

GCA Altium Limited

Annual Report and Financial Statements for the year ended 31 December 2018

Registered Number 01072627



GCA Altium Limited is authorised and regulated by the Financial Conduct Authority.

GCA Altium Limited

Annual Report and Financial Statements for the year ended 31 December 2018

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Directors and Company information
For the year ended 31 December 2018

DIRECTORS

P C Adams
S E G Fuller
S B K Georgiadis (resigned on 31 January 2018)
S M Lord
N D Myers
M C Newby (resigned on 31 January 2018)

REGISTERED OFFICE

1 Southampton Street
London
WC2R 0LR

REGISTERED NUMBER

1072627

AUDITOR

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Strategic report
For the year ended 31 December 2018

GENERAL INFORMATION

GCA Altium Limited ("GCA Altium" or "Company") is a wholly owned subsidiary of GCA Altium Corporate Finance Limited, a company incorporated in England & Wales.

REVIEW OF THE COMPANY'S BUSINESS

The Company provides independent advice on mergers and acquisitions.

GCA Altium's growth continued with turnover increasing by 85% in comparison with the prior year (2018: £27.6 million; 2017: £14.9 million).

In terms of trading performance, before taking account of a non-cash £3.7m share based payment charge, the business returned a £4.1m operating profit (in comparison to like for like prior year profit of £2.6m). Due to the increase in current revenues and future pipeline growth, there was continued investment in client facing headcount throughout the business which led to a subsequent increase in recurring costs in comparison to the prior year.

GCA Altium possesses a stable and strong team and a clear differentiated offering to clients of independent strategic advice across core sectors such as technology; digital media and media; consumer, retail, e-commerce and leisure; financial technology and services; industrials and industrial technology; healthcare; and business services. Following the merger with GCA Corporation (a listed M&A Group with offices across Asia & the US) in July 2016, the enlarged GCA Group currently has 21 offices in 13 countries which provide truly global coverage.

RESULTS AND DIVIDENDS

The results for the year for the Company are as follows:

	2018 £	2017 £
Profit after tax for the financial year	<u>691,860</u>	<u>284,181</u>

No dividend was approved in the year and the directors do not recommend a final dividend (2017: £nil)

	2018 £	2017 £
Total assets less current liabilities at 31 December	<u>13,115,372</u>	<u>8,672,108</u>

KEY RISKS AFFECTING THE BUSINESS

There are a number of potential risks and uncertainties that could have an impact on the performance of the Company.

Strategic report
For the year ended 31 December 2018

Financial risk and risk profile

The directors believe that appropriate policies and procedures are in place to effectively manage the key risks, although a watching brief exists to improve these in response to changing market conditions.

The Company's financial instruments comprise cash and liquid resources, and trade debtors and creditors arising from operations. The risks arising from the Company's financial instruments are market risk, credit risk, interest rate risk, foreign currency risk and liquidity risk. The financial risks which the directors consider to be relevant to the Company, and the controls over them, are set out in note 15 of the financial statements.

Operational risk

Operational risk is the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

GCA Altium's business areas manage this risk through appropriate controls and loss mitigation actions including insurance. These actions include a blend of policies, appropriate procedures and internal controls to ensure regulatory and legal compliance. In addition, GCA Altium's support function provides expertise in risk areas such as information security, health and safety, compliance, fraud management, IT security and business continuity management.

Significant operational risk events are reported to the Board on a timely basis even where no profit or loss event has occurred, so that processes and controls are identified where needed.

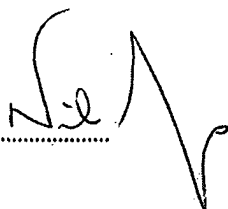
KEY PERFORMANCE INDICATORS

The Board rely upon a number of key performance indicators in order to monitor the Company's performance, and these are reviewed at each monthly Board meeting. Due to the commercial sensitivity surrounding the majority of these key performance indicators the only one disclosed confirms turnover from continuing operations increased from £14.9m to £27.6m during the year.

REGULATORY CAPITAL REQUIREMENTS

FCA regulations require GCA Altium to maintain sufficient regulatory capital resources. GCA Altium undertakes regular reviews of these resources and formally reports to the FCA on a quarterly basis. The submissions made in relation to the year ending 31 December 2018 were accepted by the FCA without the need for further enquiries.

ON BEHALF OF THE BOARD:



.....
N D Myers
Director
24 April 2019
Belvedere
Booth Street
Manchester
M2 4AW

Directors' report
For the year ended 31 December 2018

The directors present the annual report and the audited financial statements.

OUTLOOK

Both GCA Altium's UK business and the wider GCA Altium Group have continued to trade strongly.

The merger with GCA Corporation to form the GCA Group means that the UK business (as well as the wider Group) are well placed to continue this encouraging progress, subject to market conditions.

POLITICAL DONATIONS

The Company does not make donations or contributions to any political party.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 15 to the financial statements sets out the Company's objectives, policies and processes for managing its capital, its financial risk management, details of its financial instruments and its exposure to credit risk and liquidity risk.

The business has traded strongly at the pre-bonus level for the last five financial years. The directors have reviewed detailed profit and loss forecasts and regulatory capital projections, under a number of scenarios. The directors have also considered the risks and uncertainties for the company arising from the impact of Brexit, including the possible impact of a no deal Brexit scenario, and the extent to which the possible outcomes might affect the valuation of assets and liabilities in the financial statements. Based upon this support and the analysis, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS

The directors of the Company who served throughout the year and thereafter were as follows:

P C Adams
S E G Fuller
S B K Georgiadis (resigned on 31 January 2018)
S M Lord
N D Myers
M C Newby (resigned on 31 January 2018)

Directors' report
For the year ended 31 December 2018

DIRECTORS' INDEMNITIES

The UK Group has made qualifying third party indemnity provisions for the benefit of its directors which were in force throughout the year and at the date of this annual report.

AUDITOR

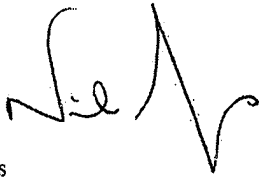
Each of the persons who is a director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

KPMG LLP have indicated their willingness to be reappointed for another term and continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



N D Myers
Director
24 April 2019
Belvedere
Booth Street
Manchester
M2 4AW

Statement of Directors' responsibilities in respect of the strategic report, 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of GCA Altium Limited

Opinion

We have audited the financial statements of GCA Altium Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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 company 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 Britain 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 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 company'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 company'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.

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of GCA Altium Limited (continued)

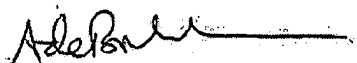
Auditor's responsibilities

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.



Alain de Brackeleer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

24 April 2019

Profit and loss account

For the year ended 31 December 2018

Registered Number 01072627

	Notes	2018	2017
		£	£
Turnover	4	27,588,787	14,895,281
Administrative expenses		<u>(23,453,585)</u>	<u>(12,279,237)</u>
Operating profit		4,135,202	2,616,044
Equity settled share based payment	10	(3,751,404)	(2,994,183)
Gain on sale of available for sale investment	7	-	23,585
Interest receivable and similar income	5	<u>42,178</u>	<u>2,462</u>
Profit/ (Loss) before taxation	6	425,976	(352,092)
Tax (charge)/credit for the year	11	<u>265,884</u>	<u>636,273</u>
Profit after taxation	17	<u>691,860</u>	<u>284,181</u>

All activity has arisen from continuing operations.

The statement of accounting policies and notes on pages 13 to 25 form an integral part of the financial statements.

Statement of comprehensive income

For the year ended 31 December 2018

	2018	2017
	£	£
Profit for the financial year	<u>691,860</u>	<u>284,181</u>
Share based payment charge	3,751,404	2,994,183
Sales of available for sale investment	-	<u>(22,470)</u>
Other comprehensive income for the year net of tax	<u>3,751,404</u>	<u>2,971,713</u>
Total comprehensive income for the year attributable to the owners of the Company	<u>4,443,264</u>	<u>3,255,894</u>

Statement of Financial Position

As at 31 December 2018

Registered Number 01072627

	Notes	2018 £	2017 £
Fixed assets			
Fixed assets	12	<u>75,818</u>	<u>73,452</u>
Current assets			
Trade and other debtors: Amounts falling due within one year	13a	6,654,894	4,881,210
Cash at bank	13b	<u>20,049,787</u>	<u>9,678,112</u>
Total current assets		<u>26,704,681</u>	<u>14,559,322</u>
Non-current assets			
Deferred tax asset	11b	1,092,157	826,273
Trade and other creditors: Amounts falling due within one year	14	(14,757,284)	(6,786,939)
Net Assets		<u>13,039,554</u>	<u>8,598,656</u>
Total assets less current liabilities		<u>13,115,372</u>	<u>8,672,108</u>
Equity attributable to owners of the Company			
Called-up share capital	16	3,274,343	3,274,343
Share premium account	17a	575,340	575,340
Revaluation reserve	17b	-	-
Share based payments reserve	17c	-	-
Capital contribution reserve	17d	3,699,464	3,699,464
Profit and (loss) account	17e	<u>5,566,225</u>	<u>1,122,961</u>
Equity attributable to owners of the Company		<u>13,115,372</u>	<u>8,672,108</u>

The statement of accounting policies and notes on pages 13 to 25 form an integral part of the financial statements.

The financial statements of GCA Altium Limited were approved by the board of directors and authorised for issue on 24 April 2019. They were signed on its behalf by:

ND Myers
Director

Statement of changes in equity

As at 31 December 2018

Registered Number 01072627

	Called-up Share capital £	Share premium account £	Revaluation reserve £	Capital contribution reserve £	Profit and (loss) account £	Total £
Balance at 1 January 2017	3,274,343	575,340	22,470	3,699,464	(2,155,403)	5,416,214
Profit for the year	-	-	-	-	284,181	284,181
Equity settled share based payment charge	-	-	-	-	2,994,183	2,994,183
Sale of available-for-sale investments	-	-	(22,470)	-	-	(22,470)
Total comprehensive Income for the year	-	-	(22,470)	-	3,278,364	3,255,894
Balance as at 31 December 2017	3,274,343	575,340	-	3,699,464	1,122,961	8,672,108
Profit for the year	-	-	-	-	691,860	691,860
Equity settled share based payment charge	-	-	-	-	3,751,404	3,751,404
Total comprehensive Income for the year	-	-	-	-	4,443,264	4,443,264
Balance as at 31 December 2018	3,274,343	575,340	-	3,699,464	5,566,225	13,115,372

The statement of accounting policies and notes on pages 13 to 25 form an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2018

1 General information

GCA Altium Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The level of rounding used is to the nearest one pound.

These financial statements are for the Company only. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the Group financial statements of GCA Altium Corporate Finance Limited ("the Group"). The Group financial statements of GCA Altium Corporate Finance Limited are available to the public. The ultimate parent company is GCA Corporation which is incorporated in Japan; again, these accounts are available to the public.

2 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) as it applies to the financial statements of the Company for the year ended 31 December 2018.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

b) Going concern

The financial statements have been prepared on the going concern basis. The Board have reviewed projected cash balances and profit and loss forecasts and are confident that the Company will continue as a going concern for the foreseeable future, as disclosed in the Directors' Report.

c) Turnover

Turnover is derived from corporate finance. Turnover from corporate finance activities comprises the invoiced value of services provided in the normal course of the business, excluding value added tax. Corporate finance fees are recognised in accordance with the policies described in note 2d.

d) Revenue recognition

Revenue amounts received and receivable from corporate finance activity are recognised once a transaction is regarded as substantially complete, and the Company is entitled to raise an invoice to the client as per the terms of the engagement letter.

Notes to the financial statements
For the year ended 31 December 2018

2 Accounting policies (continued)

c) Interest receivable and similar income

Income is divided into current asset investment dividends received from investments and other interest income. Bank interest income is derived from excess funds held in cash and placed on short-term deposits. Interest income is recognised when it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably. Dividend income is recognised when declared and paid.

f) Deferred income

Deferred income represents amounts billed in respect of fees due for periods subsequent to the balance sheet date.

g) Tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised 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 or a right to pay less 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 and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all 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.

Deferred tax is not recognised when non-monetary items are revalued through reserves unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Nor is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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 or substantively enacted by the balance sheet date.

h) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any impairment in value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets, on a straight-line basis, over their estimated useful life as follows:

Software	33.3%
Office equipment	33.3%
Fixtures and fittings	33.3%

i) Foreign currency translation

Trading transactions denominated in foreign currencies are recorded in sterling at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the translation is reported as an exchange gain or loss in the profit and loss account.

Notes to the financial statements
For the year ended 31 December 2018

2 Accounting policies (continued)

j) Pensions

The Company contributes to personal pension schemes on a salary sacrifice basis and the Company operates a stakeholder pension scheme for some staff (note 8) and directors (note 9).

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The outstanding pension contributions as at 31 December 2018 total £28,424 (2017: £4,125). This is in accordance with FRS17.

k) Leases

The Company enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis.

l) Financial instruments: financial assets and liabilities and equity instruments

i) Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

a) Loans and other debtors

Trade debtors are measured at amortised cost which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is or is likely to be impaired.

b) Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at cost, including transaction costs.

Investments are classified as held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value.

Held-for-trading

Marketable securities held as current trading assets are stated at market value (long positions at bid price and short positions at offer price) and profits and losses arising from this valuation are taken to the profit and loss account. These securities have been classified as held-for-trading in accordance with FRS 26. Fair value is measured as active market value.

Available-for-sale

For investments available-for-sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss account for the year. The movement in reserves is disclosed in Note 17b. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through the profit and loss account.

Unlisted investments have been valued on an arm's length basis using the latest financial statements of the company, or other financial information available to the Company.

Notes to the financial statements
For the year ended 31 December 2018

2 Accounting policies (continued)

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash on short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

d) Impairment of financial assets

For listed and unlisted investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in the statement of comprehensive income are reclassified to the profit and loss account in the year. Impairment losses previously recognised through the profit and loss account are not reversed through the profit and loss account but through the statement of comprehensive income.

For other financial assets impairment provisions are recognised where there is objective evidence of impairment, such as delay in payment or significant financial difficulty of the counterparty. For trade debtors the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

ii) Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual agreements entered into.

Trade creditors

Trade creditors are measured at amortised cost which approximates to fair value.

iii) Equity instruments

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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

m) Financial risk

The Company's financial instruments comprise cash and liquid resources, trade debtors and trade creditors arising from operations, equity investments held within the investment portfolio and long and short positions held in equity. The risks arising from the Company's financial instruments are market risk, credit risk, interest risk, foreign currency risk and liquidity risk. The risk profile is set out in note 15.

n) Share-based payments

The group has an active employee benefit trust, The GCA Altium Corporate Finance Limited Employee Benefit Trust ("EBT"). In accordance with UITF 32, the assets and liabilities of the EBT are consolidated within the GCA Altium Corporate Finance Limited Group financial statements.

Historically the Company issued equity-settled share-based payments to certain employees. These payments were measured at fair value at the date of grant, and the fair value expensed immediately, as vesting was deemed to take place upon grant. In accordance with FRS 20, the Company recognised share-based payments by using an intrinsic value only, primarily utilising a price per share derived from transactions that took place during prior years.

As part of the merger with GCA Corporation, on 31 July 2016 the Company made share option awards to certain employees which are accounted for as equity-settled share based payments. These payments are measured at fair (market) value at the date of grant, and the fair value expensed over the four year sales lock-in period associated with the share options.

Following the merger with GCA Corporation, during September 2016, May 2017 and July 2018 the Company made share option awards to certain employees which are accounted for as equity-settled share based payments. These payments are measured at fair (market) value at the date of grant, and the fair value expensed over the four year exercise period associated with the share options or until they fully vest. Upon fully vesting the remaining charge is expensed in full.

During 2018 11,553 options were exercised and sold by UK employees (2017: 35,851).

Notes to the financial statements
For the year ended 31 December 2018

2 Accounting policies (continued)

o) Financial instruments disclosure

The Company has not presented the financial instruments disclosures, as disclosures which comply with FRS 102 are included in the Group's consolidated financial statements, which exempts the Company from this disclosure.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in FRS 102 Section 23 Revenue. The directors are satisfied that the stage of completion and costs incurred (or to be incurred) can be measured reliably and that recognition of the revenue in the current year is appropriate.

Bad debt provision

i) Normal Debtor

GCA Altium reviews its debts on a monthly basis. In most cases the Debtors pay within 30 days. If the debt is still outstanding after a 90 day period then the Finance Director will send an email to the relevant Managing Directors to establish the status of the debt. No provision is applied to these outstanding debts if the Managing Director is confident and has confirmation from the Client that the funds will be paid. Otherwise the Debtor will become a Doubtful Debtor.

ii) Doubtful Debtor

As per above, a Debtor becomes a Doubtful Debtor when the outstanding debt is over 90 days and the relevant Managing Director is concerned about the collection or the Finance Director becomes aware that the likelihood of recovering the debt is diminished.

In principle, an allowance of 100% of the outstanding balance will be recorded as a provision. This will be revised every fiscal year after that until it is decided that the debt is deemed to not be recoverable and therefore written off.

Annual leave entitlement

A provision has not been set to account for any holiday pay accruals existing at the year end, in line with FRS 102, on grounds of immateriality.

Notes to the financial statements
For the year ended 31 December 2018

4 Segmental Information

	2018	2017
	£	£
Turnover by geographical area:		
United Kingdom	26,678,113	13,815,532
Europe	507,503	725,555
Rest of world	403,172	354,194
	<u>27,588,787</u>	<u>14,895,281</u>

The turnover is analysed on the basis of the country to which the invoice is rendered.

Turnover by line of business:

	2018	2017
	£	£
Corporate finance	27,588,787	14,895,281
	<u>27,588,787</u>	<u>14,895,281</u>

Net assets by geographical area:

United Kingdom	11,372,117	8,610,046
Europe	(116,676)	(642,535)
Rest of world	1,859,931	704,597
	<u>13,115,372</u>	<u>8,672,108</u>

5 Interest receivable and similar income

	2018	2017
	£	£
Other income	19,859	-
Bank interest	22,319	2,462
	<u>42,178</u>	<u>2,462</u>

6 Loss on ordinary activities before taxation is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation	66,146	42,928
Rentals payable under operating leases - motor vehicles	37,906	35,819
Audit fees	28,500	33,500
Staff costs (see note 8)	23,775,970	12,446,868
Foreign exchange gains	3,116	13,008

7 Other gains and losses

	2018	2017
	£	£
Profit on sale of available for sale investments	-	23,585

Notes to the financial statements
For the year ended 31 December 2018

8 Staff costs

Particulars of employees (including Directors) are shown below:

	2018	2017
	£	£
Employee costs during the year amounted to:		
Wages and salaries	17,485,107	8,734,301
Employee share scheme charge	3,751,404	2,994,183
Social security costs	2,395,473	617,388
Pension costs	143,986	100,996
	<u>23,775,970</u>	<u>12,446,868</u>

The average monthly number of persons employed by the Company during the year was as follows:

	2018	2017
	Number	Number
Client advice and analysis	42	36
Administrative	15	14
	<u>57</u>	<u>50</u>

9 Directors' remuneration

Directors' remuneration was paid in respect of directors of the Company as follows:

	2018	2017
	£	£
Emoluments	5,594,079	2,901,371
Company contributions to money purchase pension schemes	23,414	23,262
	<u>5,617,493</u>	<u>2,924,633</u>

	2018	2017
	Number	Number
The number of directors who are members of a money purchase pension scheme	<u>3</u>	<u>3</u>

	2018	2017
	£	£
Highest paid director		
Emoluments	<u>2,394,392</u>	<u>1,111,888</u>

The highest paid director did not exercise any share options and shares were not received by that director during the year in respect of qualifying services under a long term incentive scheme.

10 Share-based payments

The Company had a share option scheme for eligible employees of the group over shares in the parent company, Altium Corporate Finance Group Limited. This scheme was collapsed following the merger with GCA Corporation group during 2016, and employees were instead granted options in GCA Corporation at the sole discretion of management.

Following the merger with GCA Corporation, employees were granted share option awards in GCA Corporation which are accounted for as equity settled share based payments at GCA Altium Limited subsidiary level. Options were immediately exercisable upon grant at a market price (shares in GCA Corporation are listed in Japan). Details of the share options in this GCA Corporation scheme are as follows:

	2018	2018	2017	2017
	Number of	Weighted	Number of share	Weighted
	share options	average	options	average
		exercise		exercise
		price (£)		price (£)
Outstanding at the beginning of year	1,244,050	-	1,279,609	-
Granted during the year	-	-	-	-
Exercised and sold during the year	(11,553)	-	(35,559)	-
Outstanding and exercisable at the end of the year	<u>1,232,497</u>	-	<u>1,244,050</u>	-

The Company recognised a total charge of £3,751,404 (2017: £2,994,183) in relation to equity-settled share-based payment transactions in 2018, of which the share based payment charge associated with the merger was £1,680,000 (2017: £2,500,000). The movement on reserves is disclosed in note 17c. This charge was calculated at GCA Altium Limited subsidiary level by allocating a pro-rata charge based on the number of grantees as a proportion of the total charge to the GCA Altium Group.

Notes to the financial statements
For the year ended 31 December 2018

10 Share-based payments (continued)

The Black-Scholes method has been used to calculate the associated charge and the assumptions are as follows:

Share price on grant date	JPY 895
Exercise price	JPY 0
Expected volatility	21.7% - 27.0%
Dividend yield	4.2%
Lapse date	31 July 2026

Following the merger with GCA Corporation, during October 2016 employees were also granted 244,636 share option awards (RSU3 award) in GCA Corporation which are accounted for as equity-settled share based payments. Employees were granted a further 50,000 share options (RSU4 award) during May 2017 and a further 250,976 share options (RSU5 award) during July 2018. These options are exercisable based upon GCA Corporation meeting certain profit related performance targets over a four year period from date of grant, and the profit target was achieved during the financial year ending 31 December 2018. Details of the share options in this GCA Corporation scheme are as follows:

	2018	2018 Weighted average exercise price (£)	2017	2017 Weighted average exercise price (£)
	Number of share options		Number of share options	
Outstanding at the beginning of year	294,636	-	244,636	-
Granted during the year	250,976	-	50,000	-
Outstanding at the end of the year	<u>545,612</u>	-	<u>294,636</u>	-

As referenced above, during December 2018 the performance criteria for the RSU3, RSU4 and RSU5 were met, therefore there were additional charges associated with these options in this accounting period. There is a charge of £490,222 (2017: £361,679) for the RSU3 award, a charge of £239,045 (2017: £44,163) for the RSU4 award and a charge of £1,342,136 (2017: £nil) for the RSU5 award in relation to equity-settled share-based payment transactions as a result. This charge was calculated at GCA Altium Limited subsidiary level by allocating a pro-rata charge based on the number of grantees as a proportion of the total charge to the GCA Altium Group.

The Black-Scholes method has been used to calculate the associated charge for the RSU3 award and the assumptions are as follows:

Share price on grant date	JPY 776
Exercise price	JPY 0
SBP Fair value	JPY 714
Dividend yield	2.5%
Lapse date	8 March 2026

The Black-Scholes method has been used to calculate the associated charge for the RSU4 award and the assumptions are as follows:

Share price on grant date	JPY 916
Exercise price	JPY 0
SBP Fair value	JPY 839
Dividend yield	2.3%
Lapse date	26 May 2027

The Black-Scholes method has been used to calculate the associated charge for the RSU5 award and the assumptions are as follows:

Share price on grant date	JPY 850
Exercise price	JPY 0
SBP Fair value	JPY 830
Dividend yield	3.42%
Lapse date	2 July 2028

Notes to the financial statements
For the year ended 31 December 2018

11 Tax charge on loss on ordinary activities and deferred tax

a Tax charge on loss on ordinary activities

The tax charge is based on the loss for the year and comprises:

	2018	2017
	£	£
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(296,529)	(743,000)
Effect of changes in tax rates	30,645	106,727
	<u>(265,884)</u>	<u>(636,273)</u>

The tax rate for the year differs from the standard rate of corporation tax in the UK as explained below:

Reconciliation of tax charge

	2018	2017
	£	£
Loss on ordinary activities before tax	<u>425,976</u>	<u>(352,092)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	80,935	(67,766)
Effects of:		
Expenses not deductible for tax purposes	47,753	11,723
Movement in unrecognised deferred tax	(416,292)	(642,784)
Tax rate changes	30,645	106,727
Share options	(8,925)	(44,173)
Tax credit for the year	<u>(265,884)</u>	<u>(636,273)</u>

b Deferred tax asset

	2018	2017
	£	£
At 1 January	826,273	190,000
Tax credit for the year	<u>265,884</u>	<u>636,273</u>
At 31 December	<u>1,092,157</u>	<u>826,273</u>

A deferred tax asset at 17% (2017: 17%) totalling £554,309 (2017: £925,987) has not been recognised in respect of timing differences relating to fixed assets, tax losses and other short term timing differences as there is insufficient evidence of future profits arising against which the asset may be utilised. The deferred tax asset of £1,092,157 (2017: £826,273) comprises £962,820 for share based payments, £123,936 in relation to fixed assets and £5,401 in relation to unpaid pension contributions.

12 Fixed assets

	Software	Fixtures and fittings	Office equipment	Total
	£	£	£	£
Cost				
At 1 January 2018	46,470	448,844	350,348	845,662
Additions	<u>7,106</u>	<u>-</u>	<u>61,406</u>	<u>68,512</u>
At 31 December 2018	<u>53,576</u>	<u>448,844</u>	<u>411,754</u>	<u>914,174</u>
Depreciation				
At 1 January 2018	35,053	407,048	330,109	772,210
Additions	<u>5,942</u>	<u>27,957</u>	<u>32,247</u>	<u>66,146</u>
At 31 December 2018	<u>40,995</u>	<u>435,005</u>	<u>362,356</u>	<u>838,356</u>
Net book value				
At 31 December 2018	<u>12,581</u>	<u>13,839</u>	<u>49,398</u>	<u>75,818</u>
At 31 December 2017	<u>11,417</u>	<u>41,796</u>	<u>20,239</u>	<u>73,452</u>

Notes to the financial statements
For the year ended 31 December 2018

13 Other financial assets

a Trade and other debtors: Amounts falling due within one year

The following amounts are included in debtors falling due within one year:

	2018	2017
	£	£
Trade debtors	181,814	568,730
Allowance for doubtful debts	(23,001)	-
	<u>158,813</u>	<u>568,730</u>
Loans and debtors: amounts owed by group undertakings	6,086,134	3,824,914
Taxation and social security:		
VAT	-	3,532
Other debtors	5,365	2,258
Prepayments and accrued income	404,582	481,776
	<u>6,654,894</u>	<u>4,881,210</u>

The average credit period taken on trade debtors is 2 days. No interest is charged on the debtors. The credit assessment policy applied by the Company is detailed in note 15.

The directors consider that the carrying amount of trade and other debtors approximates to their fair value.

b Cash at bank

	2018	2017
	£	£
Cash and cash equivalents	<u>20,049,787</u>	<u>9,678,112</u>

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximate their fair value.

14 Trade and other creditors: Amounts falling due within one year

	2018	2017
	£	£
Financial liabilities at amortised cost:		
Trade creditors	374,405	543,532
Amounts owed to group undertakings	136,006	780,790
Taxation and social security:		
VAT	46,726	37,448
Social security and PAYE	236,066	188,731
Other creditors	84,417	75,098
Accruals and deferred income	13,879,664	5,161,340
	<u>14,757,284</u>	<u>6,786,939</u>

Trade creditors and accruals principally comprise amounts outstanding in relation to over head expenditure.

All trade creditors are due for payment within 30 days of year end.

Notes to the financial statements
For the year ended 31 December 2018

15 Financial risk review

a Credit Risk

Management undertake a credit assessment at the time of approving each new assignment.

The carrying amount of current assets comprising debtors and cash of £26,704,681 (2017: £14,559,322), which is net of impairment losses, represents the Company's maximum exposure to credit risk.

b Interest Rate Risk

The Company has interest bearing assets mainly in cash. The Company has a policy of maintaining excess funds in cash and short-term deposits and is not exposed to long-term interest rate risks. At the year-end, all excess funds were invested in cash and short-term deposits. The Company does not use any derivatives to hedge interest rate risk.

A 100 basis point fluctuation +/- in interest rates would result in a net change to profit of £200,498 (2017: £96,781).

c Foreign Currency Risk

The base currency of the Company is sterling. Currency exposures primarily comprise investment banking, counterparty positions and bank balances. The Company's consolidated exposure is reviewed periodically by the Board.

At 31 December 2018 the Company held £176,697 denominated in Euros (2017: £9,363) and £119,657 (2017: £25,725) of cash denominated in US Dollars.

The Company's exposure is limited to Euros and US Dollars.

Trading activities denominated in foreign currencies are recorded within the net trading expenditure statement. The Company has not entered into any derivatives for the purpose of hedging anticipated transactions or current exposures.

d Liquidity Risk

The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

A significant proportion of the balance sheet assets are kept in short-term deposits which can be turned into cash quickly if required. At year end the Company held sufficient cash and short-term deposits to pay ten months of expenses (2017: nine months). Management use this calculation to assist in managing liquidity risk.

16 Called-up share capital

	2018	2017
	£	£
Allotted and called-up and fully paid	3,274,343	3,274,343
3,274,343 (2017: 3,274,343) ordinary shares of £1 each	<u>3,274,343</u>	<u>3,274,343</u>

17 Reserves

a Share premium account

	2018	2017
	£	£
At 1 January and 31 December	<u>575,340</u>	<u>575,340</u>

b Revaluation reserve

	2018	2017
	£	£
Balance at 1 January	-	22,470
Increase in fair value of available-for-sale investments	-	-
Sale of available for sale investments	-	(22,470)
Balance at 31 December	<u>-</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2018

17 Reserves (continued)

c Share based payments reserve	2018	2017
	£	£
Balance at 1 January	-	147,523
Decrease in share based payment reserve	-	(147,523)
Balance at 31 December	-	-

d Capital contribution reserve	2018	2017
	£	£
At 1 January and 31 December	3,699,464	3,699,464

e Profit and loss account	2018	2017
	£	£
At 1 January	1,122,961	(2,155,403)
Re-allocation of share based payment reserve	-	-
Equity settled share based payment	3,751,404	2,994,183
Net profit for the year	691,860	284,181
At 31 December	5,566,225	1,122,961

18 Guarantees and other financial commitments

a Lease commitments - Motor vehicles

The Company has entered into operating lease agreements in respect of motor vehicles, the payments on which extend up to three years.

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

	Motor vehicles	
	2018	2017
	£	£
Within one year	35,339	31,286
Between one and five years	45,223	31,570
	<u>80,562</u>	<u>62,856</u>

b Lease commitments - Property

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

	2018	2017
	£	£
Property lease expense in year	<u>340,437</u>	<u>340,437</u>
Within one year	340,437	340,437
Between one and five years	1,288,911	1,361,750
After five years	<u>506,914</u>	<u>774,512</u>
	<u>2,136,262</u>	<u>2,476,699</u>

The Company occupies its London premises under the terms of a lease period of 10 years, with an option to break the agreement after 5 years. The lease has a 6 month rent free period, and occupancy commenced during January 2016. Annual rent is at a rate of £256,125 per annum.

The Company occupies its Manchester premises under the terms of a lease period of 10 years, with a rent review after 5 years. The lease has a 16 month rent free period, and occupancy commenced during March 2013. Annual rent is at a rate of £134,868 per annum.

Notes to the financial statements
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19 Transactions with related parties

- a) Various staff and directors of the Company had interests in GCA Altium Corporate Finance Limited (formerly Altium Corporate Finance Group Limited), the immediate parent undertaking, until the merger with GCA Corporation. Those interests were transferred for interests in GCA Corporation on a share for share basis thereafter.
- b) As a wholly owned subsidiary of GCA Altium Corporate Finance Limited, the Company has taken advantage of the exemption from disclosing transactions with other members of the group headed by GCA Altium Corporate Finance Limited that are wholly owned because GCA Altium Corporate Finance Limited's financial statements are publicly available.

20 Ultimate holding company

On 29 July 2016 the Company's immediate parent undertaking changed its name from Altium Corporate Finance Group Limited to GCA Altium Corporate Finance Limited. It is the parent of the largest and smallest group that includes the Company and for which group financial statements are prepared within the UK. The financial statements of GCA Altium Corporate Finance Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. GCA Altium Corporate Finance Limited and its subsidiaries are now part of the wider group for which GCA Corporation (based in Japan) is the ultimate parent company.

21 Capital

The Company is required to submit quarterly COREP returns to the FCA. The Capital Adequacy of the firm and the capital maintained is disclosed in the monthly management report pack and is reviewed at the Board meeting.

22 Subsequent events

The Manchester operation is due to move offices during late April 2019. The new office occupies 5,596 square feet and will cost £195,870 per annum. The lease has a 27 month rent free period which will be taken as a financial contribution equal to £425,170. The premises occupied as at 31 December 2018 will be sublet for the remainder of the lease term.