet date.

Principal risks and uncertainties

These have been included in the Strategic report.

Future developments

The Board intends to continue to develop the provision of institutional equity sales and corporate finance services alongside the continued development of the provision of portfolio investment management services provided by the Group.

Auditor

KPMG LLP were appointed as auditor to the company in accordance with section 485 of the Companies Act 2006, and having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ROBERT W. BAIRD GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Going concern

The directors, having regard to the matters detailed above, have prepared the financial statements on a going concern basis. The Group has remained profitable through a period of challenging market conditions, and is reporting net current assets of £23,213,871 at 31 December 2018. The majority of assets are retained in cash and cash equivalents, giving a healthy liquidity position.

The directors expect the Group to continue to trade profitably for the twelve months from the date of signing.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the board



S Holt

Director

5 April 2019

ROBERT W. BAIRD GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Directors' Responsibilities in respect of the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial

ROBERT W. BAIRD GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROBERT W. BAIRD GROUP LIMITED

Opinion

We have audited the financial statements of Robert W. Baird Group Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of goodwill, valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

ROBERT W. BAIRD GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ROBERT W. BAIRD GROUP LIMITED

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

ROBERT W. BAIRD GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ROBERT W. BAIRD GROUP LIMITED

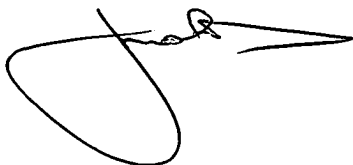
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jonathan Martin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

5 April 2019

ROBERT W. BAIRD GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	£
Turnover	3	51,607,783	45,219,636
Administrative expenses		(48,443,778)	(43,078,674)
Operating profit		3,164,005	2,140,962
(Expense)/income from interests in associated undertakings		(44,773)	16,331
Gains on financial instruments at fair value	9	1,836,873	776,066
Interest receivable and similar income	10	431,949	337,727
Other finance expense	11	(424,295)	(3,733,694)
Profit/(loss) before taxation	4	4,963,759	(462,608)
Tax charge related to interests in associated undertakings	12	-	(4,556)
Tax on profit/(loss)	12	(922,856)	1,430,955
Profit for the financial year		4,040,903	963,791

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 36 form an integral part of these Financial Statements.

ROBERT W. BAIRD GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Profit for the year	4,040,903	963,791
Currency translation gains on foreign currency operations	57,533	192,304
Total comprehensive income for the year	<u>4,098,436</u>	<u>1,156,095</u>

The notes on pages 15 to 36 form an integral part of these Financial Statements.

ROBERT W. BAIRD GROUP LIMITED

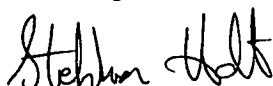
CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	14		129,712		259,720
Tangible assets	15		2,256,452		2,324,771
Investment in associated undertakings	8		239,915		281,888
Investments	16		12,459,743		10,845,572
			<u>15,085,822</u>		<u>13,711,951</u>
Current assets					
Debtors	17	13,477,073		9,619,982	
Cash and cash equivalents	19	43,754,640		57,386,165	
			<u>57,231,713</u>		<u>67,006,147</u>
Creditors: falling due within one year	18	(34,017,842)		(22,037,875)	
Net current assets			<u>23,213,871</u>		<u>44,968,272</u>
Total assets less current liabilities			<u>38,299,693</u>		<u>58,680,223</u>
Creditors: amounts falling after more than one year	20		(704,638)		(883,604)
Provisions for liabilities	21		(228,975)		(228,975)
Net assets			<u>37,366,080</u>		<u>57,567,644</u>
Capital and reserves					
Called up share capital	23		9,691,045		9,691,045
Profit and loss reserve			27,675,035		47,876,599
Total equity			<u>37,366,080</u>		<u>57,567,644</u>

The notes on pages 15 to 36 form an integral part of these Financial Statements.

The financial statements were approved by the board of directors and authorised for issue on 5 April 2019 and are signed on its behalf by:



S Holt
Director

Company Registration No. 0863502

ROBERT W. BAIRD GROUP LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	15	2,150,524		2,208,978	
Investment in associated undertakings	8	239,915		281,888	
Investments	16	27,964,615		26,345,518	
		<u>30,355,054</u>		<u>28,836,384</u>	
Current assets					
Debtors	17	4,571,997		10,409,494	
Cash and cash equivalents	19	22,364,581		22,811,608	
		<u>26,936,578</u>		<u>33,221,102</u>	
Creditors: falling due within one year	18	<u>(27,119,022)</u>		<u>(23,543,510)</u>	
Net current (liabilities)/assets			(182,444)		9,677,592
Total assets less current liabilities			30,172,610		38,513,976
Creditors: amounts falling after more than one year	20		(4,189,815)		(4,368,780)
Provisions for liabilities	21		(228,975)		(228,975)
Net assets			<u>25,753,820</u>		<u>33,916,221</u>
Capital and reserves					
Called up share capital	23	9,691,045		9,691,045	
Profit and loss reserve		16,062,775		24,225,176	
Total equity			<u>25,753,820</u>		<u>33,916,221</u>

The notes on pages 15 to 36 form an integral part of these Financial Statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the Company for the year was £16,137,599 (2017: profit of £1,337,623).

The financial statements were approved by the board of directors and authorised for issue on 5 April 2019 and are signed on its behalf by:



S Holt
Director

Company Registration No. 0863502

ROBERT W. BAIRD GROUP LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Profit and loss reserve	Total
	£	£	£
Balance at 1 January 2017	9,691,045	46,720,504	56,411,549
Period ended 31 December 2017:			
Profit and total comprehensive income for the year	-	1,156,095	1,156,095
Balance at 31 December 2017	9,691,045	47,876,599	57,567,644
Period ended 31 December 2018:			
Profit and total comprehensive income for the year	-	4,098,436	4,098,436
Equity dividends paid	-	(24,300,000)	(24,300,000)
Balance at 31 December 2018	9,691,045	27,675,035	37,366,080

The notes on pages 15 to 36 form an integral part of these Financial Statements.

ROBERT W. BAIRD GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

		Share capital	Profit and loss reserve	Total
	Notes	£	£	£
Balance at 1 January 2017		9,691,045	22,887,553	32,578,598
Period ended 31 December 2017:				
Profit and total comprehensive income for the year	13	-	1,337,623	1,337,623
Balance at 31 December 2017		9,691,045	24,225,176	33,916,221
Period ended 31 December 2018:				
Profit and total comprehensive income for the year	13	-	16,137,599	16,137,599
Equity dividends paid			(24,300,000)	(24,300,000)
Balance at 31 December 2018		9,691,045	16,062,775	25,753,820

The notes on pages 15 to 36 form an integral part of these Financial Statements.

ROBERT W. BAIRD GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit for the financial year		4,040,902	963,791
Tax on profit/(loss)		922,856	(1,430,955)
Tax charge related to interests in associated undertakings		-	4,556
Foreign currency loss/(gain)		424,295	3,733,694
Net interest income		(431,949)	(337,727)
Investment income		(1,836,873)	(776,066)
(Income)/expense from interests in associated undertakings		44,773	(16,331)
Operating profit		3,164,004	2,140,962
Adjustments for:			
Depreciation of tangible assets		478,539	493,383
Disposal of tangible asset		-	10,099
(Decrease)/increase in rent free provision		(178,966)	455,177
Increase/(decrease) in net deferred tax provision		538,908	(1,357,493)
Amortisation of intangible assets		130,008	130,008
(Increase)/decrease in debtors		(4,396,000)	1,576,672
Increase(decrease) in creditors within one year		11,458,882	(5,639,168)
Cash from/(used in) operations		11,195,375	(2,190,360)
Income taxes paid		(401,769)	(2,647,736)
Net cash generated from/(used in) operating activities		10,793,606	(4,838,096)
Cash flows from investing activities			
Interest received		431,949	337,727
Investment distributions received		222,702	408,333
Purchase of tangible assets		(409,001)	(150,935)
Net cash from investing activities		245,650	595,125
Cash flows from financing activities			
Equity dividends paid		(24,300,000)	-
Net cash used in financing activities		(24,300,000)	-
Net decrease in cash and cash equivalents		(13,260,744)	(4,242,971)
Cash and cash equivalents at beginning of year		57,386,165	65,185,460
Foreign exchange translation adjustment		(370,782)	(3,556,324)
Cash and cash equivalents at end of year	19	43,754,639	57,386,165

The notes on pages 15 to 36 form an integral part of these Financial Statements.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Robert W. Baird Group Limited is a private limited company limited by shares domiciled and incorporated in England and Wales. The registered office is Finsbury Circus House, 15 Finsbury Circus, London, England, EC2M 7EB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Intangible assets - goodwill

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. Amortisation is charged through the profit and loss account so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. The directors' estimate of the useful economic life remaining of the goodwill recognised is 1 year. Impairment tests on the carrying value of goodwill are undertaken annually or when events or changes in circumstances indicate that the carrying value may not be recoverable.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	10 years, or term of lease if shorter (straight line)
Fixtures & fittings	10 years, or term of lease if shorter (straight line)
Telephones and computer network	7 years (straight line)
Computer equipment	3 years (straight line)

1.6 Associated undertakings

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method, including the Group's share of the pre-tax results and attributable taxation separately. Any goodwill or fair value adjustment attributable to the Group's share in the associated undertakings is not recognised separately and is included in the amount recognised as investment in associated undertakings. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

1.7 Financial instruments

The Company has applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.7 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.7 Financial instruments (continued)

Fair value measurement (continued)

Robert W. Baird Group Limited has invested in the BCPE II Limited Partnership. The Limited Partnership has a majority or controlling interest in the underlying portfolio companies and they are held exclusively with the view to subsequent resale. These investments are carried at their estimated fair values in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines. The fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date where available fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgement, the degree of which is dependent on a variety of factors.

Hierarchical levels, as defined by FRS 102, are directly related to the amount of subjectivity associated with the inputs to the valuation of these investments. The valuation methodology employed when determining the fair value of the portfolio company investments is typically a market comparable analysis that considers key financial inputs and recent public and private transactions and other available measures.

The other methodology is the discounted cash flow analysis which incorporates significant assumptions and judgements. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values such as exit EBITDA multiples. Other inputs are also used in both methodologies. However when a definitive agreement has been executed to sell an investment, it is generally considered this a significant determinant of fair value. The fair values of investments denominated in currencies other than Pound Sterling are included in the balance sheet at the exchange rates ruling at the end of the year.

The Group uses the net asset value of the fund to calculate its investment at fair value.

Movement in the fair value of Robert W. Baird Group Limited's holding in BCPE II Limited Partnership is recognised as fair value through the profit and loss account.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.8 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine the reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.9 Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

The Group operates a money purchase scheme into which defined contributions are made. The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

1.12 Related party transactions

The Company has taken advantage of the exemptions available under paragraph 33.1A of FRS 102 "Related Party Disclosures", not to disclose transactions that have taken place between members of the group where the party to the transaction is a wholly owned member.

1.13 Leases

Rentals under operating leases are charged on a straight-line basis over the life of the lease, even if the payments are not made on such a basis. In line with the election to apply previous accounting treatment given in FRS 102 where leases are signed before the date of transition. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis until the first lease break.

1.14 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

1.15 Translation from functional currency to presentation currency

In accordance with UK accounting standards, exchange differences arising on the translation of group companies are recognised in the consolidated statement of comprehensive income.

1.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, other short term liquid investments with original maturities of three months or less.

1.17 Turnover

Turnover comprises revenue generated from institutional equity services, corporate finance fees, priority profit share and investment advisory and other investment related fees from managing private equity funds.

Dealing income represents commissions earned on client transactions, which is recognised on a trade date basis.

Corporate finance fees relate to fees earned through financial intermediary work on behalf of clients. Corporate finance fees are recognised on completion of a contract or where the substance of a contract is that a right to consideration will arise at the occurrence of a critical event, at the point that the event occurs.

Priority profit share arises from the Group's role as a general partner for various private equity funds. It is earned as a first charge on the relevant proportion of net income and capital gains in the underlying funds being managed by the Group. If the relevant proportion of net income is less than the General Partner's share, any deficiency shall be paid as an interest free loan by the fund. This loan will either be satisfied by future income and gains, or will be written off by the fund. As there is no mechanism for the loan to be recoverable from the General Partner by the fund, this is treated as revenue at the point it is earned on an accruals basis.

Investment advisory and other investment related fees relate to fees earned through managing private equity investments on behalf of clients. These are recognised over the period during which the service is provided.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Specific judgements and estimates have included:

- valuing the investments are included under the accounting policies in note 1.7, relating to Partnership investments.
- valuation of goodwill is included under the accounting policies in note 1.4
- recognition of deferred tax is included under the accounting policies in note 1.9

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover		
Institutional Equity Sales	5,745,621	7,018,138
Corporate Finance UK	31,686,158	26,078,697
Corporate Finance Germany	9,875,120	7,412,018
Private Equity UK	3,431,236	4,085,841
Private Equity Germany	811,648	566,942
Other	58,000	58,000
	<u>51,607,783</u>	<u>45,219,636</u>
	2018 £	2017 £
Turnover analysed by geographical market		
Europe	38,299,464	34,141,813
Rest of the World	13,308,319	11,077,823
	<u>51,607,783</u>	<u>45,219,636</u>

4 Profit before taxation

	2018 £	2017 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	130,008	130,008
Depreciation of tangible assets	478,539	493,383
Changes in fair value of investments	(1,836,873)	(776,066)
Operating lease rentals:		
-Plant and machinery	69,251	76,605
-Land & buildings	913,073	900,621
Foreign currency translation	424,295	3,733,694
	<u>2018 £</u>	<u>2017 £</u>
The analysis of the auditor's remuneration is as follows:		
Fees payable for the audit of Company's annual accounts	15,400	10,800
Fees payable for the audit of Company's subsidiaries	79,500	53,800
Total audit fees	<u>94,900</u>	<u>64,600</u>
Other assurance services	20,000	12,000
Total non-audit fees	<u>20,000</u>	<u>12,000</u>

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5 Staff numbers and costs

The average number of persons employed by the Group during the year was 117 (31 December 2018: 112). for the Company during the year was 96 (31 December 2018: 95).

Employment costs	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Wages and salaries	31,874,715	27,273,853	25,427,005	22,502,469
Social security costs	3,762,792	3,228,147	3,440,770	3,016,047
Other pension costs	634,941	629,596	479,650	550,610
	<u>36,272,448</u>	<u>31,131,596</u>	<u>29,347,425</u>	<u>26,069,126</u>

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charges to profit or loss is shown in 'Other pension costs' above.

6 Promissory notes

Certain employees are given promissory notes for the purpose of enabling them to buy shares in the US parent at market value. Market value is determined as 1.1 times book value. These notes are then amortised over a period of time (generally either 3 or 5 years) dependent on the continuing employment of the recipient. The number of participants in this scheme is 9 (2017: 6). The promissory notes are written by either Robert W. Baird Group Limited or Robert W. Baird GmbH, and any associated expense is expensed in the subsidiary in which the employee performs their duties.

	Promissory notes
	£
Outstanding December 31, 2017	300,964
Issued	167,837
Foreign currency translation	2,968
Amortised	(118,779)
Outstanding December 31, 2018	<u>352,990</u>

7 Directors' remuneration

The employee costs shown in note 5 include the following remuneration in respect of directors of the Company. The directors of the company represent the key management personnel of the Group.

	2018	2017
	£	£
Remuneration	5,716,937	3,148,636
Pension contributions	40,798	28,898
	<u>5,757,735</u>	<u>3,177,534</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	4,063,088	1,763,226
Company pension contributions to defined contribution schemes	13,500	9,000

The number of directors who were members of the Group money purchase pension scheme was 3 (2017:3).

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8 Income from interests in associated undertakings

This relates to a 25% holding in the ordinary share capital Granville Capital Management Limited, whose principal activity is the provision of portfolio investment management services. The income for this associated undertaking is recognised using the equity accounting method. The Group's share of the turnover, assets and liabilities is as follows:

	2018	2017
	£	£
Turnover	47,472	154,395
Fixed assets	91	307
Investments	549	543
Current assets	255,134	320,873
Short term liabilities	(15,859)	(39,835)
	<u>239,915</u>	<u>281,888</u>

9 Gains on financial instruments at fair value

	2018	2017
	£	£
Fair value movement on unlisted investments	1,885,379	520,985
Fair value movement on listed investments	(48,506)	255,081
	<u>1,836,873</u>	<u>776,066</u>
Carried interest received	-	-
	<u>1,836,873</u>	<u>776,066</u>

10 Interest receivable and similar income

	2018	2017
	£	£
Bank interest	4,064	32,303
Other interest	427,885	305,424
	<u>431,949</u>	<u>337,727</u>

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11 Other finance expense

Other finance expense relates to a foreign exchange loss of £424,295 (2017 loss: £3,733,694) made as part of a commercial currency hedging strategy for the group headed by the ultimate parent, Baird Financial Group.

12 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	172,064	-
Adjustments in respect of prior periods	3,709	(29,399)
Foreign corporation tax		
Foreign corporation tax	373,495	(44,063)
Other current tax		
Share of associate's tax charge	-	4,556
Total current tax	549,268	(68,906)
Deferred tax		
Origination and reversal of timing differences	373,588	(1,357,493)
Total tax charge	922,856	(1,426,399)

The (credit)/charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2018 £	2017 £
(Loss)/profit before taxation	4,963,759	(462,608)
Expected tax (credit)/charge based on a UK corporation tax rate of 19.00% (2017 - 19.25%)	943,114	(89,052)
Non deductible expenses	206,302	178,758
Non taxable income	(300,056)	(156,700)
Excess foreign tax on overseas income	155,585	(6,474)
Adjustments in respect of prior years	13,065	-
Effect of change in corporation tax rate on deferred tax	(24,191)	11,992
Unutilised tax losses carried forward	-	(133,302)
Deferred tax adjustments in respect of prior years	-	(1,404,378)
Current year increase/(repayment) of General Partner loan account	(70,963)	168,201
Share of associate's tax charge	-	4,556
Tax (credit)/expense for the year	922,856	(1,426,399)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13 Parent company profit

The profit for the financial year dealt with in the financial statements of the parent company was £16,137,599 (2017: £1,337,623). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

14 Intangible fixed assets

	Goodwill
Cost	£
At 1 January 2018	2,599,779
	<hr/>
At 31 December 2018	2,599,779
	<hr/>
Amortisation	
At 1 January 2018	(2,340,059)
Charge for the year	(130,008)
	<hr/>
At 31 December 2018	(2,470,067)
	<hr/>
Net book value	
At 31 December 2017	259,720
	<hr/>
At 31 December 2018	129,712
	<hr/>

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15 Tangible fixed assets

Group	Leasehold improvements	Fixtures, fittings & equipment	Total
	£	£	£
Cost or valuation			
At 1 January 2018	2,650,565	1,662,654	4,313,219
Additions	-	409,001	409,001
Currency translation	-	-	-
Disposals	-	-	-
At 31 December 2018	2,650,565	2,071,655	4,722,220
Depreciation			
At 1 January 2018	(963,114)	(1,025,334)	(1,988,448)
Currency translation	-	1,219	1,219
Charge for the year	(265,074)	(213,465)	(478,539)
At 31 December 2018	(1,228,188)	(1,237,580)	(2,465,768)
Net book value			
At 31 December 2017	1,687,451	637,320	2,324,771
At 31 December 2018	1,422,377	834,075	2,256,452
Company			
	Leasehold improvements	Fixtures, fittings & equipment	Total
	£	£	£
Cost or valuation			
At 1 January 2018	2,650,565	1,332,982	3,983,547
Additions	-	432,828	432,828
Disposals	-	-	-
At 31 December 2018	2,650,565	1,765,810	4,416,375
Depreciation			
At 1 January 2018	(963,114)	(811,455)	(1,774,569)
On disposals	-	-	-
Charge for the year	(265,074)	(226,208)	(491,282)
At 31 December 2018	(1,228,188)	(1,037,663)	(2,265,851)
Net book value			
At 31 December 2017	1,687,451	521,527	2,208,978
At 31 December 2018	1,422,377	728,147	2,150,524

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16 Fixed asset investments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Subsidiary undertakings	-	-	15,504,872	15,504,975
Other investments	12,459,743	10,845,572	12,459,743	10,840,543
	<u>12,459,743</u>	<u>10,845,572</u>	<u>27,964,615</u>	<u>26,345,518</u>

In the opinion of the Directors the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet - note 27.

Other investments

	Group			Company		
	Listed investment	Unlisted investments	Total	Listed investment	Unlisted investments	Total
	£	£	£	£	£	£
Carrying value						
At 1 January 2018	677,354	10,168,218	10,845,572	677,354	10,163,189	10,840,543
Movement in Fair Value	442,303	1,394,570	1,836,873	442,303	1,399,599	1,841,902
Disposals	-	(222,702)	(222,702)	-	(222,702)	(222,702)
At 31 December 2018	<u>1,119,657</u>	<u>11,340,086</u>	<u>12,459,743</u>	<u>1,119,657</u>	<u>11,340,086</u>	<u>12,459,743</u>

Other investments includes:

Listed investments in non-puttable ordinary shares. The fair value of listed investments was determined with reference to the quoted market price at the reporting date. The cost of the shares on acquisition was £1,800.

Unlisted investments in:

- unlisted private equity funds. The fair value of which is determined with reference to the IPEV valuation model at the reporting date as described in note 1.7. The cost of the original acquisition is based on the commitment drawn down which was £20m at the reporting date (2017: £19.7m).

- unlisted non-puttable ordinary shares. The fair value of which is determined with reference to the dividend valuation model at the reporting date. The cost of the shares on acquisition was £50,000.

The Group's investment in BCPE II Limited Partnership to which it currently has a total commitment of £20m of which £20m is drawn down (2017: £19.7m drawn down).

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	7,269,028	3,129,632	108,949	131,671
Amounts owed by affiliated undertakings	2,990,535	1,689,782	2,588,352	6,847,838
Corporation tax	1,018,821	992,750	265,176	263,773
Other debtors	1,062,442	1,919,465	457,724	1,554,203
Prepayments and accrued income	718,872	932,070	699,866	711,065
Deferred tax asset - see note 22	417,375	956,283	451,930	900,944
	<u>13,477,073</u>	<u>9,619,982</u>	<u>4,571,997</u>	<u>10,409,494</u>

There is a provision of £208,000 (2017: £208,000) relating to trade debtors.

Amounts owed by other affiliated undertakings at the Group level represents amounts due from US companies owned by the same ultimate parent.

18 Creditors: falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts owed to other affiliated	7,590,488	101,266	5,570,930	5,379,241
Corporation tax	-	-	-	-
Taxes and social security costs	2,908,380	2,429,556	2,873,741	2,426,997
Other creditors	190,603	89,631	109,307	136,464
Accruals and deferred income	23,328,371	19,417,422	18,565,044	15,600,808
	<u>34,017,842</u>	<u>22,037,875</u>	<u>27,119,022</u>	<u>23,543,510</u>

Amounts owed to other affiliated undertakings at the Group level represents amounts due to US companies owned by the same ultimate parent.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash at bank and in hand	11,472,394	12,648,313	5,449,565	7,099,375
Short-term deposits	32,282,246	44,737,852	16,915,016	15,712,233
	<u>43,754,640</u>	<u>57,386,165</u>	<u>22,364,581</u>	<u>22,811,608</u>

Short-term deposits are held in "liquidity funds". A liquidity fund is a collective investment scheme whose aim is to replicate the characteristics of cash at bank and whose features include access on demand and low capital risk, as the fund invests exclusively in short-dated US and UK government backed treasury bills and other short-dated investment grade bonds. The Group has deposited cash in liquidity funds to reduce its counterparty exposure to individual commercial banks.

20 Creditors: amounts falling after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amortisation of rent free period on UK office lease	704,638	861,359	704,638	861,359
Amortisation of rent free period on German office lease	-	22,245	-	-
Amounts owed to Group undertakings	-	-	3,485,177	3,507,421
	<u>704,638</u>	<u>883,604</u>	<u>4,189,815</u>	<u>4,368,780</u>

Rent free period

The rent free period is accounted for on a straight line basis up to the break clause in line with the election to apply previous accounting treatment given in FRS 102 where leases are signed before the date of transition.

Amounts owed to Group undertakings

This relates to a seven year loan made to Robert W. Baird Group Limited by one of its subsidiaries. The loan has an interest rate of 5%.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21 Provisions for liabilities

Group	Dilapidations	Total
	£	£
At 1 January 2018	228,975	228,975
At 31 December 2018	228,975	228,975
Company	Dilapidations	Total
	£	£
At 1 January 2018	228,975	228,975
At 31 December 2018	228,975	228,975

Dilapidations

This balance relates to the estimated cost of returning current premises back to its original condition upon expiry of the lease. The lease has a break clause dated October 2023 when this provision is expected to be fully utilised.

22 Deferred tax

Deferred tax is provided as follows:

Group	2018	2017
	£	£
Tax losses	712,738	1,296,705
Other income	(196,873)	(144,547)
Provisions	-	18,104
Accelerated capital allowances	8,058	(26,460)
Priority profit share	(106,548)	(187,519)
Deferred tax asset/(liability) - see note 17	417,375	956,283
Company	2018	2017
	£	£
Tax losses	624,543	1,055,931
Other income	(180,671)	(128,528)
Accelerated capital allowances	8,058	(26,459)
Deferred tax asset/(liability) - see note 17	451,930	900,944

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22 Deferred tax (continued)

Group

	£
At 1 January 2018	956,283
Utilised	(165,320)
Credit to profit and loss account	(373,588)
At 31 December 2018	<u>417,375</u>

Company

	£
At 1 January 2018	900,944
Utilised	(165,320)
Credit to profit and loss account	(283,694)
At 31 December 2018	<u>451,930</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates as the group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

The amount of the net reversal of deferred tax expected to occur next year is £33,193 which is materially related to utilisation of prior year losses against 2018 profits and chargeable gains.

23 Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
96,910,450 Ordinary shares of 10p each	<u>9,691,045</u>	<u>9,691,045</u>

The shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption.

The Group and Company's other reserves are as follows:

The called-up share capital represents the nominal value of shares that have been issued.

The profit and loss reserve represents all current and prior period retained profits and losses.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24 Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

Remaining lease term	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
Group				
- within one year	228,743	26,838	188,226	5,337
- between one and five years	5,792,764	96,794	7,267	64,411
- after five years	6,474,384	-	5,859,257	-
	<u>12,495,891</u>	<u>123,632</u>	<u>6,054,750</u>	<u>69,748</u>
Company				
- within one year	812	26,838	-	5,337
- between one and five years	5,792,764	96,794	7,267	64,411
- after five years	-	-	5,859,257	-
	<u>5,793,576</u>	<u>123,632</u>	<u>5,866,524</u>	<u>69,748</u>

Leases of land and buildings are typically subject to rent reviews at specific intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

25 Related party transactions

Transactions with related parties

	2018 £	2017 £
Services provided to associates	45,000	45,000
Trade debtor amounts due from associates	8,654	16,645

A number of directors and employees have an interest in the carried interest of funds managed by the Group. In addition a number of directors and employees of the Group collectively have an investment in Baird Capital Partners Europe Fund LP, BCPE II Special Affiliates LP and Baird Capital Partners Europe II LP, funds managed by the Group.

The Company has taken advantage of the exemptions available under paragraph 33.1A of FRS 102 "Related Party Disclosures", not to disclose transactions that have taken place between members of the group where the party to the transaction is a wholly owned member.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

26 Financial instruments

The Group's financial instruments comprise, strategic investments in shares, liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide liquidity for the Group's operations.

Credit risk

The amount of exposure to any individual counterparty is monitored and continually assessed on a case by case basis.

Liquidity risk

The Group maintains cash reserves ensuring it has sufficient funds available to meet its debts as they fall due. These are monitored at a company and group level.

Currency risk

Although the Group is based in the UK, it has an overseas subsidiary's in Germany. The Group's sterling balance sheet is therefore affected by foreign exchange movements between sterling and the base currency of the overseas operations (Euros). However, this investment is not considered by the Directors to be significant to Group operations and consequently there are no hedging arrangements to eliminate currency risk.

As part of the global Baird Financial Group currency hedging strategy, the Group maintains a large proportion of its cash in US Dollars.

Occasionally, sales are made to overseas countries. When this occurs, the invoice is normally billed in the currency of the overseas country concerned. Again, there are no hedging arrangements to eliminate the currency risk. The invoices are generally settled promptly and balances swapped into a

27 Control

The Company's immediate parent company is Baird UK Limited, incorporated in the United Kingdom, the financial statements of which may be obtained from Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB.

The Company's ultimate parent company is Baird Financial Group, incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by Baird Financial Group, the consolidated financial statements of which may be obtained from 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202-4797, USA.

The Smallest group in which the results of the Company are consolidated is that headed by Baird UK Limited, the financial statements of which may be obtained from Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB.

28 Events after the reporting period

There are no events after the reporting period to be reported.

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29 Full list of related undertakings

The following is a full list of subsidiary undertakings, associated undertakings and significant holdings of the Group.

Subsidiary undertakings:

Company name	Principal activity	Percentage held by the Group	Address
Held directly:			
Robert W. Baird Limited	Corporate Finance	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Robert W. Baird GmbH	Corporate Finance	100%	Neue Mainzer Str. 28, 60311 Frankfurt am Main, Germany
Baird Managerial Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Baird Private Equity Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Baird Group Investments Limited	Property	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Held indirectly through subsidiaries:			
Baird Capital Partners Europe Limited	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Baird Capital Deutschland GmbH	Private Equity	100%	Prielmayerstr. 3, 8035 Munich, Germany [1]
Technology Growth Fund (General Partner) Limited	Private Equity	100%	50 Lothian Road, Edinburgh, Midlothian, EH3 9BY
Enco Nominees Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Granville Trustees Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Baird Secretaries Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Granville Davies Nominees Limited	Dormant	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
BCPE II FP GP Limited	Private Equity	100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Baird (General Partner) Limited	Private Equity	100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

ROBERT W. BAIRD GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29 Full list of related undertakings (continued)

Subsidiary undertakings (continued):

Company name	Principal activity	Percentage held by the Group	Address
Held indirectly through subsidiaries:			
BCPE II GP Limited	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
GBCP VII (General Partner) Limited	Private Equity	100%	50 Lothian Road, Edinburgh, Midlothian, EH3 9WJ
GBCP VII B GP Limited	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
GBCP VII B Irish GP Limited	Private Equity	100%	Custom House, Plaza Block 6, International Financial Services Centre, Dublin 1
GBCP VII (GP) LLP	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
BCPE II General Partner LLP	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Technology Growth (GP) LLP	Private Equity	100%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Associated undertakings:			
	Principal activity	Percentage held by the Group	Address
Granville Capital Management Limited	Private Equity	25%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB
Significant holdings:			
Company name	Principal activity	Percentage held by the Group	Address
BCPE II Limited Partnership	Private Equity Investments	45%	Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB

[1] Subsidiaries that are exempt from audit