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ANNUAL AUDITED REPORT

Washington, DC

FORM X-17A-5  
PART III

SEC FILE NUMBER
8-53731

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 January 1, 2019 AND ENDING December 31, 2019  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY
FIRM I.D. NO.

Laidlaw & Company (UK) Ltd.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

521 5<sup>th</sup> Ave, 12<sup>th</sup> Floor

(No. and Street)

New York

NY

10175

(City)

(State)

(Zip Code)

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

John Coolong

212-697-5200

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Raich Ende & Malter Co. LLP

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

1375 Broadway- 15<sup>th</sup> Fl

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)

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OATH OR AFFIRMATION

I, John Coolong, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Laidlaw & Company (UK) Ltd., as of December 31,, 2018, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MELVYN S. LEWIS  
Notary Public, State of New York  
No. 01LE4858795  
Qualified in New York County  
Commission Expires 12/31/2021

John Coolong  
Signature  
CFO  
Title

Melvyn S. Lewis  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (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.

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

LIDLAW & COMPANY (UK) LTD.

STATEMENT OF FINANCIAL CONDITION  
PURSUANT TO RULE 17a-5 (e)(3) UNDER THE SECURITIES AND  
EXCHANGE ACT OF 1934

PUBLIC DOCUMENT

DECEMBER 31, 2019

**LIDLAW & COMPANY (UK) LTD.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and the Board of Directors of  
Laidlaw & Company (UK) Ltd.  
New York, New York

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Laidlaw & Company (UK) Ltd. as of December 31, 2019, and the related notes (collectively referred to as the "financial statement"). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Laidlaw & Company (UK) Ltd. as of December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

This financial statement is the responsibility of Laidlaw & Company (UK) Ltd.'s management. Our responsibility is to express an opinion on Laidlaw & Company (UK) Ltd.'s 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 Laidlaw & Company (UK) Ltd. 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.



RAICH ENDE MALTER & CO. LLP

We have served as Laidlaw & Company (UK) Ltd.'s auditor since 2019.  
New York, New York  
March 2, 2020

LIDLAW & COMPANY (UK) LTD.

STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2019

**ASSETS**

Cash and cash equivalents	30,424
Due from broker	646,513
Accounts receivable	457,934
Securities owned, at fair value	4,558,257
Due from related parties	1,341,710
Property and equipment, net	509,584
Operating lease right of use assets	10,438,531
Other assets	655,301
	<u>18,638,254</u>
	<u>\$ 18,638,254</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable, accrued expenses and other liabilities	\$ 1,427,372
Operating lease liabilities	11,665,400
Cash overdraw	170,203
Income taxes payable	47,552
	<u>13,310,527</u>
	<u>\$ 13,310,527</u>

**Stockholder's equity**

Common stock, \$1.45 par value; 689,279 ordinary shares authorized and outstanding	999,455
Paid-in capital	3,938,497
Retained earnings	389,775
	<u>5,327,727</u>
	<u>\$ 18,638,254</u>

The accompanying notes are an integral part of the financial statements.

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

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1. ORGANIZATION AND NATURE OF BUSINESS

Laidlaw & Company (UK) Ltd. (the "Company") is a Broker-Dealer registered with the Securities and Exchange Commission ("SEC") and is a member of Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). The Company is incorporated in the United Kingdom as a Private Limited Company. The Company has offices in London (United Kingdom), New York, Florida, Connecticut, and California and its customers are located throughout the United States and the United Kingdom. The U.S. dollar is the functional currency of the company.

The Company does not carry securities accounts for customers or perform custodial services and operates pursuant to the exemptive provisions of SEC Rule 15c3-3(k)(2)(ii). The Company clears customer transactions on a fully disclosed basis with INTL FC Stone Financial Inc. ("INTL FC Stone"). For the year ended December 31, 2019 the Company generated revenue from commissions, investment banking fees, trading income, interest income, service charge, clearing fee and other income.

For the year ended December 31, 2019 there was no change in shares issued or outstanding.

The Company is wholly owned by Laidlaw Holdings PLC ("Parent"). The Parent also owns Laidlaw Asset Management LLC ("LAM"), a registered investment adviser, Laidlaw & Company International Ltd. ("International"), a financial services firm registered with the Financial Conduct Authority ("FCA") in the United Kingdom, and Laidlaw Private Equity LLC ("LPE"), a private equity firm (collectively, the "Affiliates"). The Company is involved in significant financing and other transactions with the Parent and Affiliates. See note 4 for further discussion of related party transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America "US GAAP". The Company is engaged in a single line of business as a securities broker-dealer, which primarily includes several classes of services.

*Securities Owned, at Fair Value*

Securities owned are recorded at fair value as discussed in note 3.

## LIDLAW & COMPANY (UK) LTD.

### NOTES TO FINANCIAL STATEMENT DECEMBER 31, 2019

#### Income Taxes

Deferred income taxes are recorded for differences between tax and financial statement basis. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred Tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. At December 31, 2019, the Company did not have any unrecognized tax benefits or liabilities. The Company operates in the United Kingdom, the United States, and in state and local jurisdictions, and the tax years from 2016 to 2019 remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

#### Property and Equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of assets is provided using the straight-line method for financial statement reporting purposes over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset.

#### Foreign Currency Translations

Assets and Liabilities denominated in foreign currencies (British Pounds Sterling) are translated at year end rates of exchange and Statement of Operations items denominated in foreign currencies (British Pounds Sterling) are translated at month-end rates of exchange. Gains or Losses resulting from foreign currency transactions are included in Net Loss for the year ended December 31, 2019.

#### Concentration of Credit Risk

The responsibility for processing customer activity rests with the Company's clearing firm, INTL FC Stone. The Company's clearing and execution agreement provides

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

that INTL FC Stone's credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

In accordance with industry practice, INTL FC Stone records customer transactions on a settlement date basis, which is generally two business days after the trade date. INTL FC Stone is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case INTL FC Stone may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by INTL FCStone is charged back to the Company.

The Company, in conjunction with INTL FCStone, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. INTL FCStone establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and amounts due from broker dealer. The Company maintains cash and money market balances with commercial banks and other major institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.

#### Use of Estimates

Management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### New Accounting Pronouncements

Effective January 1, 2019, the Company adopted new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASC Topic 842"). The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly the Company accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease Under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2019) would have met the definition of initial

LIDLAW & COMPANY (UK) LTD.

*NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019*

direct costs in ASC Topic 842 at lease commencement. The Company made a policy election to recognize short-term lease payments as an expense on a straight-line basis over the lease term.

The Company defines a short-term lease as a lease that, at commencement date, has a lease term of 12 months or less and does not contain an option to purchase the underlying asset that the lease is reasonably certain to exercise. The Company elected to recognize short-term lease payments as an expense on a straight-line basis over the lease term. Related variable lease payments are recognized in the period in which the obligation is incurred.

The Company has lease agreements that contain related non-lease components (e.g. maintenance, insurance, etc.). The Company made a policy election to not separate lease components and non-lease components for all underlying asset classes.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2019 (the earliest period presented) (a) a lease liability of \$12,000,000 which represents the present value of the remaining lease payments of \$14,851,000 discounted using a computed market rate, and (b) a right of use asset of \$11,100,000 which represents the lease of \$12,000,000 adjusted for accrued rent of approximately \$900,000.

The Company leases many of its operating and office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2029 and provide for renewal options ranging from three months to six years. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties.

The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The lease agreements also require the Company to comply with certain covenants and to maintain certain financial ratios. As of December 31, 2019, the Company was in compliance with all ratios and covenants.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2019

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 removes or modifies certain current disclosures, and adds additional disclosures. The changes are meant to provide more relevant information regarding valuation techniques and inputs used to arrive

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

at measures of fair value, uncertainty in the fair value measurements, and how changes in fair value measurements impact an entity's performance and cash flows. Certain disclosures in ASU 2018-13 will need to be applied on a retrospective basis and others on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2018-13 will have on its related disclosures.

3. SECURITIES OWNED, AT FAIR VALUE

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis follows. For the year ended December 31, 2019 there were no changes in valuation methodology.

*Common Stock And Equity Traded Funds:* Securities traded on a registered U.S securities exchange are valued based on the last sale price of the security reported on the principle exchange on which it is traded, prior to the time when the Company's assets are valued. In the absence of a sale, the security is valued at the last sale price on the prior trading day, if it is within the spread of the current day's closing "bid" and the "asked" prices, and if not, at the current day's closing bid price. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities that are traded in inactive markets are categorized in Level 2 of the fair value hierarchy.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. The mutual funds held by the plan are deemed to be actively traded. These are categorized in Level 1 of the fair value hierarchy.

*Convertible Note:* Investments in public companies also consist of direct private debt investments. The transaction price, excluding transaction costs, is typically the Company's best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions. Ongoing reviews by the Company's management are based on an assessment of trends in the performance of each underlying investment from the inception date through the most recent valuation date. These are categorized in Level 3 of the fair value hierarchy. At December 31, 2019, the Company had no convertible notes outstanding

*Warrants:* Warrants are valued at intrinsic value, which is the difference between the value of the underlying security and the exercise price of the warrant. At December 31, 2019, the Company valued all warrants at \$0. When the Company has investments in warrants that are in the money their fair value would be categorized in Level 2 of the fair value hierarchy.

*Certificate of Deposit:* Valued at cost, which approximates fair value, this is categorized in Level 2 of the fair value hierarchy. At December 31, 2019, the Company had no Certificates of Deposit outstanding.

The Company's policy is to recognize transfers between Level 1 and Level 2 and into and out of Level 3 as of the date of the event or change in circumstances that caused that transfer. For the year ended December 31, 2019, there were no

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

significant transfers between Level 1 and Level 2 and no transfers in or out of Level 3.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
<b>Common Stock</b>				
Medical Device	\$4,495,624	\$-	\$-	\$4,495,624
Telecommunications	1,185	15	-	1,200
<b>Mutual Fund</b>				
Fixed Income	28,554	-	-	28,554
Money Market	1,035	-	-	1,035
<b>Exchange Traded Fund</b>				
Large Cap	14,008	-	-	14,008
Mid Cap	5,977	-	-	5,977
Small Cap	5,144	-	-	5,144
International	4,932	-	-	4,932
Precious Metals	1,783	-	-	1,783
Securities Owned, at Fair Value	\$4,558,242	\$15	\$-	\$4,558,257

4. RELATED PARTIES

The Company acts as a participating dealer in the sale of member interests of various special purpose vehicles ("SPV") of which LPE holds a controlling interest in the SPV's member manager. LPE is an affiliate under common ownership of the Company. The Company receives placement fees from the SPV for the sale of such member interests.

The following table sets forth the Company's related party assets and liabilities as of December 31, 2019.

ASSETS:

Laidlaw Holdings PLC.:  
Loan Receivable – Laidlaw Holdings PLC.      \$ \_\_\_\_\_ -

Laidlaw & Company International Limited:  
Loan Receivable – Laidlaw & Company  
International Limited      \$ 263,135

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

The Company facilitates trades in European markets, on behalf of its customers, through International's FCA license. International facilitates trades in the United States' markets, on behalf of its customers, through the Company, which is a registered Broker-Dealer. The Company and International agree on the amount of commissions to allocate to each other. In addition, the Company and International share office space, staff, and other resources and agree on the amount of these expenses to allocate to each other.

Laidlaw Asset Management, LLC.:

Loan Receivable - Laidlaw Asset Management, LLC	<u>\$ 1,078,575</u>
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The Company has invested approximately \$61,000 in accounts held at Charles Schwab that are managed by LAM. These accounts are included in Investments at fair market value in the Statement of Financial Condition.

Total Due from related parties:	<u>\$ 1,341,710</u>
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These amounts are due on demand and do not bear interest.

Advances to Employees and Officers:	<u>\$ 363,074</u>
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Advances to employees are included in Other Assets on the Statement of Financial Condition. These amounts are due on demand and do not bear interest.

5. DUE FROM BROKER

Due from Broker at December 31, 2019, consist of the following:

Receivable from Clearing Organization	\$ 596,368
Deposit with Clearing Organization	<u>50,145</u>
	<u>\$ 646,513</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at December 31, 2019:

Leasehold improvement	\$ 1,413,898
Computer equipment	976,161
Furniture and fixtures	<u>853,694</u>
	<u>3,243,753</u>

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

Less: accumulated depreciation and amortization	<u>(2,734,169)</u>
	<u>\$ 509,584</u>

7. INCOME TAXES

Income taxes consist of taxes currently due and deferred tax benefits, which arise primarily as a result of temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes, including depreciation and amortization, lease liabilities, charitable contributions, and net operating loss carryforwards for income tax purposes.

The components of the deferred tax asset (liability) are as follows:

	<u>State and Local</u>	<u>Federal</u>	<u>Total</u>
<b>Deferred Tax Liability-</b> beginning of year	\$ 28,000	\$ 32,000	\$ 60,000
Book to tax depreciation, benefit	34,294	90,022	124,316
Lease liability, timing difference, benefit	(26,046)	(68,372)	(94,418)
Net operating loss carryforward, benefit	(27,485)	(72,147)	(99,632)
Charitable contribution carryover, benefit	<u>(27,628)</u>	<u>(72,524)</u>	<u>(100,152)</u>
<b>Change in Deferred Tax-</b> current year	\$ (46,865)	\$ (123,021)	\$ (169,886)
<b>Valuation Allowance at 50%</b>	23,433	61,511	84,944
<b>Net Deferred Tax (Asset)- end of year</b>	\$ (23,432)	\$ (61,510)	\$ (84,942)
<b>Turnaround-</b> beginning of year	<u>\$ (51,432)</u>	<u>\$ (93,510)</u>	<u>\$ (144,942)</u>

8. RETIREMENT PLAN

The Company sponsors a 401(k) defined contribution plan. All employees meeting minimum age and length of service requirements are eligible to participate. Employees can contribute a percentage of their salary up to amounts specified by the plan agreement, capped by annual limits set by the Internal Revenue Service. Matching contributions may be made at the discretion of the Company. The

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

Company did not make a matching contribution for the plan year ended December 31, 2019.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company determines if an arrangement is a lease at the inception of the contract. The Company's operating leases are included in operating lease right-of-use assets (ROU) assets, current portion of long-term operating lease liabilities, and long-term operating lease liabilities are on the accompanying Statement of Financial Condition. The operating ROU assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. As the Company's leases do not provide an implicit interest rate, the Company utilizes an estimated incremental borrowing rate based on information available at commencement date in determining the estimated present value of future payments.

The Company leases office space and certain equipment under various non-cancellable operating leases. The Company follows ASC 842 when handling with the accounting of the leases. The leases expire through February 28, 2029 and the leases call for monthly payments and specified escalations on the office leases.

Maturities of non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2019 are as follows:

Year Ending December 31	
2020	1,715,000
2021	1,596,000
2022	1,578,000
2023	1,665,000
2024	1,600,000
Thereafter	<u>6,697,000</u>
	14,851,000
Less Imputed Interest	(3,185,600)
Total	<u>11,665,400</u>

Supplemental information related to the leases as of December 31, 2019 is as follows:

Current Portion of Long-Term Operating Lease Liabilities	\$1,715,000
Long-Term Operating Lease Liabilities	<u>\$13,136,000</u>

LIDLAW & COMPANY (UK) LTD.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019

Total Operating Lease Liabilities	<u>\$14,851,000</u>
Weighted average remaining lease term:	8.7 years
Weighted average discount rate:	5.61%
Supplemental Cash Flows Information:	
Cash paid for amounts included in the measurement of lease liabilities:	\$1,452,000
Right of use assets obtained in exchange for new lease liabilities:	\$437,000

#### Litigation

The Company has been named as a defendant in a number of actions relating to its activities as a broker-dealer including civil actions and arbitrations. From time to time, the Company is also involved in proceedings and investigations by self-regulatory organizations. Although the ultimate outcome of these matters involving the Company cannot be predicted with certainty, management believes it has meritorious defenses to all such actions and intends to defend each of these actions vigorously. Although there can be no assurances that such matters will not have a material adverse effect on the results of operations or financial condition of the Company in any future period, depending in part on the results for such period, in the opinion of management of the Company the ultimate resolution of such actions against the Company will have no material adverse effect on the Company's financial condition.

#### Regulatory

On March 6, 2019 the Company received an Examination disposition letter with regards to the 2018 FINRA Examination. Any firm related exceptions noted in the disposition letter were cautionary and no further action was taken.

On December 31, 2019 the Company received an Examination Report with regards to the 2019 FINRA Examination. The Company is in the process of drafting its response but has not yet responded to the Examination Report. The Company believes that action, if any, taken by FINRA will not have a material effect on the Company's financial condition and operations.

On June 28, 2019, the Company received correspondence from the SEC Department of Enforcement relating to their onsite examination of the Company. The

LIDLAW & COMPANY (UK) LTD.

*NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019*

Company responded this request. On January 29, 2020 the Company received additional correspondence and requests for information related to their examination. The Company has not yet responded to this request. The Company believes that action, if any, taken by the SEC will not have a material effect on the Company's financial condition and operations.

Guarantees

ASC Topic 460, "Guarantees" 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 other legal contracts that contain a variety of these representations and warranties that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote.

10. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which 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 or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2019, the Company had net capital of \$1,414,410 which was \$1,222,944 above of its required net capital of \$191,466. The Company had a percentage of aggregate indebtedness to net capital of 203.14% as of December 31, 2019.

11. SUBSEQUENT EVENTS

The Company has performed an evaluation of events that have occurred subsequently to December 31, 2019 and through March 2, 2020, the date of the filing of this report. There have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the financial statements as of December 31, 2019.