

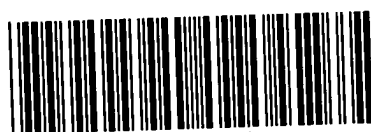
King & Shaxson Limited

Reports and financial statements

For the year ended 30 June 2019

Registered number 00869780

THURSDAY



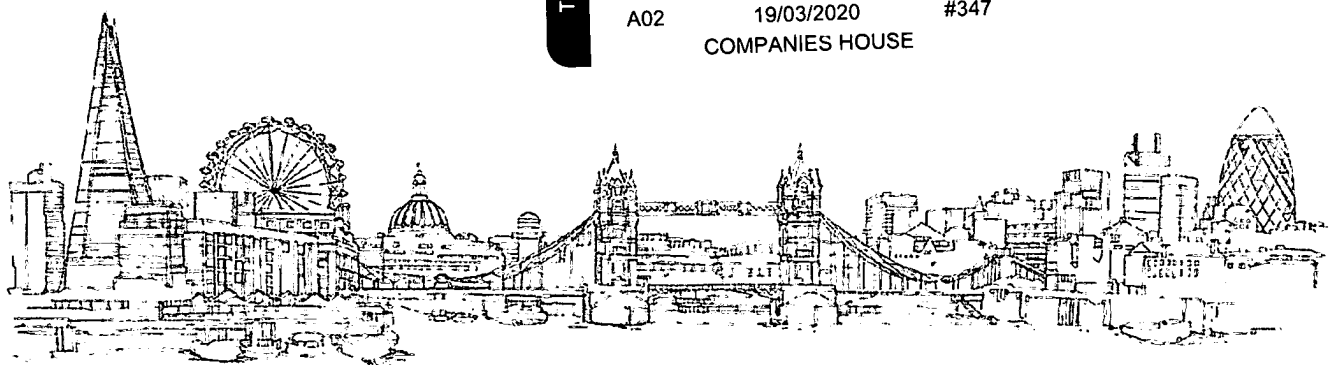
A916DSNM

A02

19/03/2020

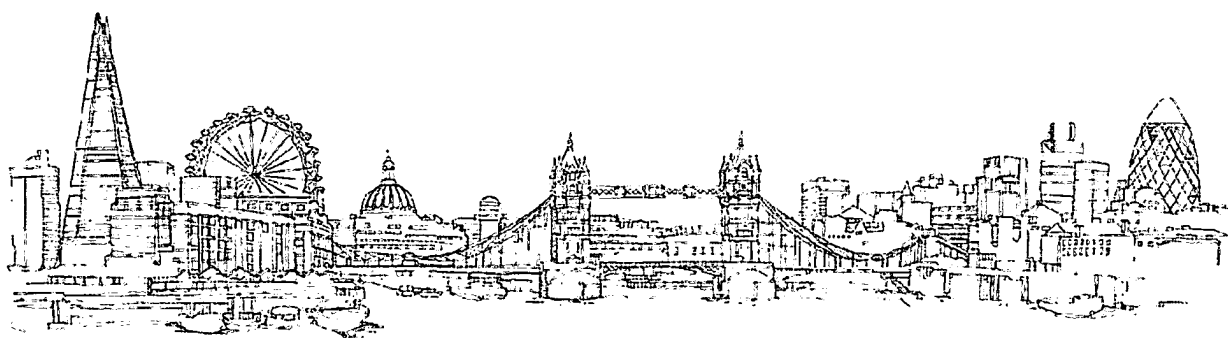
#347

COMPANIES HOUSE



CONTENTS

	Page
Strategic Report	3
Directors' Report	6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8
Income statement	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the Financial Statements	14 - 26



KING & SHAXSON LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their Strategic report for King & Shaxson Limited ("the Company") for the year ended 30 June 2019, in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company is a private company limited by shares, incorporated in the United Kingdom.

BUSINESS REVIEW, PERFORMANCE & DEVELOPMENT

King & Shaxson Limited ("K&S") specialises in arranging securities and derivative transactions for institutional clients. The Company is regulated by the Financial Conduct Authority. It has two bond agency sales teams, one which is the original core of the business, the second operates under the trading name NCL Capital Markets. K&S also operate a multi-lateral trading facility ("MTF") under the name of *Dowgate*. The MTF offers bond trading via an interactive electronic platform. In all cases no proprietary positions are taken; the business operates fully on a matched principal basis.

2018/19 was a particularly challenging year for the UK Group. Bond yields have remained historically extremely low, negative in some cases. Political uncertainty has further impacted profitability. During the last year the Company has relocated offices in London as the previous lease came to an end and the building is undergoing redevelopment; the office relocation has cost nearly £160,000.

The Company has made a strategic decision to open a new office in Madrid. This will benefit K&S and the wider group in years to come. The timing of the opening of an office in Madrid was related to Brexit but management place much greater importance on the opportunities they believe exist in Spain to expand the Company. It is also believed that the Madrid office provides a hedge against the risk of the election of an extreme anti-financial markets government in the UK. These one off costs explain nearly all the first loss we have ever made in our core business.

Turnover has reduced by around 17% compared to last year while operating expenses, which include the costs of creating and regulating the new Madrid legal entity, King & Shaxson Capital Markets S.V., S.A., have reduced by 11%. Despite this, however, agency revenue grew by 9% and we are confident this area of the business will continue to grow. Compliance costs have continued to increase with the bedding down of MIFID II and new transaction and order flow reporting. The cost of being in business remains high with a higher IT development cost base along with higher compliance, regulatory and risk investment.

A loss making position is clearly an undesirable position to be in and the management team are working hard to turn the business round. Over the past two years, costs have been reduced by over £1.2m and further savings have been identified. The difficult environment and the need for cost savings has led to a cautious approach to investment but not prevented ambitious and exciting additions to the group including the NCL trading desk and the new Madrid office.

A review of the Company's business analysed using key performance indicators is shown in the table below for the years ended 30 June 2019 and 2018.

Key performance indicators	2019	2018
	£	£
Gross profit	8,592,478	10,370,287
Administration expenses	9,024,610	10,131,330
Operating (loss) / profit	(432,132)	238,957
No of employees	68	68

KING & SHAXSON LIMITED

STRATEGIC REPORT (*CONTINUED*) FOR THE YEAR ENDED 30 JUNE 2019

PRINCIPAL RISKS

The Company is of a size which enables the management team to be closely involved in the day to day running of the business thus mitigating risk through knowledge and experience as well as ensuring strong controls are in place and operating effectively. For the wholesale inter-professional businesses the major risks arise from credit and settlement risk. Liquidity risk, group risk and operational risk are also key risks to the business.

Credit risk

This is defined as the risk of potential losses resulting from defaults from a client or borrower. The Company does not take positions in securities; all trades are matched and settled through recognised security settlement systems such as CREST and Euroclear. Should one side of a trade fail, there is a risk that the Company will be left holding securities that may depreciate in value. The majority of sales and purchases are in government debt or highly rated large corporate paper, but if the market is volatile or the stock less liquid there is a risk that the Company will lose money. In order to mitigate this risk, counterparty credit limits are set in advance of any trading taking place with that client. The Company has a sophisticated limit system which takes into account both the credit limit of the client and also of the underlying security. The Company also has a credit committee which determines whether any credit request falls within the parameters of risk set by the Management Committee.

Liquidity risk

The Company's financial instruments comprise of cash, UK treasury bills, trade debtors and trade creditors. The company also has an overdraft facility and a parental guarantee. The Company manages its exposure to liquidity and cash flow risk through close management supervision of cash balances and short term investments, ensuring that the Company has sufficient liquid resources at any time to meet immediate cash needs and that bank facilities are available should they be required.

Group risk

Group risk is defined as the risk of any other group company causing a substantial failure in the ability of this Company to meet its regulatory and legal requirements. These risks are managed through effective corporate governance structures and ongoing dialogue.

Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people or systems. This risk is managed by the Risk & Governance Committee through close management oversight, and consideration of 'what can go wrong'. All near misses are subject to hot review by this committee and logged. The Company has a clear risk management policy, and a risk manager who updates the Risk & Governance Committee on risk matters as frequently as necessary and reviews key risk matters on a quarterly basis.

Risk Management

Responsibility for the overall framework of risk governance and management lies with the Management Committee. The Committee is responsible for determining risk strategy, setting the Company's risk appetite and ensuring that risk is monitored and controlled effectively. The Management Committee operates through a committee called the Risk & Governance Committee, which contain all members of the Management Committee plus one extra member. This Committee is responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities. Within that structure business managers are accountable for all the risks assumed within their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Management Committee. The principle of individual accountability and responsibility within a disciplined approach to risk management is an important feature of the Company's culture. There are independent reporting lines for the key compliance and finance functions. Risk appetite is the amount and type of risk that the Company regards as appropriate for it to accept in order to fulfill its business objectives. The Management Committee regularly reviews and sets this objective.

KING & SHAXSON LIMITED

STRATEGIC REPORT (*CONTINUED*) FOR THE YEAR ENDED 30 JUNE 2019

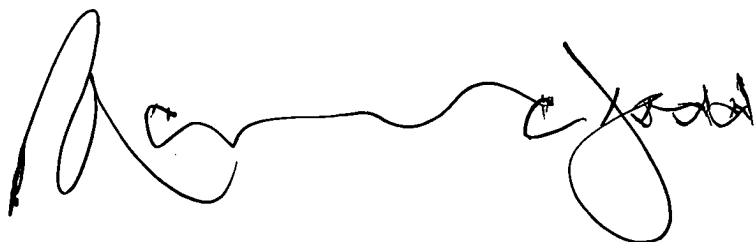
FUTURE DEVELOPMENT

Management believe that the business will return to profitability over the next 12 months. They continue to look at other sources of income with a view to diversifying the business and managing risk. The directors believe that the Company is well placed for future growth.

RESULTS AND DIVIDENDS

The Company made a loss before tax in the year to 30 June 2019 of £470,522 (2018: £221,527).

By order of the board

A handwritten signature in black ink, appearing to read 'Marc Dodd', with a large, stylized initial 'M' and a long, flowing horizontal stroke.

Marc Dodd
Chief Executive

15 October 2019

KING & SHAXSON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the audited financial statements for King & Shaxson Limited ("the Company") for the year ended 30 June 2019.

DIRECTORS

The directors of the Company who served during the year were:

M V Carey
M V Dodd
J J Inkster
G J Martin (resigned 22 July 2019)
M L Telfer
D I R Wileman

EMPLOYEES

It is the Company's policy and practice that selection for employment and promotion is based on objective assessment of ability and experience free from discrimination on any grounds. The Company encourages the involvement of UK employees in its performance by way of performance related remuneration packages, regular communication and equal opportunities combined with appropriate training.

CHARITABLE CONTRIBUTIONS

Although the Company has not made any charitable donations this year or last, it sponsors Hackney Rugby Club, Southwark Rugby Club and Clwb Rygbi Yr Aman (Amman United Rugby Football Club).

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and establish that the Company's auditor is aware of that information.

By order of the board



Miranda Telfer

Director

15 October 2019

Registered number:

00869780

Registered office:

1st Floor Cutlers Court
115 Houndsditch
London EC3A 7BR

KING & SHAXSON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Miranda Telfer

Director

15 October 2019

Registered number:

00869780

Registered office:

1st Floor Cutlers Court
115 Houndsditch
London EC3A 7BR

KING & SHAXSON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KING & SHAXSON LIMITED

Opinion

We have audited the financial statements of King & Shaxson Limited (the 'company') for the year ended 30 June 2019 which comprise the income statement, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

KING & SHAXSON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KING & SHAXSON LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

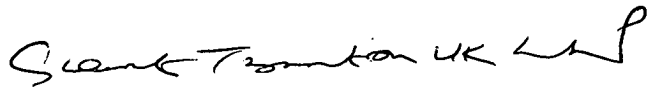
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

KING & SHAXSON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KING & SHAXSON LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP", written in a cursive style.

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
17 October 2019

KING & SHAXSON LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Turnover		9,880,317	11,704,610
Cost of sales		(1,287,840)	(1,334,323)
Gross profit		8,592,478	10,370,287
Administration costs		(9,024,610)	(10,131,330)
Operating (loss) / profit	3	(432,132)	238,957
Interest receivable and similar income	5	249	2,538
Interest payable and similar charges	6	(38,639)	(19,968)
(Loss) / profit on ordinary activities before taxation		(470,522)	221,527
Tax on (loss) / profit on ordinary activities	7	(114,383)	5,277
(Loss) / profit for the financial year		(584,905)	226,804

All of the loss for the financial year is attributable to the owners of the parent. The Company has no recognised gains or losses other than those included above. All items relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes to these accounts on pages 14 to 26 form part of these financial statements.

KING & SHAXSON LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	8	246,503	443,706
Tangible assets	9	225,480	121,255
Investment in subsidiary	11	-	-
		<u>471,983</u>	<u>564,961</u>
CURRENT ASSETS			
Debtors	10	524,363,556	385,755,186
Investments	11	999,713	6,693,547
Cash at bank and in hand		<u>8,300,409</u>	<u>11,084,844</u>
		<u>533,663,678</u>	<u>403,533,577</u>
CREDITORS			
Amounts falling due within one year	12	(524,303,571)	(393,486,543)
Provisions for liabilities and charges	13	(50,000)	(245,000)
Net current assets		<u>9,310,107</u>	<u>9,802,034</u>
Total assets less current liabilities		<u>9,782,090</u>	<u>10,366,996</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	-
NET ASSETS		<u>9,782,090</u>	<u>10,366,996</u>
Capital and reserves			
Called up share capital	15	1,150,000	1,150,000
Profit and loss account		8,632,090	9,216,995
TOTAL EQUITY SHAREHOLDER'S FUNDS		<u>9,782,090</u>	<u>10,366,995</u>

The financial statements on pages 11 to 26 were approved by the Board of Directors and signed on its behalf by:



Miranda Telfer
Director

Registered number: 00869780

15 October 2019

The notes to these accounts on pages 14 to 26 form part of these financial statements.

KING & SHAXSON LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Profit & loss account £	Total £
AT 1 JULY 2017	1,150,000	10,290,191	10,668,117
Dividend paid	-	(1,000,000)	(1,000,000)
Distribution of subsidiary	-	(300,000)	(300,000)
Profit for the year	-	226,804	226,804
AT 1 JULY 2018	1,150,000	9,216,995	10,366,995
Loss for the year	-	(584,905)	(584,905)
AT 30 JUNE 2019	1,150,000	8,632,090	9,782,090

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 BASIS OF PREPARATION

These 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 United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements are presented in Sterling (£).

The individual accounts of the Company have also adopted the exemption from the requirement to present a statement of cash flows and related notes.

Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Significant judgements and estimates

Preparation of the financial statements required management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the provision for lease dilapidations (note 13).

2 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Companies Act 2006 and United Kingdom Generally Acceptable Accounting Principles. The Directors have reviewed the accounting policies and satisfied themselves that they are appropriate.

The financial statements contain information about King & Shaxson Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. A summary of the more important accounting policies of the Company, which have been applied consistently, is set out below.

Turnover

Turnover represents commission receivable from clients on arranging transactions in financial instruments and other related activities, such as custody and valuations. Commission is recognised at the point of trade execution. Turnover also includes a management charge to a fellow group company for expenses paid on its behalf.

Cost of sales

Cost of sales includes costs which are directly related to turnover. Such costs include commission paid to third parties and custody costs.

Fixed asset investments

The investment in subsidiary is stated at cost less any impairment in value. On 1 July 2017, the Company made a distribution in specie of the subsidiary to its parent company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs 3 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Tangible assets

Fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value over their expected useful lives, using a straight-line method:

- | | | |
|---|-----------------------------------|-----------|
| - | Equipment, furniture and fittings | 3-5 years |
|---|-----------------------------------|-----------|

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are dealt with in arriving at the operating profit for the year.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Current asset investments

Current asset investments are stated at the lower of cost plus accrued discount and realisable value. Discounts are taken to the profit and loss account on a straight line basis to the date of maturity of the asset.

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

Cash flow statement

As permitted by FRS 102, the Company is not required to produce a cash flow statement as, for the year to 30 June 2019, it was a wholly owned subsidiary of Phillip UK Holdings Limited and the consolidated financial statements of that company includes its cash flows.

Segmental reporting

In the opinion of the directors the profits and losses of the Company are derived substantially from UK operations, the assets and liabilities of the Company reside substantially within the UK and the business of the Company is substantially that of money market operations.

Pension scheme

The Company operates a group company pension scheme, allowing its employees to invest in personal pension plans managed through Aviva. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Leases

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the lease term.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is possible to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence. This liability is included within accruals and deferred income.

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

3 OPERATING (LOSS) / PROFIT

	2019	2018
	£	£
<i>Operating (loss) / profit is stated after charging / (crediting):</i>		
Fees payable to the auditor for the audit of the annual financial statements	34,500	33,475
Depreciation and amortisation	276,890	303,460
Foreign exchange losses	29,385	9,828
Management income from fellow group company	(1,018,189)	(1,508,391)
Operating lease rentals	305,145	271,510
	<u>305,145</u>	<u>271,510</u>

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Dealing	48	48
Administration	20	20
	<u>68</u>	<u>68</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	4,285,275	4,517,369
Social security costs	541,677	543,159
Other pension costs	348,531	311,232
	<u>5,175,484</u>	<u>5,371,760</u>

Certain of the wages and salaries are charged to a fellow group company as part of the management charge (note 3). From 1 April 2019 that Company paid for their employees directly at a cost of £122,939.

Pension Scheme

The Company operates a defined contribution scheme and also makes contributions to personal pension schemes of certain employees. During the year pension costs charged to the Company in respect of those schemes were £348,531 (2018: £311,232). There were no contributions outstanding at the year end.

KING & SHAXSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)****4 STAFF COSTS AND DIRECTORS' EMOLUMENTS (CONTINUED)****Directors' emoluments**

Emoluments of the directors of the Company for the year were as follows:

	2019	2018
	£	£
Total emoluments	<u>701,866</u>	<u>887,621</u>

Two directors (2018: 2 directors) are members of the Company defined contribution pension scheme. Amounts paid in to that pension scheme on behalf of the two directors were £12,500 (2018: £14,500).

Contributions to personal pension schemes of two of the other directors totalled £12,625 (2017: £13,500).

Emoluments of the highest paid director of the Company for the year were as follows:

	2019	2018
	£	£
Aggregate emoluments	164,581	201,317
Contributions to pension schemes	<u>8,125</u>	<u>8,750</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Bank interest receivable	<u>249</u>	<u>2,538</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Bank interest payable	<u>38,639</u>	<u>19,937</u>

KING & SHAXSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)****7 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES**

The tax charge is based on the (loss) / profit for the year and represents:

	2019 £	2018 £
UK Corporation tax	-	-
Adjustments in respect of previous periods	<u>125,773</u>	<u>12,809</u>
Total current tax	<u>125,773</u>	<u>12,809</u>
Deferred taxation: origination and reversal of timing differences	<u>(11,390)</u>	<u>(18,086)</u>
Deferred taxation: changes in tax rate	-	-
Tax on results on ordinary activities	<u><u>114,383</u></u>	<u><u>(5,277)</u></u>

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
(Loss) / profit on ordinary activities before tax	<u>(470,522)</u>	<u>221,497</u>
Tax (credit) / charge at UK corporation tax rate of 19% (2018: 19%)	<u>(89,399)</u>	<u>42,084</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12,636	35,695
Prior year adjustment	125,773	12,809
Group relief	-	(95,865)
Deferred tax asset on losses carried forward not recognised	65,373	-
Tax on results on ordinary activities	<u><u>114,383</u></u>	<u><u>(5,277)</u></u>

Current tax rate

There was a reduction to 19% from 1 April 2017 for corporate income tax which was substantially enacted on 8 July 2015.

Deferred tax rate

Reductions in the rate to 17% (effective from 1 April 2020) were substantively enacted on 16 March 2016. The total potential deferred tax asset on timing differences has been recognised at 18.4% (2018: 18.8%).

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

8 INTANGIBLE FIXED ASSETS

	Software development
	£
Cost	
At beginning and end of the year	815,529
Fully amortised assets written off	(223,919)
At end of the year	591,610
Amortisation	
At beginning of the year	371,823
Charge for year	197,203
Fully amortised assets written off	(223,919)
At end of the year	345,107
Net book value	
At 30 June 2019	246,503
At 30 June 2018	443,706

9 TANGIBLE FIXED ASSETS

	Leasehold improvements fixtures and fittings	Computer hardware	Total
	£	£	£
Cost			
At beginning of year	458,454	78,939	537,393
Additions	183,912	-	183,912
Fully depreciated assets written off	(404,463)	-	(404,463)
At end of the year	237,903	78,939	316,842
Depreciation			
At beginning of the year	396,404	19,734	416,138
Charge for year	53,374	26,313	79,687
Fully depreciated assets written off	(404,463)	-	(404,463)
At end of the year	45,315	46,047	91,362
Net book value			
At 30 June 2019	192,588	32,892	225,480
At 30 June 2018	62,050	59,205	121,255

KING & SHAXSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)****10 DEBTORS**

	2019	2018
	£	£
Trade debtors	522,865,342	385,255,510
Deferred tax	15,235	3,845
Corporation tax	-	125,773
Amount due from group undertakings	300,086	-
Other debtors and prepayments	1,182,893	370,058
	<u>524,363,556</u>	<u>385,755,186</u>

Included as trade debtors is an amount of £522,525,017 (2018: £384,572,877) and as trade creditors £522,459,155 (2018: £384,546,846) representing the gross amount of balances with clearing exchanges. This represents the purchase and sale of securities where settlement takes place on a delivery versus payment basis. In order to reflect applicable accounting standards the gross balances as opposed to the net amount of £65,862 (2018: £26,031) are shown in the balance sheet. Refer to note 19.

11 INVESTMENTS

Investments comprises the Company's holdings of UK Treasury bills with maturity within one year.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors (Note 10)	522,459,155	389,544,868
Deferred tax	-	-
Other creditors	133,201	92,568
Amounts due to group undertakings	551,285	923,202
Other taxation and social security	157,914	179,718
Accruals and deferred income	1,002,016	2,746,187
	<u>524,303,571</u>	<u>393,486,543</u>

KING & SHAXSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)****13 PROVISIONS FOR LIABILITIES AND CHARGES**

	£
Provision for lease dilapidations	
At 1 July 2018	245,000
Amounts released to profit and loss account	<u>(195,000)</u>
At 30 June 2019	<u>50,000</u>

This provision relates to an estimate of the costs expected to be agreed in returning our previous rented space to its original condition. The lease expired in March 2019 and the amount payable for dilapidations reflects the expected amount payable. The reduction in provision reflects that the fact that the property is undergoing extensive refurbishment and rebuild.

14 DEFERRED TAX

i) The deferred tax asset comprises:

	2019 £	2018 £
Accelerated capital allowances	5,450	(13,540)
Other timing differences	9,785	17,385
	<u>15,235</u>	<u>3,845</u>

ii) Movements in the asset / (liability) for deferred tax are analysed as follows:

	2019 £	2018 £
At beginning of the year	3,845	(14,241)
Amounts credited to the profit and loss account	11,390	18,086
At end of the year	<u>15,235</u>	<u>3,845</u>

The deferred taxation liability is included within debtors (see note 10).

Reductions in the rate to 17% (effective from 1 April 2020) was substantively enacted 16 March 2016 accordingly.

The total potential deferred tax asset on timing differences has been recognised at between 17 and 19% based on when the assets is expected to be recognised (2018: 17 to 19%).

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised		
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>1,150,000</u>	<u>1,150,000</u>

16 OPERATING LEASE COMMITMENTS

On 6 February 2019, the Company entered into a new lease agreement extending out to 24 June 2023 with total annual rentals of £332,013 including VAT and a rent free period of 12 months.

	2019 £	2018 £
The total cash commitment (excluding VAT) under operating leases is paid as follows:		
Within 1 year	208,430	133,625
During years 2 to 5	<u>913,036</u>	<u>-</u>

17 FINANCIAL ASSETS AND LIABILITIES

	2019 £	2018 £
Cash and cash equivalents, trade and other debtors at amortised cost	533,663,678	403,533,577
Financial liabilities at amortised cost	<u>(523,301,555)</u>	<u>(390,740,356)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

18 FINANCIAL RISK MANAGEMENT

The Company recognises its exposure to a number of different financial risks and as a result the directors have agreed formal policies for the review and management of these risks which are summarised as follows:

Credit risk

This is defined as the risk of potential losses resulting from defaults from a client or borrower. The Company does not take positions in securities; all trades are matched and settled through recognised security settlement systems such as CREST. Should one side of a trade fail, there is a risk that the Company will be left holding securities that may depreciate in value. The majority of broking is in government debt or highly rated large corporate paper, but if the market is volatile or the stock less liquid there is a risk that the Company will lose money. In order to mitigate this risk, counterparty credit limits are set in advance of any trading taking place with that client. The Company has a sophisticated limit system which takes into account both the credit limit of the client and also of the underlying security. The Company also has a credit committee which determines whether any credit request falls within the parameters of risk set by the Management Committee. The Company does not hold collateral as security.

Liquidity risk

The Company's financial instruments comprise of cash, treasury bills, trade debtors and trade creditors. The Company manages its exposure to liquidity and cash flow risk through close management supervision of cash balances and short term investments, ensuring that the Company has sufficient cash resources at any time to meet immediate cash needs and that bank facilities are available should they be required. The liabilities of the Company are customer liabilities due to settle within a number of days after the reporting date. Refer to note 10.

Market risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities which may negatively impact the Company's earnings. Ordinarily, there should be no market risk within the Company as it acts as a matched principal broker. However, a settlement failure by one of the counterparties might force or prompt the Company to accept market risk for as long as it took to find a replacement trade. As the underlying securities are highly liquid, the chance of market risk having a material impact is considered low.

The Company is not materially impacted by other market risks such as currency exchange or interest rate risk.

KING & SHAXSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

19 CAPITAL MANAGEMENT

King & Shaxson Limited is regulated by the FCA and is required to hold adequate capital as prescribed by the FCA handbook. In compliance with these regulations the directors regularly monitor capital levels to ensure that they remain adequate.

At 30 June 2019 King & Shaxson Limited had the following tier 1 capital

	2019	2018
	£	£
Share capital	1,150,000	1,150,000
Reserves	<u>8,632,090</u>	<u>9,216,995</u>
	<u>9,782,090</u>	<u>10,366,995</u>

20 ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The ultimate parent company is Phillip Brokerage (Pte) Ltd, a company incorporated in Singapore. Copies of the Phillip Brokerage Pte Ltd financial statements can be obtained from The Secretary, 1st Floor, Cutlers Court, 115 Houndsditch, London, EC3A 7BR.

The largest and smallest group in which the results of the Company are consolidated, is that of Phillip UK Holdings Limited, which is the parent company. The consolidated accounts can be obtained from The Secretary, 1st Floor, Cutlers Court, 115 Houndsditch, London, EC3A 7BR. Phillip UK Holdings Limited is incorporated in England.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements and its subsidiary undertaking are included by full consolidation in the consolidated accounts of Phillip UK Holdings Limited.

Advantage is taken in these financial statements of the exemptions available in FRS 102 Section 33 for disclosure of transactions with related parties that are wholly owned within the same group.

KING & SHAXSON LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)****21 ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS (CONTINUED)**

The following transactions were carried out with related parties:

i. Provision of services to PhillipCapital UK Ltd

	2019	2018
	£	£
Recharge of applicable expenses (note 3)	<u>1,018,189</u>	<u>1,508,391</u>

ii. Year end balances

	2019	2018
	£	£
Net receivable / (payable) from PhillipCapital UK Ltd under common control	300,086	(371,917)
Net payable to King & Shaxson Asset Management Limited under common control	<u>(551,285)</u>	<u>(551,285)</u>
Amounts due to group undertakings	<u>(251,199)</u>	<u>(923,202)</u>

The above balances bear no interest, are not secured and are payable on demand.

iii. Transactions with directors

During the year, Miranda Telfer, a director of the Company, purchased €780,500 euros from the company for £687,790.03. This FX deal took place on an arm's length basis and settled the same day.