

**GORDIAN KNOT INC.**

**STATEMENT OF FINANCIAL CONDITION**

**AND**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**SEPTEMBER 30, 2018**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8 - 53706

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/1/2017 AND ENDING 9/30/2018  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gordian Knot Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

39 Broadway, Suite 3300, Room #20

(No. and Street)

New York

New York

10006

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Juliette Saisselin

917-547-3726

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WithumSmith+Brown, PC

(Name -- if individual, state last, first, middle name )

1411 Broadway, 23rd Floor

New York

NY

10018

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

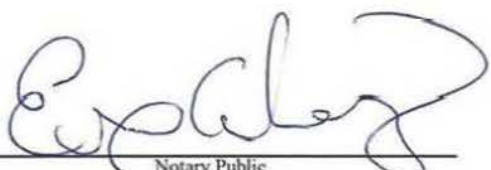

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

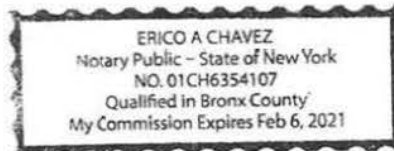
SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, Juliette Saisselin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gordian Knot Inc., as of September 30, 20 18, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
**President**  
\_\_\_\_\_  
Title



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Operations.
- ☐ (d) Statement of Cash Flows
- ☐ (e) Statement of Changes in Stockholder's Equity
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Report of Independent Registered Public Accounting Firm Regarding Rule 15c3-3 Exemption Report.
- ☐ (p) Statement of Exemption from Rule 15c3-3.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# GORDIAN KNOT INC.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management and Stockholder of  
Gordian Knot Inc.

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Gordian Knot Inc. (the "Company"), as of September 30, 2018, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of September 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company relies on its Parent for all of its funding, and, throughout 2018, the Parent was in breach of its regulatory requirements with the Financial Conduct Authority ("FCA") in the United Kingdom. As of October 2018, the Parent is no longer in violation of its regulatory requirements with the FCA. However, these conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion has not been modified with respect to this matter.

### Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

A handwritten signature in blue ink that reads 'Withum Smith + Brown, PC'.

We have served as the Company's auditor since 2015.

November 29, 2018



# GORDIAN KNOT INC.

## STATEMENT OF FINANCIAL CONDITION

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September 30, 2018

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### ASSETS

Cash	\$	29,964
Prepaid income taxes		2,534
Other assets		<u>3,897</u>
	\$	<u>36,395</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$	8,704
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#### Stockholder's equity

Common stock, \$.01 par value, authorized, issued, and outstanding 10,000 shares		100
Additional paid-in capital		<u>27,591</u>
Total stockholder's equity		<u>27,691</u>
	\$	<u>36,395</u>

# GORDIAN KNOT INC.

## NOTES TO FINANCIAL STATEMENTS

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### Year Ended September 30, 2018

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#### 1. Nature of business

Gordian Knot Inc. (the "Company") is a broker dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a wholly owned subsidiary of Gordian Knot Limited. (the "Parent"), a private limited company incorporated under the laws of England and Wales. The Company was established to engage in brokerage activity in connection with the sale of securities to customers for which the Parent provides investment management services.

#### 2. Going Concern

There is substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements are available to be issued. This is the case even though the Company has significantly reduced its fixed overhead by relocating to the premises of a service provider, with no cost or long-term commitment to the provider.

The Company relies on its Parent for funding and, throughout 2018, the Parent was in breach of its regulatory requirements with the Financial Conduct Authority ("FCA") in the United Kingdom. The Parent has raised additional equity capital from its major shareholders and from October 2018 onwards is in compliance with its FCA regulatory requirements. This new capital will enable the Parent to continue to develop a new business venture but the success of the new venture is uncertain. These conditions, among others, raise doubt about the entity's ability to continue as a going concern for a reasonable period of time.

#### 3. Summary of significant accounting policies

##### *Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

##### *Revenue Recognition*

Servicing fee income is recognized under terms outlined in a contract with Gordian Knot Limited ("the Parent") and is recorded when related expenses are incurred.

Under a servicing agreement, the Parent pays a fee to the Company for services to certain customers of the Parent equal to approximately 105% of the expenses attributable to such activities, excluding income taxes. For the year ended September 30, 2018 this amounted to \$253,579 and is included as servicing fee income in the Statement of Operations.



# GORDIAN KNOT INC.

## NOTES TO FINANCIAL STATEMENTS

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Year Ended September 30, 2018

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### 3. Summary of significant accounting policies (continued)

#### *Income Taxes (continued)*

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense. At September 30, 2018, management has determined that the Company had no uncertain tax positions that would require financial statement recognition.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company files its income tax returns in the U.S. federal and various state and local jurisdictions. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

# GORDIAN KNOT INC.

## NOTES TO FINANCIAL STATEMENTS

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Year Ended September 30, 2018

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### 3. Summary of significant accounting policies (continued)

#### *Recent Accounting Pronouncements*

In May 2014, The Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", ("ASU 2014-09") that supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue that is recognized. The FASB has approved a one year deferral of this standard, and this pronouncement is now effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has evaluated the new guidance and the adoption is not expected to have a significant impact on the Company's financial statements and a cumulative effect adjustment under the modified retrospective method of adoption will not be necessary.

### 4. Deemed dividends paid to Parent

The Parent is a related party. The Company has been financed by the Parent since inception with its initial capital and also on an ongoing basis using an expense plus methodology. As a result of this, over a period of many years, the Company has built up a significant intercompany asset "Due from parent". After evaluating the Parent's financial circumstances, the Company has determined that its Parent has no ability or intent to repay this amount. In order to eliminate the intercompany balance and more accurately reflect the current activities of the business the Company decided to reclassify the intercompany asset as a deemed dividend from the Company to the Parent. This is a non cash item and has no impact on the Company's Net Capital under Securities and Exchange Commission Rule 15c3-1.

### 5. Concentrations

The Company maintains significantly all of its cash with one financial institution. The Company has not experienced any loss in this account and believes it is not subject to any significant credit risk.

The revenue that the Company receives under the servicing agreement represents substantially all of the Company's revenue.

### 6. Employee benefit plan

The Company maintains a retirement plan (the "Plan"), pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code. The Company makes a base contribution of 7% to the Plan. In addition, the Company may also match employee contributions, up to a set percentage, at the discretion of the Board of Directors. For the Year ended September 30, 2018, the Company incurred expenses related to the Plan in the amount of approximately \$17,000.



# GORDIAN KNOT INC.

## NOTES TO FINANCIAL STATEMENTS

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Year Ended September 30, 2018

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### 7. Net capital requirements

The Company, as a member of FINRA, is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At September 30, 2018, the Company's net capital was approximately \$21,000, which was approximately \$16,000 in excess of its minimum requirement of \$5,000.

### 8. Rule 15c3-3

The Company does not handle cash or securities on behalf of customers and therefore it is not impacted at all by Rule 15c3-3.

### 9. Off-balance sheet risk

The accounting standard for guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others requires the disclosure of representations and warranties which the Company enters into which may provide general indemnifications to others. The Company in its normal course of business may enter into legal contracts that contain a variety of these representations and warranties which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote. The Company currently is not obligated under any guarantee agreements.

### 10. Income taxes

The provision for income taxes for the year ended September 30, 2018 consists of the following:

Current	
Federal	\$ 1,806
State and Local	1,976
	<hr/>
Total Current	\$ 3,782