Shore Capital Group Limited

Annual Report and Financial Statements

Year ended 31 December 2019

Annual Report and Financial Statements
for the year ended 31 December 2019

Contents

Officers and Professional Advisers

Directors
Howard Shore (Chairman)
Lynn Bruce
Simon Fine
David Kaye
Dr Zvi Marom*
James Rosenwald III *

*Non-executive

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Secretary
Lynn Bruce

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GY1 1WD

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Shore Capital Stockbrokers Ltd
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Chairman's Statement

The Group has recorded a successful year in which revenues grew by over 22% to exceed £50 million. Employing our strong capital base through a combination of organic growth and acquisition, the Group delivered material improvements in adjusted pre-tax profits, which grew by more than 60% to £6.6 million.

Strategic advances were recorded in all divisions, with notable achievements being the successful acquisition of Stockdale Securities in the Capital Markets business, assets under management surpassing £1 billion in our Asset Management business, and the increased value we anticipate from our Principal Finance holding of German radio spectrum licences following their flexibilization for 5G use during the year, as well as the increase in value of our investment in Brandenburg Realty.

Statutory pre-tax profits are lower than the prior year as the Group has borne a number of one-off costs in the year, largely in relation to the Stockdale acquisition together with the relocation of our London office to larger premises on St James's Street. These one-off costs totalling £6.2 million include the more prudent approach of writing off £3.7 million of goodwill, mainly associated with the acquisition of Stockdale.

Adjusting for these one-off costs, the Group has delivered earnings per share of 27.7p. After one-off costs, earnings per share were 4.9p.

The Group's balance sheet and liquidity remain strong, with liquid resources of approximately £30 million in place at the year end in addition to our £20 million undrawn working capital facility.

Capital Markets

The Capital Markets business enjoyed a highly successful year in which it completed the acquisition of Stockdale Securities as well as growing underlying like-for-like revenues. Total revenue in the business rose by over 27% to £32.4 million, delivering £4.7 million pre-tax profit with a margin of approximately 15% before restructuring costs.

The Stockdale acquisition represented a compelling strategic fit for the business, enhancing our existing operations by expanding the corporate client base, adding a specialist investment funds capability and augmenting corporate advisory and broking, research, sales and trading expertise. The combination of Shore Capital and Stockdale adds scale, expertise and diversity to the business, demonstrating our commitment to servicing the needs of institutional clients and corporates.

Our Corporate Broking and Advisory team recorded a very strong performance in a year dominated by political and macroeconomic uncertainties. Whereas the wider market saw subdued capital market activity, we were pleased to report increased year-on-year revenues from this part of our business, both on a like-for-like basis and with the addition of the former Stockdale clients. During the year we added 63 clients, transferring all 52 former clients of Stockdale and adding a further 11 new clients, including a further FTSE 250 constituent Greencore Group plc.

We continued to invest in and develop our research proposition during the year, both organically and through the Stockdale acquisition. Focusing on further developing our presence in areas of the UK economy where we foresee growth, we expanded our research teams in areas such as disruptive consumer trends, green technology and industrial development as well as healthcare / life sciences and investment funds through our acquisition of Stockdale.

Chairman's Statement

Our Market Making business recorded a healthy growth in revenues in 2019 after what had been a challenging final quarter of 2018. Whilst recent events on the global equity markets have demonstrated the continuing fragility of macroeconomic confidence, we remain positive about our ability to manage risk appropriately and deliver liquidity whilst staying focused and adaptable to changing trading conditions and client needs.

Asset Management

The Asset Management division continued to make significant progress during the year, growing revenues, profits and assets under management. Overall AUM grew by 11% to surpass £1 billion during the year, driven by fundraising in the Puma Investments operations and increased valuations in our institutional portfolios. Total revenue in the division rose by 11% to £17.7 million, delivering £3.9 million pre-tax profit at a strong margin of over 22% before restructuring costs.

Puma Investments, our UK fund management business, enjoyed a successful year in which revenues grew by over 15% and profits by more than 20%. Excellent progress was made in all three of the business's focus areas of property finance, private equity and listed equities.

Puma Property Finance recorded an exceptional year of deal flow, closing over £200 million of new loans in the year and subsequently passing £600 million of loans originated since inception, and deploying substantial amounts from our new institutional funding line. Puma Private Equity launched its new evergreen VCT, Puma Alpha VCT – the Group's 14th VCT – building on our substantial experience in the VCT and EIS arena. The Puma AIM Service continued to outperform its benchmark during the year and widened its availability through inclusion on the Fidelity FundsNetwork investment platform.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, recorded further strategic progress in the year, investing in high-quality real estate and implementing targeted asset management initiatives to drive value creation. The success of this strategy was borne out in strong increases in asset valuations during the year.

In the immediate term, the Coronavirus pandemic is likely to impact the Asset Management division as private investors apply more caution in allocating capital. Fundraising into our Puma Alpha VCT and Puma Heritage offerings have naturally slowed in recent weeks, although smaller inflows have continued. Both Puma Private Equity and Puma Property Finance continue to appraise new opportunities, although inevitably we anticipate a reduction in transactions in the short term as we assess values in the light of emerging events.

We will continue to be prudent as we always have, constantly reviewing and appraising our portfolio of investments and loans, and looking to mitigate the risk of downward valuations and possible impairments in our managed entities. We have significant untapped liquidity available for deployment, including a very substantial proportion of our £200 million funding line from Roundshield Partners, and our managed entities are not overly exposed to those industries most severely impacted by the pandemic.

The division is well-placed to withstand the coming challenges, as a significant proportion of Asset Management revenues are not dependent on new fundraisings or deployment activities.

Chairman's Statement

Principal Finance

As previously reported, during the year we agreed with the German Telecoms Regulator, ("BNetzA") to reallocate the regional radio spectrum licences in which we hold a majority stake, from the 3.5 GHz frequency band to the 3.700-3.730 GHz frequency band at no cost. The licences continue to be for perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage. The flexibilisation will enable their use for modern services such as 4G and 5G.

During the period we were encouraged to see strong results from German 5G spectrum licence auctions, giving us increased confidence in the future value that can accrue from this business. The recent pressure on the internet in major cities in Germany, in particular Berlin, as a result of the "lockdown" further highlights the need in Germany for increased capacity through the accelerated introduction of 5G.

Our investment in Brandenburg Realty performed well during the year with the investment value increasing by 32% leading to an investment gain during the year of £1.4 million. Whilst the recent crisis may impact future investment values, this should be mitigated by the very low funding costs in Germany particularly for qualified residential mortgage borrowers. Nevertheless, the valuation in the year end accounts has already been reduced by the Directors compared to the independent valuations received from JLL to a level that is considered more prudent in today's environment.

Current Trading and Prospects

The first two months of the year started encouragingly, with our corporate finance team closing six fundraisings and our asset management recording further inflows and deployment. Our Capital Markets business closed two further small deals in March. Together with the benefit of a very strong performance by the Market Making division, to the credit of the team, the Capital Markets business was able to remain profitable in March and both main operating businesses have remained profitable in the year to date.

However, as we all know, we have entered a new phase where business prospects for the coming months are highly uncertain and impossible to predict. With a debt free balance sheet, liquidity at the year end of approximately £30 million and very high levels of capital adequacy, the Group is extremely well prepared for a sustained period of disrupted activity. Furthermore, the IT infrastructure that we have put in place is fully operational and enabling our workforce to work remotely from home, a huge testament to the hard work and capability of all our operational team.

We remain very much able to continue support for our clients and strongly believe that when business "normalises" we will benefit from being a strong and stable participant in a distressed environment. We also remain open and willing to contemplate M&A opportunities as they may arise.

Finally, I would like to thank all of our employees for their hard work and commitment especially given the current difficulties faced by us all, and look forward to better times in the future.

Howard Shore
Chairman
3 April 2020

Financial Review

Income and expenditure

Revenue for the year increased by 22.8% to £53.2 million (2018: £43.3 million), whilst administrative expenses increased by 18.4% to £46.1 million (2018: £38.9 million). Group profit before tax excluding reorganisation costs and impairment of goodwill increased by 62% to £6.6 million (2018: £4.4 million). Statutory profit before tax (including reorganisation costs and impairment of goodwill) was £0.3 million (2018: £4.1 million).

Reorganisation costs of £2.5 million incurred in the year relate to fees and expenses on the acquisition of Stockdale Securities; costs of the post-acquisition integration of the Stockdale business; and associated move to new London premises. In addition, the Group recorded a £3.7 million impairment of goodwill in the year, the majority of which arose on the Stockdale acquisition.

Divisional performance was as follows:

- Capital Markets: revenue increased by 27.2% to £32.4 million (2018: £25.5 million). Profit before tax excluding reorganisation costs and impairment of goodwill was £4.7 million (2018: £4.1 million) with a net margin of 14.5% (2018: 15.9%).
- Asset Management: revenue increased by 11.4% to £17.7 million (2018: £15.8 million). Profit before tax excluding reorganisation costs was £3.9 million (2018: £3.2 million) with a net margin of 22.2% (2018: 20.0%).
- Principal Finance: pre-tax loss of £0.2 million (2018: £1.5 million loss).

Basic Earnings per Share

The Group generated adjusted basic earnings per share of 27.7p (2018: 12.6p). Statutory earnings per share were 4.9p.

Liquidity

As at the balance sheet date, available liquidity was £29.9 million, comprising cash of £27.5 million (2018: £31.0 million) and £2.4 million of gilts and bonds (2018: £2.8 million). The Group repaid borrowings of £4.2 million in the year and consequently was carrying no debt as at 31 December 2019. In addition, the Group had a £20 million working capital facility which was unused at the year end.

Capital resources

Capital resources in our regulated businesses were on average more than five times FCA requirements, and in our main trading subsidiary – Shore Capital Stockbrokers – were more than seven times.

Balance sheet

The Group's balance sheet remains strong. Total equity at the year end was £65.4 million (2018: £68.1 million), the movement reflecting the underlying profit generated in the year less one-off reorganisation and impairment costs and dividends paid to shareholders and minority interests.

Financial Review

In addition to the £27.5 million of cash and £2.4 million of gilts and bonds referred to above, at the year end the Group held £9.5 million in various of its Puma Funds; £0.6 million net in quoted equities and a further £1.7 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at a cost of £2.1 million on a gross basis, before allowing for minority interests. Other non-current assets included £8.9 million of fixed assets, and £2.8 million of investment properties

The remainder of the balance sheet was £9.9 million net, which included £12.3 million of net market and other debtors in the Company's stockbroking subsidiary.

Net Asset Value per Share

Net asset value per share at the year end was 257.3p (2018: 269.4p). The movement in the year includes earnings per share, after reorganisation costs and impairment of goodwill of 4.9p and distributions to shareholders and minority interests of 17.1p.

Dividend

An interim dividend of 5p per share was paid during the year. The Board does not propose to pay a final dividend for the year ended 31 December 2019, rather to preserve liquidity for future opportunities.

Board of Directors

Howard Shore
Chairman
Howard Shore founded Shore Capital in 1985. He began his career in private client discretionary fund management with Grieveson Grant & Co. After obtaining a degree in Economics from Cambridge, he worked as a financial futures broker when LIFFE was being established. As Executive Chairman he is responsible for the strategy of the Group. He is also a director of Puma Brandenburg Limited and Chairman of Spectrum Investments Limited.

Simon Fine
Co-Chief Executive Officer
Simon Fine joined Shore Capital in 2002 as CEO of Shore Capital Markets, responsible for all aspects of trading and brokerage as well as the integration of related corporate broking activities. He is the former Managing Director and Co-Head of Pan European Equity Cash Trading at Lehman Brothers. Prior to that, Simon spent the previous 14 years at Dresdner Kleinwort Benson, latterly as Head of Pan European Equity Cash Trading – developing its UK operations into one of the leading players in the UK and German equities. Simon became Co-CEO of the Shore Capital Group in 2017.

David Kaye
Co-Chief Executive Officer
David Kaye graduated from Oxford University with a degree in law and was called to the Bar in 2000. David practised as a barrister at a leading London set of chambers for five years, specialising in advising on a range of complex commercial legal issues with a particular focus on financial investments and real estate. He joined Shore Capital in January 2006 and having been Commercial Director and General Counsel for the Group, he became CEO of the asset management division in 2012. David became Co-CEO of the Shore Capital Group in 2017.

Lynn Bruce
Director
Lynn Bruce is a Chartered Accountant (Scotland) having trained at KPMG, London and has a BSc Hons in Business Mathematics and Accountancy from Dundee University. She was the CFO of an international wealth management group, Stenham Limited, for 11 years where she was also a member of both their Risk and Audit Committees. Prior to that she was the Financial Controller at AT&T Capital Europe. She chairs the Audit Committee and is a member of the Remuneration Committee.

Zvi Marom
Non-executive Director
Dr Marom is founder and CEO of BATM Advanced Communications Limited. A former first lieutenant in the Israeli Navy, he graduated first (with excellence) in electronics from the Naval Academy and first (with excellence) from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler School of Medicine, Israel and an MSc in industrial electronics. Dr Marom is on the boards of several national and international academic committees for computing and communications. He has close links with Governmental bodies funding research for Israeli high tech companies. He is a member of the Audit Committee and the Remuneration Committee. Since 2017 Dr. Marom is the Chairman of the Board of the Israeli Hi-Tech & Innovation Industries Association of the Manufacturers' Association of Israel.

Board of Directors

James Rosenwald III
Non-executive Director
James Rosenwald is a co-founder and the managing partner of Dalton Investments, LLC, an asset management company. He has more than thirty five years' experience investing in the Pacific Rim. He formerly co-managed Rosenwald, Roditi & Company Ltd. which he founded in 1992 with Nicholas Roditi. James advised a number of Soros Group funds between 1992 and 1998. He commenced his investment career with the Grace Family of the United States at their securities firm Sterling Grace & Co. He is a CFA charter holder and a director of numerous investment funds. He is a member of the Los Angeles Society of Financial Analysts and the CFA Institute. In addition to securities investments, James has invested in real estate since 1997. He co-founded Beach Front Properties in California in February 1997, Grand River Properties in Shanghai in June 2003 and Dalton REIT 1 GmbH & Co. KG. James holds an MBA from New York University and is an adjunct Professor of Finance at New York University's Stern Graduate Business School. At Shore Capital he is a member of the Audit Committee and is Chairman of the Remuneration Committee.

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the financial year ended 31 December 2019.

Activities and business review

The main activities of the Group consist of investment related activities, including stockbroking, market-making, corporate finance advice, asset management including specialist fund management and principal finance.

A review of the year and future developments is contained in the Chairman's Statement and financial review on pages 3 to 5. The statement also includes details of the key performance indicators which management use.

Results and dividends

The results for the financial year are set out on page 24. An interim dividend of 5.0p per share was paid during the year (2018: 5.0p per share). The Directors do not propose a final dividend for the year ended 2019 (2018: 5.0p per share).

Capital structure

Details of the issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 25 of the financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provision of the Articles of Association. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Regulatory Capital

Three of the Group's operating subsidiaries are regulated by the Financial Conduct Authority in the UK which imposes a minimum level of regulatory capital which must be maintained by each company. Each company has maintained a surplus throughout the year over its regulatory capital requirements.

Risk management

The Group's policies for managing the financial risks arising from its activities, including the use of derivative instruments, are set out in note 26. In addition the Group has policies and procedures in place to mitigate the other risks to which it is exposed, including reputational risk, operational risk and insurance risk. The Group's activities comprise equity market activities, asset management and principal finance and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

Directors' Report

Directors
The Directors who served the Company during the financial year and their beneficial interests in the ordinary shares of the Company were:

	Ordinary shares of Nil par value	
	31 December 2019	**31 December 2018**
Howard Shore	10,802,433	9,533,696
Lynn Bruce	50,000	50,000
Simon Fine	283,407	283,407
David Kaye	57,944	57,944
Dr Zvi Marom	95,182	95,182
James Rosenwald III	538,412	538,412

The beneficial interests of the Directors in share options over ordinary shares of the Company are set out in note 7e.

The Company makes qualifying third-party indemnity provisions for the benefit of its Directors which are in force at the date of this report.

Charitable donations
The Group made charitable donations of £122,000 (2018: £150,000) during the year.

Events after the balance sheet date
Details of events after the balance sheet date are set out in note 27.

Going concern
As set out above in the Chairman's statement, the Group had a debt-free balance sheet and liquidity at the year end of approximately £30 million, as well as a further £20 million undrawn working capital facility available. In addition, each of the Group's regulated entities has a very high level of Capital adequacy.

The current pandemic renders business prospects for the coming months highly uncertain and impossible to predict, however the Group is extremely well prepared for a sustained period of disrupted activity. The Directors have reviewed highly-stressed forecasts which include a prolonged period of disruption and consider that the Group has the financial resources to continue in operation throughout such a period. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Environmental policy
The Group aims wherever appropriate to be environmentally conscious. During the year, it recycled a large amount of waste paper and arranged for used printer cartridges and office furniture and equipment to be collected for recycling and environmentally sound disposal. It has adopted low energy lighting systems where appropriate.

Directors' Report

Major shareholdings

Other than Directors, the following shareholders had notified the Company of holdings of 3% or more of the shares of the Company as at 3 April 2020:

	Ordinary Shares	%
G B Shore (direct and beneficial interest)	2,116,009	9.81
M van Messel (direct and beneficial interest)	967,127	4.48

Independent Auditor

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

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

Directors' Report

Statement of director's responsibilities

This confirmation is given and should be interpreted in accordance with the provisions of s249(2) of the Companies (Guernsey) Law, 2008.

BDO Limited has expressed its willingness to continue in office. A resolution to re-appoint them as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable rules and regulations.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

The Directors are required to prepare Group financial statements for each financial year, in accordance with applicable Guernsey law and those International Financial Reporting Standards (IFRS) as adopted by the European Union, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: "*Accounting Policies, Changes on Accounting Estimates and Errors*" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Directors' Report

Statement of director's responsibilities (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website.

By order of the Board

Lynn Bruce
Company Secretary
3 April 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

Opinion

We have audited the financial statements of Shore Capital Group Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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 group and parent 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 as applicable to listed entities 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 group's and parent 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter in the Audit
Revenue recognition – Capital Markets division The groups accounting policy for revenue is described in Note 1 to the financial statements. Revenue recognition from the Capital Markets division was considered to be an area of focus for our audit as revenue from principal trading and brokerage commission consists of a high volume of transactions and is calculated automatically on trade details. Due to the level of automation and the materiality of the balance, any errors could give rise to a material misstatement. Additionally, significant judgement is required by management in determining the timing of recognition of corporate finance deal fees.	Our procedures performed included: **Commission earned from trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:** • We re-performed the reconciliations between the trading system and the general ledger on an annual basis and agreed a sample of reconciling items to supporting documentation • We tested the operating effectiveness of key controls around the trading system's calculation of realised gains / losses on trades • We obtained the reconciliation between the realised and unrealised gains during the year to the movement in trading assets / liabilities, market debtors / creditors and cash movement during the year and agreed a sample of reconciling items to supporting documentation • We obtained and reviewed service organisation control reports from service providers responsible for the clearing and settlement of trades to consider any findings that would impact the audit approach • We obtained direct confirmation from the service organisations of the year for end market positions held • We agreed a sample of commission recorded to the service organisation statements and receipt per the bank account **Corporate finance deal fees and placing commissions**: • We recalculated the amount receivable in respect of a sample of corporate finance transactions based on the terms set out in the relevant engagement letters and agreed it to the amounts recorded

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

	• We considered the status of open projects at the year end to determine whether it was appropriate for revenue to be recognised with reference to achieved performance obligations • We have analysed a sample of deal fees and placing commissions received subsequent to the year-end, based on the terms set out in the relevant engagement letters and the timing of the completion of the deals, to determine whether revenue should have been recognised in the current year. **Key observations:** Based on the procedures performed we consider that revenue has been appropriately recognised.

Revenue recognition – Asset Management division Revenue from the Asset Management division includes revenue from fund management fees and other ancillary fees as described in note 1 to the financial statements. Revenue recognition from the Asset Management division was considered to be an area of focus for our audit as significant judgement is required in respect of the recognition of certain elements of revenue, particularly in respect of the timing of recognition of certain deferred advisory fees and deal-specific fees. Management fee income is based on underlying fund asset values that may not be audited and any inaccuracies in the asset values could give rise to a material misstatement.	Our procedures performed included: • We recalculated the management fees and investment advisory fees with reference to the underlying investment management and investment advisory agreements and challenged the accounting treatment and recognition criteria against the requirements of applicable accounting standards. • We agreed a sample of the inputs into the management fee calculation by agreeing the underlying fund asset values to audited accounts or the latest available financial information for the intervening periods • We recalculated a sample of arrangement and deal fees with reference to the underlying agreements and reviewed and challenged the accounting treatment and recognition criteria against the requirements of applicable accounting standards. • We recalculated launch fees with reference to the investor lists produced by the third party registrars • We reviewed the details for a sample of invoices for a defined period raised after the year-end and checked, where these related to revenue earned in the current year

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

	• We reviewed the terms of a sample of new loan management agreements entered into during the year and considered whether the accounting treatment was in accordance with the requirements of applicable accounting standards. **Key observations:** Based on the procedures performed we consider that revenue has been appropriately recognised.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

Valuation of principal finance investments and Impairment of tangible and intangible assets The group holds a number of unquoted investments that are measured at fair value as described in note 17 to the financial statements. The valuation of principal finance investments requires significant judgement by management in determining the fair value and therefore was considered to be an area of focus for our audit.	Our procedures performed included: Unquoted investments • We reviewed the valuation reports prepared by management and considered the justification for the valuation basis, method and value • We challenged the validity of the assumptions inherent in the valuation of unquoted investments with reference to market data and other observable inputs • We reviewed the historical financial statements and recent management information available for a sample of unquoted investments used to support assumptions used in the valuations. **Key observations:** Based on the procedures performed we did not identify any changes to key assumptions that would result in material changes to the fair value.
The group holds significant tangible (note 15), intangible (note 14) and goodwill (note 13) assets that are required to be considered for indicators of impairment at the reporting date. The consideration of impairment of tangible and intangible assets were considered to be an area of focus for our audit due to the significant judgement involved in determining the level of any impairment required.	Our procedures performed included: Tangible and intangible assets • We reviewed management's consideration of indications of impairment at 31 December 2019 to assess the appropriateness of the methodology in relation to the applicable financial reporting framework • We reviewed and challenged the assumptions used in management's estimates of fair value less costs to sell with reference to independent information including evidence of recent market transactions for similar assets • We reviewed Management's assessment of recent market transactions in relation to radio spectrum licenses as part of our impairment review of the German radio spectrum licenses.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

	Goodwill • We challenged and obtained evidence for the key estimates and assumptions used in determining the carrying value and recoverable amount of the cash generating units with reference to independent information and benchmarking where appropriate • We challenged the appropriateness of the discount rate applied in arriving at the value in use with reference to market data and other observable inputs • We performed sensitivity tests to the value in use model by using alternative assumptions including revenue and cost growth rates and discount rate to evaluate the reasonableness of assumptions applied in determining the recoverable amount **Key observations:** Based on the procedures performed we did not identify any indicators of impairment that had not already been identified by Management or any indicators to suggest that the impairment charge was materially misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial, as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £490,000 (2018: £510,000), which represents 7.5% (2018: 7.5%) of the average profit before tax for the last five years (2018: four), adjusted

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

for one-off items such as impairment charges. We determined this to be the most appropriate benchmark given the importance of profit as a measure for shareholders in assessing the performance of the group. Given the variability from year to year we considered it appropriate to normalise this by taking an average adjusting it for one-off items.

Our audit work on each significant component of the group was executed at levels of materiality applicable to the individual entity, all of which were lower than group materiality which ranged from £8,000 to £323,000.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment, together with our assessment of the group's overall control environment, our judgment was that performance materiality for the group should be 75% (2018:75%) of materiality, namely £360,000 (2018: £380,000).

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2018: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the group's operations, the involvement of its key service providers and the accounting and reporting environment.

The group manages its operations from 5 locations in Europe: Guernsey, London, Liverpool, Edinburgh and Berlin and consists of the parent company and a number of subsidiary undertakings.

The group audit engagement team carried out full scope audits for the parent company and the significant components based in the UK and Guernsey. For non significant components the group engagement team performed specific procedures based on their individual financial significance to the group with reference to their profit before tax, revenue and net assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities within the Directors' Report, 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 group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent 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:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey
Channel Islands

3 April 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	**1, 3**	**53,205**	43,334
Administrative expenditure		**(46,099)**	(38,929)
Operating profit before impairment of goodwill and reorganisation costs		**7,106**	4,405
Reorganisation costs	**4**	**(2,501)**	-
Impairment of goodwill	**13**	**(3,740)**	-
Operating profit	**4**	**865**	4,405
Interest income	**5**	**29**	43
Finance costs	**6**	**(565)**	(380)
		(536)	(337)
Profit before taxation	**2**	**329**	4,068
Taxation	**8**	**1,107**	(485)
Profit for the year		**1,436**	3,583
Attributable to:			
Equity holders of the parent		**1,048**	2,727
Non-controlling interests		**388**	856
		1,436	3,583
Earnings per share			
Basic	**10**	**4.9p**	12.6p
Diluted	**10**	**4.8p**	12.5p
Adjusted Earnings per share			
Basic	**10**	**27.7p**	12.6p
Diluted	**10**	**27.5p**	12.5p

All transactions are in respect of continuing operations.

The accompanying notes form part of the financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

		2019 £'000	2018 £'000
Profit after tax for the year		**1,436**	3,583
Items that may be reclassified to the income statement			
Gains/(losses) on cashflow hedges	**26**	**138**	(201)
Tax thereon		**(26)**	38
		112	(163)
Exchange difference on translation of foreign operations		**(608)**	299
Other comprehensive (loss)/ income during the year, net of tax		**(496)**	136
Total comprehensive income for the year, net of tax		**940**	3,719
Attributable to:			
Equity holders of the parent		**615**	2,785
Non-controlling interests		**325**	934
		940	3,719

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	**13**	**-**	381
Intangible assets	**14**	**2,131**	2,263
Property, plant & equipment	**15**	**8,941**	7,653
Right of use assets	**11**	**9,432**	-
Investment properties	**16**	**2,799**	2,643
Principal Finance Investments	**17**	**8,837**	5,357
Deferred tax asset	**8**	**1,422**	108
		33,562	18,405
Current assets			
Trading assets	**18**	**7,965**	9,837
Trade and other receivables	**19**	**47,911**	42,058
Derivative financial instruments		**443**	-
Tax assets		**164**	-
Cash and cash equivalents	**20**	**27,493**	31,015
		83,976	82,910
Total assets	**2**	**117,538**	101,315
Current liabilities			
Trading liabilities	**12**	**(2,562)**	(708)
Trade and other payables	**21**	**(39,051)**	(27,877)
Derivative financial instruments		**-**	(135)
Tax liabilities		**-**	(165)
Borrowings	**22**	**-**	(4,299)
Lease liabilities	**11**	**(1,292)**	-
		(42,905)	(33,184)
Non-current liabilities			
Lease liabilities	**11**	**(9,237)**	-
Provision for liabilities and charges	**23**	**(29)**	(68)
		(9,266)	(68)
Total liabilities	**2**	**(52,171)**	(33,252)
Net assets		**65,367**	68,063
Capital and reserves			
Share capital	**25**	**-**	-
Share premium		**1,866**	1,866
Merger reserve		**14,903**	14,903
Other reserves		**1,460**	1,348
Retained earnings		**37,277**	39,992
Equity attributable to equity holders of the parent		**55,506**	58,109
Non-controlling interests		**9,861**	9,954
Total equity		**65,367**	68,063

The accompanying notes form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 3 April 2020. Signed on behalf of the Board of Directors:

Lynn Bruce
Director

James Rosenwald
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2018	**-**	**1,866**	**14,903**	**1,644**	**39,834**	**8,923**	**67,170**
Profit for the year	**-**	**-**	**-**	**-**	**2,727**	**856**	**3,583**
Foreign currency translation	**-**	**-**	**-**	**-**	**224**	**75**	**299**
Valuation change on cash flow hedge	**-**	**-**	**-**	**(203)**	**-**	**2**	**(201)**
Tax on cash flow hedge (note 8)	**-**	**-**	**-**	**38**	**-**	**-**	**38**
Total comprehensive income	**-**	**-**	**-**	**(165)**	**2,951**	**933**	**3,719**
Equity dividends paid (note 9)	**-**	**-**	**-**	**-**	**(2,158)**	**-**	**(2,158)**
Dividends paid to non controlling interests/ rebalancing of non controlling interest	**-**	**-**	**-**	**-**	**(635)**	**(1,308)**	**(1,943)**
Debit in relation to share based payments	**-**	**-**	**-**	**(131)**	**-**	**-**	**(131)**
Investment by non controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**1,406**	**1,406**
At 31 December 2018	**-**	**1,866**	**14,903**	**1,348**	**39,992**	**9,954**	**68,063**

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2019

	Share capital	Share premium account	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	-	1,866	14,903	1,348	39,992	9,954	68,063
Transition adjustment - IFRS 16 Leases	-	-	-	-	(84)	-	(84)
At 1 January 2019 (as restated)	-	1,866	14,903	1,348	39,908	9,954	67,979
Profit for the year	-	-	-	-	1,048	388	1,436
Foreign currency translation	-	-	-	-	(545)	(63)	(608)
Valuation change on cash flow hedge	-	-	-	138	-	-	138
Tax on cash flow hedge (note 8)	-	-	-	(26)	-	-	(26)
Total comprehensive income	-	-	-	112	503	325	940
Equity dividends paid (note 9)	-	-	-	-	(2,157)	-	(2,157)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(977)	(551)	(1,528)
Capital distribution from subsidiary to non controlling interests	-	-	-	-	-	(164)	(164)
Investment by non controlling interest in subsidiaries	-	-	-	-	-	297	297
At 31 December 2019	-	1,866	14,903	1,460	37,277	9,861	65,367

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Notes	2019	2,018
		£’000	£’000
Cash flows from operating activities			
Operating profit		**865**	4,405
Adjustments for:			
Depreciation and impairment charges	**2**	**2,787**	1,262
Goodwill impairment	**13**	**3,740**	-
Share-based payment credit		**-**	(131)
Loss on sale of fixed assets		**661**	-
Fair value gains on Principal Finance investments	**17**	**(1,101)**	(367)
Revaluation of investment properties	**16**	**156**	-
Reduction in provision for national insurance on options		**(39)**	(36)
Operating cash flows before movements in working capital		**7,069**	5,133
(Increase)/ decrease in trade and other receivables		**(5,132)**	11,787
Increase/ (decrease) in trade and other payables		**7,536**	(6,833)
Decrease in trading liabilities		**(2,835)**	(309)
Decrease/ (increase) in trading assets		**7,663**	(1,683)
Cash generated by operations		**14,301**	8,095
Interest paid	**6**	**(565)**	(380)
Corporation tax paid		**(334)**	(1,207)
Net cash generated by operating activities		**13,402**	6,508
Cash flows from investing activities			
Purchase of property, plant & equipment	**15**	**(3,668)**	(882)
Acquisition of subsidiary, net of cash acquired		**(2,248)**	(826)
Purchase of Principal Finance investments	**17**	**(2,554)**	(803)
Sale of Principal Finance investments		**175**	1,270
Investment by non controlling interest in subsidiaries		**297**	1,331
Interest received	**5**	**29**	43
Net cash (used in)/ generated by investing activities		**(7,969)**	133
Cash flows from financing activities			
Capital distribution to non controlling interests		**(164)**	-
Payment of lease liabilities	**11**	**(678)**	-
Repayment of borrowings	**22**	**(4,239)**	(12,192)
New borrowings		**-**	4,458
Dividends paid to equity shareholders	**9**	**(2,158)**	(2,158)
Dividends paid to non controlling interests		**(1,528)**	(1,943)
Net cash used in financing activities		**(8,767)**	(11,835)
Net decrease in cash and cash equivalents		**(3,334)**	(5,194)
Effects of exchange rate changes		**(188)**	536
Cash and cash equivalents at the beginning of the year	**20**	**31,015**	35,673
Cash and cash equivalents at the end of the year	**20**	**27,493**	31,015

The accompanying notes form part of the financial statements.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies

Basis of preparation
These consolidated annual financial statements of Shore Capital Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS").

Going concern
The Group continues to adopt the going concern basis in preparing the financial statements as discussed in more detail in the Directors' report.

Presentation of the financial statements and financial information
In accordance with Section 244(5) of the Companies (Guernsey) Law, 2008, the financial statements of the parent company are not presented as part of these financial statements.

Adoption of new and revised standards

New standards, amendments and interpretations adopted

IFRS 16 Leases
Details of the impact this standard has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

This standard has been adopted on its mandatorily effective date of 1 January 2019 and applied on a modified retrospective basis which recognises the cumulative effect of initially applying the standard as an adjustment to equity at the date of initial application. The impact of applying the standard resulted in an adjustment of £84,000 which reduced the opening balance of retained earnings. Adoption of IFRS 16 has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease.

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 4.50%. This is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The aggregate lease liability recognised in the statement of financial position at 1 January 2019 and the group's operating lease commitment at 31 December 2018 can be reconciled as follows:

	£'000
Operating lease commitment at 31 Dec 2018	1,947
Effect of discounting those lease commitments at an annual rate of 4.50%	(60)
Lease liability at 1 Jan 2019	1,887

On 12 March 2019 the Group signed a 10-year occupational lease with a five-year break clause for its new London office. The signing of this new lease has resulted in a right of use asset of £9,120,000 and lease liability of £8,910,000 being recorded. A further right of use asset and lease liability of £752,000 was recorded upon acquisition of Stockdale Securities Limited. A breakdown of the movement in the period of the right of use asset and lease liabilities is shown in note 11.

All leases are accounted for by recognising a right of use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a term of 12 months or less.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:
- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Other amendments and interpretations adopted include:
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs (2015-2017 Cycle)

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Standards, amendments and interpretations in issue but not yet effective
There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these is:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 : Classification of Liabilities as Current or Non-current

General information
The Group is incorporated and registered in Guernsey and is listed on the Bermudan Stock Exchange. These financial statements are presented in pounds sterling, this being the currency of the primary economic environment in which the Group operates.

Basis of accounting
The financial statements have been prepared on the historical cost basis, except for the treatment of certain financial instruments and investment properties. The financial statements are rounded to the nearest thousand (expressed as thousands and with no decimal place - £'000), except where otherwise indicated. The principal accounting policies adopted are set out below.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved if and only if the investor has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue
There is little judgement in determining the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations because contracts with each customer contain the defined performance obligations and transaction price associated with it.

Some of the Group's revenue within the asset management division is contingent on the performance of the underlying funds or companies managed by the Group. In these circumstances, the Group prepares a series of projections for potential scenarios and recognises contingent revenue based on a blend of the outputs generated by those scenarios felt to be most reflective of likely future outcomes.

Revenue in connection with the sale of a former subsidiary includes deferred revenue which is dependent on the execution of future asset purchases by a fund advised by the Group. In estimating the fair value of revenue related to the pipeline of potential future asset purchases, the Group uses a number of variables including status of planning permission, expected duration until completion of purchase and level of engagement from key counterparties.

Fair value of unquoted equity instruments
Where there is no available representative external valuation, judgement is required to determine the most appropriate valuation method for unquoted equity instruments. Further details are set out later in this note 1 and in notes 17, 18 and 26(f).

Deferred tax assets
Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of deferred tax assets is set out in note 8.

Investment properties
Investment property which is held to earn rental income is held at fair value at the balance sheet date. Fair value is determined by reference to comparable market values.

Lease liabilities
The determination of the incremental borrowing rate used to measure lease liabilities is judgemental. The Group has applied a rate of 4.5% which was calculated at the date of the introduction of IFRS 16 using the prevailing dividend yield of the Group at that time. This was considered to be most reflective of the Group's cost of capital given that the Group had not drawn down any general debt facilities at that juncture to provide an incremental borrowing rate.

Contingent consideration
The contingent consideration arrangement as a result of the Stockdale acquisition requires the Group to pay up to £4.0m based on the revenues earned from former Stockdale clients in the 18 months following the acquisition. Contingent consideration could range from nil to £4.0 million depending upon performance against three separate revenue targets. The fair value of contingent consideration at year end was estimated by observing the revenues earned in the nine months since acquisition and a projection of future revenues expected to accrue over the subsequent nine months.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Share-based payments
The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model. Details of the assumptions and model used are set out in note 7c.

Indicators of impairment of intangibles and tangible fixed assets
Where there is no available representative external valuation, judgement is required to determine the fair value at each balance sheet date to establish any indicators of impairment. Where the asset does not currently generate cash flows, the Group estimates the fair value less costs of disposal. The fair value of intangibles has been determined with reference to external market transactions. The Group estimated the fair value less costs of disposal of the rental asset based on a review of the market values of comparable assets.

Impairment of Goodwill
The discount rate used when determining each cash generating unit's value in use is significant when determining the Group's impairment of goodwill. See note 13 for further information on this.

Revenue
Revenue is measured based on the consideration specified in a contract with a customer. The following revenue streams have been recognised applying IFRS 15 Revenue from contracts with customers.

Revenue includes the profit/loss on principal trading, commission income, corporate advisory fees, fund management fees, asset rental fees and other ancillary fees. This revenue is largely recorded at a point in time when the Group has fully completed the performance obligations per the contract, with revenue from fund management fees and corporate retainers fees being recognised over time as performance of those contractual obligations are on going throughout the period under contract.

Dividends and interest arising on trading assets and liabilities in securities form part of dealing profits and, because they are also reflected by movements in market prices, are not identified separately.

Fees from advisory engagements for which the work is substantially complete or which are at a stage where work for which separate payment is due, and which will become due but are not yet invoiced are recorded on a right to consideration basis. Where such fees are contingent on the outcome of a transaction they are only accounted for after the transaction has exchanged.

Revenue, including revenue from Stock Exchange transactions, is accounted for at trade/contract date rather than settlement date.

Contract assets and contract liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the statement of financial position. Contract assets arise primarily in the Asset Management operating segment and relate mainly to fees earned at a point in time are not necessarily due from the customer at that point. Contract liabilities refer largely to retainers invoiced in advance each quarter.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Foreign currency translation
The Group's consolidated financial statements are presented in sterling, which is the parent company's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the balance sheet date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Pension costs
The charge against profits is the amount of contributions payable in respect of defined contribution pension arrangements for Directors and employees in the year.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible tax losses and temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Taxation
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group engages in equity settled share-based payment transactions in respect of services received from certain employees and directors. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the share options granted is recognised in the income statement over the period that the services are received, which is the vesting period, together with a corresponding increase in equity. The fair value of the options granted is determined using the Black-Scholes Option Pricing Model, which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the Company's share price over the life of the option and other relevant factors.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense for the year represents the movement in cumulative expense recognised as the beginning and end of the year.

Employer's National Insurance ("NI") is accrued at the current rate of NI on differences between the market value at the balance sheet date of the shares that would be acquired when the options are exercised and the exercise price of those options.
The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 10).

Business Combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed at the acquisition date, and is subject to a maximum of one year.

Goodwill
On the acquisition of a business or an interest in a business which is to be consolidated, fair values are attributed to the share of identifiable net assets acquired. Where the cost of acquisition exceeds the fair value attributable to such assets, the difference is treated as purchased goodwill. Goodwill arising on acquisitions is tested for impairment at that date. The Group evaluates goodwill annually and whenever circumstance indicates the possibility of impairment. Such evaluation is based on comparing the recoverable amount i.e. the higher of fair value less costs to dispose or its value in use. Where the carrying value exceeds its recoverable amount, an impairment loss is recorded for the difference.

Investments in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

Intangible assets
Intangible assets purchased are measured initially at purchase cost, unless they are acquired as part of a business combination in which case, they are measured initially at fair value which has been calculated on the basis of arm's length transactions.

Carrying amounts are reviewed on each reporting date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The intangible assets of the Group have indefinite useful lives due to the nature of the asset.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Impairment of goodwill and other non-financial assets
At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets (e.g. goodwill), the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is calculated so as to write off the cost of property, plant and equipment by equal annual instalments over their estimated useful lives at the following rates:

Leasehold additions	-	over the unexpired term of the lease
Fixtures and equipment	-	25-33% per annum
Rental Asset	-	Straight line over remaining useful life
Motor vehicles	-	16.7% per annum

Depreciation of an asset commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Leases
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
• Leases of low value assets; and
• Leases with a duration of 12 months or less.
The full accounting policy for leases is shown above in the section titled “Adoption of new and revised standards”

Investment property
Investment property which is held to earn rental income is held at fair value at the balance sheet date. Fair value is determined by reference to comparable market values. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Financial instruments
Financial assets and financial liabilities are recognised in the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Financial instruments (continued)

Financial assets and liabilities
Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The three principal classification categories for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assets held at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Equity investments at OCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets
IFRS 9 uses an 'expected credit loss' (ECL) model. The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs for trade receivables and contract balances and 12 month ECLs for all other financial assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial instruments (continued)
Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits which may be accessed without penalty and subject to insignificant risk of change in fair value. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other payables

Trade and other payables are measured on initial recognition at fair value, and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract which evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors’ best estimate of the expenditure required to settle the obligation at the balance sheet date.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

1. Accounting Policies (continued)
Merger reserve
This reserve comprises the capital reserves acquired by the Company when it acquired the entire share capital of Shore Capital Group plc on 26 March 2010 and subsequent cancellation of shares.

Repurchase of share capital (own shares)
Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Such shares may either be held as Own Shares (treasury shares) or cancelled. Where own shares are subsequently re-sold from treasury, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.
Other reserves
This reserve comprises amounts taken to equity in respect of i) share based payments; ii) deferred tax movements; and iii) revaluations of investments at fair value through other comprehensive income.

2. Segment Information

Additional analysis of revenue and results is presented in the Chairman's Statement.

For management purposes, the Group is organised into business units based on their services, and has four reportable operating segments as follows:

- Capital Markets provides research in selected sectors, broking for institutional and professional clients, market making in small and mid cap stocks, fixed income broking and corporate broking and advisory for large, mid and small cap companies.
- Asset Management provides advisory services, and manages specialist funds.
- Central Costs comprises the costs of the Group's central management team and structure
- Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using the Group's own balance sheet resources.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss. Transfer prices between operating segments are on an arms-length basis in a manner similar to transactions with third parties.

Year ended 31 December 2019	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	**32,365**	**17,651**	**-**	**3,189**	**53,205**
Depreciation	**(795)**	**(1,004)**	**(223)**	**(765)**	**(2,787)**
Interest expense	**(232)**	**(205)**	**(28)**	**(100)**	**(565)**
Profit/(loss) before tax excluding reorganisation costs and impairment of goodwill	**4,694**	**3,913**	**(1,842)**	**(195)**	**6,570**
Reorganisation costs	**(2,198)**	**(241)**	**(62)**	**-**	**(2,501)**
Impairment of goodwill	**(3,740)**	**-**	**-**	**-**	**(3,740)**
Profit/(loss) before tax	**(1,244)**	**3,672**	**(1,904)**	**(195)**	**329**
Assets	**75,623**	**18,098**	**1,691**	**22,126**	**117,538**
Liabilities	**(44,482)**	**(5,424)**	**(770)**	**(1,495)**	**(52,171)**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

2. Segment Information (continued)

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	25,452	15,843	-	2,039	43,334
Results					
Depreciation	(278)	(127)	(67)	(790)	(1,262)
Interest expense	(86)	(78)	-	(216)	(380)
Profit/(loss) before tax	4,058	3,166	(1,637)	(1,519)	4,068
Assets	56,658	10,018	1,599	33,040	101,315
Liabilities	(23,337)	(3,651)	(855)	(5,409)	(33,252)

3. Revenue

a) Revenue disaggregated by division and geographical market below:

Year ended 31 December 2019	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Consolidated £'000**
UK	32,365	13,958	1,392	47,715
Rest of Europe	-	3,693	1,797	5,490
	32,365	17,651	3,189	53,205

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
UK	25,452	12,489	1,185	39,126
Rest of Europe	-	3,354	854	4,208
	25,452	15,843	2,039	43,334

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

3. Revenue (continued)

b) Revenue disaggregated by division and timing of recognition below:

Year ended 31 December 2019	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Consolidated £'000**
Point in time	27,499	8,280	3,189	38,968
Over time	4,866	9,371	-	14,237
	32,365	17,651	3,189	53,205

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
Point in time	21,319	7,982	2,039	31,340
Over time	4,133	7,861	-	11,994
	25,452	15,843	2,039	43,334

4. Operating Profit

	2019 £'000	2018 £'000
Operating profit has been arrived at after recognising /(charging):		
Reorganisation costs	**(2,501)**	-
Impairment of goodwill	**(3,740)**	-
Depreciation on property, plant and equipment	**(1,506)**	(1,262)
Depreciation of right to use assets	**(1,281)**	-
Property lease rentals	**-**	(1,046)
Loss on disposal of fixed assets	**(661)**	-
Exchange differences, excluding those arising on financial instruments		
Exchange differences	**(46)**	82

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

4. Operating Profit (continued)

Reorganisation costs
During the year, the Group has incurred costs outside of its normal operating expenses.

	2019
	£'000
Acquisition expenses	266
Post-acquisition restructuring costs	1,544
Pre-opening office costs	691
	2,501

Acquisition expenses relate to legal and due diligence costs incurred as part of the Stockdale acquisition.

Post-acquisition restructuring costs relate to redundancy and early contract termination costs following the Stockdale acquisition.

Pre-opening costs relate to rent and rates on the Group's new London premises incurred subsequent to the signing of the lease but prior to occupation, while the Group remained in occupation of its previous premises.

Goodwill impairment is discussed further in note 13.

5. Interest Income

	2019	2018
	£'000	£'000
Bank interest	**29**	26
Other interest receivable	**-**	17
	29	43

6. Finance Costs

	2019	2018
	£'000	£'000
Interest on bank overdrafts and loans	**156**	380
Interest on lease liabilities	**409**	-
	565	380

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

7. Employees and Directors

a) Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the financial year was:

		2019 No.	2018 No.
Capital Markets	- Securities	**92**	83
	- Corporate Advisory	**26**	14
Asset Management		**91**	81
		209	178

b) The costs incurred in respect of these employees comprise

	2019 £'000	2018 £'000
Salaries and commission	**25,845**	19,449
Social security costs	**2,972**	2,253
Pension costs	**255**	390
	29,072	22,092

c) Employee Share Option Plan

The Group maintains a Share Option Plan (the "Plan") under which present and future employees of the Group may be granted options to subscribe for new share capital of the Company. The Plan is used to attract and retain high-calibre employees to continue to develop and expand the business of the Group. Such options are granted by the Board at a price no less than the average quoted market price of the Company's ordinary share on the date of grant. Options granted under the Plan are subject to vesting periods which are based on continuing service. Thereafter the options may be exercised for the rest of their 10 year life without further test. Options are forfeited if the employee chooses to leave the Group before the options vest under certain circumstances. If an employee holding vested options leaves the Group, the options held must be exercised within 6 months of the date of leaving. As at 31 December 2019, there were 942,727 (2018: 942,727) options in issue under the Plan that were exercisable at prices ranging from 110p to 335p. Details of the share options outstanding during the year were as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of year	**942,727**	**182p**	1,007,727	188p
Granted during the year	**-**	**n/a**	-	n/a
Cancelled during the year	**-**	**n/a**	(65,000)	275p
Exercised during the year	**-**	**n/a**	-	n/a
Outstanding at the end of the year	**942,727**	**182p**	942,727	182p
Exercisable at the end of the year	**876,061**		809,394	

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

7. Employees and Directors (continued)

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 4.3 years (2018: 5.3 years).

d) Emoluments of the Directors of the Company

2019

	Gross salary £'000	Bonus, commission and other income £'000	Benefits £'000	Total £'000
Howard Shore	**200**	**-**	**15**	**215**
Lynn Bruce	**45**	**-**	**-**	**45**
Simon Fine	**250**	**400**	**4**	**654**
David Kaye	**300**	**-**	**2**	**302**
Dr Zvi Marom	**45**	**-**	**-**	**45**
James Rosenwald III	**45**	**-**	**-**	**45**
	885	**400**	**21**	**1,306**

2018

	Gross salary £'000	Bonus, commission and other income £'000	Benefits £'000	Total £'000
Howard Shore	200	-	14	214
Lynn Bruce	45	-	-	45
Simon Fine	250	-	3	253
David Kaye	300	-	2	302
Dr Zvi Marom	45	-	-	45
James Rosenwald III	45	-	-	45
	885	-	19	904

e) The following options over unissued ordinary shares of nil par value have been granted to the directors:

	Number of options over unissued ordinary shares	**Date of grant**	**Exercise price per ordinary share**	**Last Exercise date**
David Kaye	245,000	Various between 2009 to 2012	250p	Various between 31 January 2022 to 5 January 2024
Simon Fine	472,727	21 November 2002	110p	5 January 2024

The closing price of the ordinary shares at 31 December 2019 was 155.0p (2018: 215.0p) and the range during the year was 140.0p to 235.0p.

On 23 March 2020, Howard Shore was granted 1,000,000 options at an exercise price of 200p, exercisable up to 23 March 2030. Howard Shore did not receive a bonus for the 2019 year.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

7. Employees and Directors (continued)

f) Related party transactions

The Directors and all other staff are entitled to deal in securities through a subsidiary company in accordance with in-house dealing rules, which include the provision that staff are entitled to reduced commission rates.

The Directors are of the opinion that such transactions are not material to either the Group or the individual concerned.

Transactions between Group companies comprise management charges for central overheads which are recharged throughout the Group.

The Group received income from Puma Brandenburg Limited ("PBL") as follows: £829,000 (2018: £699,000) to The Lily Partnership Limited and £2,973,000 (2018: £2,464,000) to Puma Property Investment Advisory Limited. Amounts owed to the Group at the year end from PBL were £691,000 (2018: £1,925,000). PBL is a related party as it has a high degree of common ownership.

g) Compensation of key management personnel

Excluding Directors of the parent company (see note 7.d) the remuneration of key management during the year was as follows:

	2019	2018
	£'000	£'000
Salaries and other short-term benefits	**2,885**	2,345

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

8. Taxation

The tax (credit)/ charge comprises:	**2019 £'000**	2018 £'000
Current tax	**191**	405
Prior year underprovision	**3**	64
Movement in deferred tax	**(1,301)**	16
	(1,107)	485

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 19.00% (2018: 19.00%) as detailed below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**329**	4,068
Tax thereon at 0% (2018: 0%)	**-**	-
Effects of:		
Effect of different tax rates in other jurisdictions	**671**	421
Utilisation of tax losses	**(471)**	-
Deferred tax asset in relation of tax losses carried forward	**(1,310)**	
Prior year adjustment	**3**	64
	(1,107)	485

The average tax rate on the profit before tax for the Group's UK activities for 2019 was 19% (2018: 19%). The Group has used 19% to calculate the deferred tax. To the extent that deferred tax reverses at a different rate from that at which it is recognised, this will change the impact on the net deferred tax liability.

Deferred Taxation	**Share-based payments £'000**	**Temporary differences £'000**	**Total £'000**
At 1 January 2018	88	61	149
Debit to income statement	-	(16)	(16)
Debit to equity	-	(25)	(25)
At 31 December 2018	88	20	108
Credit to income statement	-	1,301	1,301
Credit equity	-	13	13
At 31 December 2019	88	1,334	1,422

The deferred tax asset largely relates to tax losses carried forward in connection with the trade of Stockdale Securities business prior to its acquisition by the Group during the year. The total value of the losses carried forward amounts to £17.9 million. The Group considers that all of these losses will be available to be relieved against future profits arising from the same trade in the Capital Markets business, however, in accordance with accounting standards, a deferred tax asset has only been recognized in respect of those losses anticipated to be relieved in the next five years.

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Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

9. Rates of Dividends Paid and Proposed

	2019	2018
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 5.0p per share	**-**	1,079
Interim dividend for the year ended 31 December 2018 of 5.0p per share	**-**	1,079
Final dividend for the year ended 31 December 2018 of 5.0p per share	**1,079**	-
Interim dividend for the year ended 31 December 2019 of 5.0p per share	**1,079**	-
	2,158	2,158

The directors do not propose a final dividend for the year, bringing the total for the year ended 31 December 2019 to 5.0p per share (2018: 10.0p per share).

10. Earnings per Share

The earnings and number of shares in issue or to be issued used in calculating the earnings per share and diluted earnings per share in accordance with IAS 33 were as follows:

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**1,048,000**	**1,048,000**	2,727,000	2,727,000
Number of shares	**21,573,322**	**21,778,551**	21,573,322	21,840,354
Earnings per share (p)	**4.9**	**4.8**	12.6	12.5
Earnings (£)	**1,048,000**	**1,048,000**	2,727,000	2,727,000
Reorganisation costs and impairment of goodwill attributable to equity shareholders (£)	**4,931,000**	**4,931,000**	**-**	**-**
Adjusted Earnings (£)	**5,979,000**	**5,979,000**	**2,727,000**	**2,727,000**
Number of shares	**21,573,322**	**21,778,551**	21,573,322	21,840,354
Adjusted Earnings per share (p)	**27.7**	**27.5**	12.6	12.5

Calculation of number of shares	**2019**		2018	
	Basic	**Diluted**	Basic	Diluted
Weighted average number of shares	**21,573,322**	**21,573,322**	21,573,322	21,573,322
Dilutive effect of share option schemes	**-**	**205,229**	-	267,032
	21,573,322	**21,778,551**	21,573,322	21,840,354

As at 31 December 2019 there were 21,573,322 ordinary shares in issue (2018: 21,573,322). Movements in the number of shares in issue during the year are set out in note 25.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

11. Right of Use Assets and Lease liabilities

Right of use assets

	Land & Buildings £'000	Total £'000
At 1 January 2019	1,803	1,803
Additions	8,910	8,910
Amortisation	(1,281)	(1,281)
At 31 December 2019	9,432	9,432

Lease liabilities

	Land & Buildings £'000	Total £'000
At 1 January 2019	1,887	1,887
Additions	8,910	8,910
Interest expense	410	410
Lease payments	(678)	(678)
At 31 December 2019	10,529	10,529

On 12 March 2019 the Group signed a 10-year occupational lease with a five-year break clause for its new London office. The signing of this new lease resulted in a right of use asset of £9,120,000 and lease liability of £8,910,000 being recorded. If the five year break clause is exercised, the right of use asset and the lease liability would be reduced to £5,157,000 and to £4,948,000 respectively. A further right of use asset and lease liability of £752,000 was recorded upon acquisition of Stockdale Securities Limited.

The table below reflects the contractual maturities including interest, of the Group's lease liabilities:

At 31 December 2019

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 year £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease commitments including interest	250	1,043	2,177	5,981	6,255

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

12. Categories of Financial Assets and Liabilities

As at 31 December 2019	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
Cash and cash equivalents	-	27,493	27,493
Trading assets	7,965	-	7,965
Trade receivables	-	37,969	37,969
Financial investments	8,837	-	8,837
Derivatives	443	-	443
Contract balances	-	7,772	7,772
Other assets	-	2,170	2,170
	17,245	75,404	92,649
Tax assets			164
Intangible assets			2,131
Property, plant & equipment			8,941
Right of use assets			9,432
Investment properties			2,799
Deferred tax asset			1,422
Total assets per balance sheet			**117,538**
Financial liabilities			
Trading liabilities	2,562	-	2,562
Trade creditors	-	24,789	24,789
Lease liabilities		10,529	10,529
Other liabilities	-	12,800	12,800
	2,562	48,118	50,680
Accruals	-		1,462
Provision for liabilities and charges			29
Total liabilities per balance sheet			**52,171**

Financial assets and liabilities not held at fair value are held at a carrying value considered to be approximate to the fair value.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

12. Categories of Financial Assets and Liabilities (continued)

As at 31 December 2018	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
Cash and cash equivalents	-	31,015	31,015
Trading assets	9,837	-	9,837
Trade receivables	-	33,692	33,692
Financial investments	5,357	-	5,357
Contract balances	-	5,034	5,034
Other assets	-	3,332	3,332
	15,194	73,073	88,267
Goodwill			381
Intangible assets			2,263
Property, plant & equipment			7,653
Investment properties			2,643
Deferred tax asset			108
Total assets per balance sheet			**101,315**
Financial liabilities			
Bank overdrafts and borrowings	-	4,299	4,299
Trading liabilities	708	-	708
Trade creditors	-	19,530	19,530
Derivatives	135	-	135
Other liabilities	-	2,684	2,684
	843	26,513	27,356
Accruals			5,663
Tax liabilities			165
Provision for liabilities and charges			68
Total liabilities per balance sheet			**33,252**

Financial assets and liabilities not held at fair value are held at a carrying value considered to be approximate to the fair value.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

13. Goodwill

	£'000
At 1 January 2019	381
Arising on acquisition of Stockdale	3,359
Impairment	(3,740)
At 31 December 2019	-

The brought forward goodwill balance at 1 January 2019 relates to the acquisition of shares of Shore Capital Markets Limited in a previous year. A further £3,359,000 of goodwill arose in the year on the acquisition of Stockdale Securities Limited, further details of which are shown in note 17.

As required under IFRS, all goodwill in the business is assessed annually for indications of impairment. The cash-generating unit to which the goodwill brought forward of £381,000 related was considered to be the Capital Markets operating division, as the goodwill arose on the acquisition of shares in the intermediate parent undertaking of that division.

The cash-generating unit to which the goodwill arising in the year of £3,359,000 related was also considered to be the Capital Markets operating division. The Group considered whether the former Stockdale business could be considered its own cash-generating unit, but this was deemed to be inappropriate as the operations of the Stockdale business were absorbed into the pre-existing Capital Markets division as soon as possible following acquisition. The business lines of the Stockdale business were very similar to those of the pre-existing Capital Markets division and were split across more than one statutory entity within that division, hence the determination that the full Capital Markets division should be used as the cash-generating unit for the assessment of potential impairment of goodwill.

The impairment review undertaken compared the carrying amount of the Capital Markets division with its recoverable amount which was assessed as the higher of (a) fair value less costs of disposal; and (b) value in use.

The fair value less costs of disposal was estimated by discounting the net asset value of the Capital Markets division by the prevailing discount to net asset value at which the Group's shares were trading on the Alternative Investment Market immediately prior to the announcement of the intention to delist. This discount to NAV was considered to be a reasonable approximation of the discount that would apply to an open market sale of the Capital Markets division, given that division is the largest within the Group.

The value in use of the Capital Markets cash-generating unit was calculated using the following key assumptions:

- Cashflow forecasts were prepared for a period of five years as mandated by IAS 36
- Income projections were prepared by applying future compound annual growth rates (CAGR) to each significant revenue line at the same rate as had been recorded over the preceding five years
- Cost projections were prepared by applying future compound annual growth rates (CAGR) to divisional costs at the same rate as had been recorded over the preceding five years, adding back non-cash items within costs
- A discount rate of 5.41% was applied as an estimate of the Group's cost of capital. It was derived from the prevailing dividend yield rate of the Group based on the last price at which the Group's shares were trading on the Alternative Investment Market immediately prior to the announcement of the intention to delist .

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

13. Goodwill (continued)

The resulting calculation of value in use was higher than the estimate of fair value less costs of disposal and so value in use was applied in determining the recoverable amount of the Capital Markets division for the purposes of the impairment review. The carrying value of the Capital Markets division was greater than its value in use and, as a result, the full amount of the goodwill has been impaired in the year.

The Group conducted a sensitivity analysis on the assumptions used in the value in use calculation for the purposes of the impairment review. An increase in the CAGR of revenue of 2.7% or decrease in the CAGR of costs of 3.4% would have the effect of increasing the value in use to a level where an indication of goodwill would not be present. The Group does not consider that applying these sensitivities would be prudent.

14. Intangible assets

	£'000
Cost	
At 1 January 2018	2,229
Retranslation movement	34
At 31 December 2018	2,263
Retranslation movement	(132)
At 31 December 2019	**2,131**
Carrying amount	
At 31 December 2019	**2,131**
At 31 December 2018	2,263

The intangible assets represent the spectrum licences acquired through the acquisition of DBD, which owns spectrum licences in Germany, comprising a series of regional licences that run into perpetuity.
There has been no impairment in the value of the asset. Management consider the carrying value not to be in excess of the fair value less costs to sell. The fair value has been determined with reference to external market transactions. No reasonable change in assumptions would lead to an impairment charge.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

15. Property, Plant and Equipment

	Leasehold premises	Fixtures and equipment	Rental asset	Motor vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2018	890	4,875	15,108	243	21,116
Additions	-	882	-	-	882
Disposals	-	(57)	-	-	(57)
Retranslation movement	-	4	880	1	885
At 31 December 2018	890	5,704	15,988	244	22,826
Additions	2,227	1,441	-	-	3,668
Disposals	-	(848)	-	-	(848)
Retranslation movement	-	(38)	(612)	(5)	(655)
At 31 December 2019	**3,117**	**6,259**	**15,376**	**239**	**24,991**
Depreciation					
At 1 January 2018	890	3,438	8,977	112	13,417
Charge for the year	-	459	790	13	1,262
Retranslation movement	-	4	557	-	561
Disposals	-	(67)	-	-	(67)
At 31 December 2018	890	3,834	10,324	125	15,173
Charge for the year	118	601	765	22	1,506
Retranslation movement	-	(20)	(422)	-	(442)
Disposals	-	(187)	-	-	(187)
At 31 December 2019	**1,008**	**4,228**	**10,667**	**147**	**16,050**
Net Book Value					
At 31 December 2019	**2,109**	**2,031**	**4,709**	**92**	**8,941**
At 31 December 2018	-	1,870	5,664	119	7,653

The Group's rental asset was carried at a value of $6,250,000 (£4,709,000) at 31 December 2019 (2018: £5,664,000). Post the year end, the Group signed a contract to dispose of the asset for $6,250,000.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

16. Investment property

	Total
	£'000
At 1 January 2018	-
Additions	2,643
At 31 December 2018	2,643
Revaluation in the year	156
At 31 December 2019	**2,799**

The investment properties held in the year were externally valued as at 31 December 2019 by Weale & Hitchen which resulted in an increase in the fair value by £156,000. The Group received rental income of £275,000 in the year and incurred direct operating costs of £73,000.

17. Principal Finance Investments

	Listed investments	Unlisted investments	Total
	£'000	£'000	£'000
At 1 January 2018	1,496	4,979	6,475
Additions	26	777	803
Disposals	(946)	(1,342)	(2,288)
Revaluation in the year	78	289	367
At 31 December 2018	654	4,703	5,357
Additions	-	2,554	2,554
Disposals	(163)	(12)	(175)
Revaluation in the year	(206)	1,307	1,101
At 31 December 2019	**285**	**8,552**	**8,837**

Classification	Fair value through profit or loss	Total
	£'000	£'000
At 31 December 2019	**8,837**	**8,837**

	Fair value through profit or loss	Total
	£'000	£'000
At 31 December 2018	5,357	5,357

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

17. Investments (continued)

Additional information on principal subsidiaries

Subsidiary		Country of registration and principal place of business	Activity	Proportion of economic interests
Trading Companies				
Shore Capital Group Treasury Limited		Guernsey	Treasury company	100%
Shore Capital Group Investments Limited		Guernsey	Holds investments	100%
Puma Property Investment Advisory Limited		Guernsey	Advisory services	100%
Spectrum Investments Limited	1	Guernsey	Holds investments	59.9%
DBD Deutsche Breitband Dienste		Germany	Telecoms	100%
Shore Capital Markets Limited	2	England and Wales	Intermediate Holding Co.	79.8%
Shore Capital Stockbrokers Limited	2	England and Wales	Broker/dealer	100%
Shore Capital and Corporate Limited	2	England and Wales	Corporate advisers	100%
Stockdale Securities Limited	2	England and Wales	Broker/dealer / Corporate advisers	100%
Shore Capital International Asset Management Limited	3,6	Guernsey	Intermediate Holding Co.	72.1%
Puma Investment Management Limited	3,4,5	England and Wales	Fund Management	91.3%
Shore Capital Limited	3	England and Wales	Fund Management	100%
Shore Capital Group plc		England and Wales	Intermediate Holding Co.	100%
Shore Capital Treasury Limited		England and Wales	Treasury company	100%
Shore Capital International Limited		England and Wales	Advisory services	100%
Shore Capital Management Limited	7	England and Wales	Member of an LLP	100%
Puma Property Finance Limited	4	England and Wales	Fund Management	95.0%
Puma Private Equity Limited	5	England and Wales	Fund Management	76.0%
EA Capital Limited	6	Isle of Man	Intermediate Holding Co.	75.0%
EA Northampton Limited	6	England and Wales	Holds investment property	100%
EA Bedford Limited	6	England and Wales	Holds investment property	100%
Limited Liability Partnerships				
The Lily Partnership LLP		England and Wales	Asset rental business	80%
Nominee Company				
Puma Nominees Limited		England and Wales	Nominee company	100%

[1] Spectrum Investments Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, DBD Deutsche Breitband Dienste. As at 31 December 2018, the Company had a direct holding of 59.9% in Spectrum Investments Limited. The balance of the shares in Spectrum Investments Limited are held by external investors.

[2] Shore Capital Markets Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, each of Shore Capital Stockbrokers Limited, Shore Capital and Corporate Limited and Stockdale Securities Limited. As at 31 December 2019 the Company had a direct holding of 79.8% in Shore Capital Markets Limited. The balance of the shares in Shore Capital Markets Limited are held by senior executives of that company and its subsidiaries.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

17. Investments (continued)

[3] Shore Capital International Asset Management Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, Shore Capital Limited. As at 31 December 2019 the Group had a direct holding of 72.1% in Shore Capital International Asset Management Limited. The balance of the shares is held by the senior executive of that company. Shore Capital Limited is the intermediate holding company of, and holds 91.3% of the ordinary shares and voting rights in, Puma Investment Management Limited. The balance of the shares in Puma Investment Management Limited are held by senior executives of that company.

[4] Puma Investment Management Limited is the intermediate holding company of, and following vesting of shares held by non controlling interests during the year, now holds 95.0% of the economic interests in, Puma Property Finance Limited.

[5] Puma Investment Management Limited is the intermediate holding company of, and holds 76.0% of the ordinary shares and voting rights in, Puma Private Equity Limited. The balance of the shares are held by senior executives of that company.

[6] Shore Capital International Asset Management Limited is the intermediate holding company of, and holds 75.0% of the ordinary shares and voting rights in, EA Capital Limited. EA Capital Limited holds 100% of the ordinary shares and voting rights in EA Northampton Limited and EA Bedford Limited.

[7] Shore Capital Management Limited received investment in the year of £983,000 of which £193,000 came from non-controlling interests.

Non-controlling interests
Summarised financial information about subsidiaries in the Group with non-controlling interests is as follows:

			Relating to non-controlling interests		
	Profit/(loss) for the year	**Net assets at 31/12/2019**	**Profit/(loss) for the year**	**Net assets at 31/12/2019**	**Dividends paid in the year**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Spectrum Investments Limited / DBD	(706)	3,051	(290)	1,251	-
Shore Capital Markets Limited	299	31,141	66	6,330	822
Puma Investment Management Limited	2,344	3,675	204	407	179
Puma Property Finance Limited	474	773	1	-	-
Puma Private Equity Limited	1,179	590	114	142	-
EA Capital Limited	147	984	37	96	-
Shore Capital International Asset Management Limited	2,134	1,886	595	1,455	527
Shore Capital Management Limited	(1,694)	1,028	(339)	180	-
			388	9,861	1,528

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

17. Investments (continued)

Business combination

On 31 March 2019 the Group acquired 100% of the ordinary share capital of Stockdale Securities Limited ("Stockdale"), a limited company registered in the United Kingdom, whose primary activity is offering corporate advisory and corporate broking, equity research, sales and trading services to an institutional and corporate client base.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book value	Fair value adjustments	Fair value of assets and liabilities acquired
	£'000	£'000	£'000
Fixed assets	519	-	519
Right of use asset	752	-	752
Investments	136	-	136
Cash & deposits	3,159	-	3,159
Trade debtors	6,052	-	6,052
Other debtors	1,264	(495)	769
Deferred tax	230	(230)	-
Trade creditors	(4,922)	-	(4,922)
Other creditors	(1,641)	-	(1,641)
	5,549	(725)	4,824

Initial consideration of £5,408,000 was paid in cash in the period. The Group has also recorded contingent consideration of £2,775,000 in trade and other payables on the Statement of Financial Position at 30 June 2019, resulting in estimated total consideration of £8,183,000.

The contingent consideration arrangement requires the Group to pay up to £4.0m based on the revenues earned from former Stockdale clients in the 18 months following the acquisition. Contingent consideration could range from nil to £4.0 million depending upon performance against three separate revenue targets. The fair value of contingent consideration of £2,775,000 was estimated using the historic performance of the Stockdale business and an assessment of the general market outlook.

The fair value of the financial assets acquired included receivables with a fair value and gross contractual value of £6,052,000. Of this balance, £105,000 remains outstanding.

Stockdale contributed £5,640,000 to revenue and £1,831,000 to the Group's profit before reorganisation costs for the period between the date of acquisition and the balance sheet date. Based on the results of Stockdale for the period 1 January 2019 to 31 March 2019, if the acquisition of Stockdale had been completed on the first day of the period, group revenues and pre-tax profits for the period would have been higher by £2,268,000 and £94,000 respectively.

Goodwill arising on the acquisition was as follows:

	£'000
Total consideration	8,183
Fair value of assets and liabilities acquired	(4,824)
Goodwill arising on acquisition	3,359

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

17. Investments (continued)

The goodwill relates to the synergies of combining Stockdale with the Group. None of the goodwill is expected to be deductable for tax purposes.

The goodwill arising was impaired in full during the year. Further details are provided in note 13.

18. Trading assets

	2019 £'000	2018 £'000
Fair value through profit or loss		
Listed holdings at market value		
Equities	**2,939**	4,157
Debt instruments	**2,418**	2,815
	5,357	6,972
Unlisted holdings:		
Other (including hedge funds)	**2,608**	2,865
	2,608	2,865
	7,965	9,837

The fair value of financial assets has been determined as follows:

1. for listed holdings the fair value is determined, in whole, by reference to published price quotations (level 1); and
2. for unlisted holdings the fair value is estimated wherever possible using observable market prices or rates (level 2). Where none exist, the fair value is determined by the Directors at the most recent available representative arm's length price or valuation (level 3). The fair value of the largest holding has been estimated based on the net asset value of the investee company which itself is based on external professional property valuations.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

19. Trade and Other Receivables

	2019	2018
	£'000	£'000
Trade receivables	**37,969**	33,692
Other receivables	**2,170**	3,332
Prepayments and contract balances	**7,772**	5,034
	47,911	42,058

The Directors consider that the carrying value of trade and other receivables approximates to their fair value. The table below shows the ageing of trade debtors which are past their due date for payment.
The expected loss rate for the Group is based on historical credit losses experienced over the three year period prior to the period end. Due to historically low level of write offs the rate is less than 1% and therefore not considered material to the Group.

	2019	2018
	£'000	£'000
Between 30 and 60 days	**242**	18
Between 60 and 90 days	**324**	172
Greater than 90 days	**404**	180
	970	370
Amounts not yet due	**46,941**	41,688
Trade receivables	**47,911**	42,058

	£'000
Movement in the allowance for expected credit losses	
At 1 January 2018	16
Increase in the allowance	12
Amounts written off	(16)
At 31 December 2018	12
Increase in the allowance	65
Amounts written off	(2)
At 31 December 2019	**75**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

20. Cash and Cash Equivalents

Analysis of Changes in Net Funds

	As at 1 January 2019	Cash flows	As at 31 December 2019
	£'000	£'000	**£'000**
Cash at bank and in hand	31,015	(3,522)	27,493
	31,015	(3,522)	27,493

21. Trade and Other Payables

	2019	2018
	£'000	£'000
Trade creditors	**24,789**	19,530
Other creditors	**11,241**	1,184
Other taxation and social security	**1,559**	1,500
Accruals and deferred income	**1,462**	5,663
	39,051	27,877

Included in Other creditors, is the contingent consideration arising on the acquisition of Stockdale which at 31 December 2019 was £2,630,000.

The Directors consider that the carrying value of trade and other payables approximates their fair value.

22. Borrowings

	Total
	£'000
At 1 January 2018	9,726
Loan repayments	(12,192)
New borrowings	4,458
Acquisition	1,740
Retranslation movement	566
At 31 December 2018	4,299
Loan repayments	(4,239)
Retranslation movement	(60)
At 31 December 2019	-

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

22. Borrowings (continued)

	2019	2018
	£'000	£'000
Bank loans at amortised cost	**-**	4,299
Amount due to be repaid within 12 months	**-**	4,299

	USD loan facility £'000
As at 31 December 2018	
Bank loans	**4,299**
	4,299

The Group has a GBP revolving credit facility of £20,000,000 which is secured by a floating charge over the assets of the Group's stockbroking subsidiary and under which the Group has the option to draw down an amount for a fixed period of time. This facility was undrawn as at 31 December 2019 and 31 December 2018.

The weighted average interest rates paid during the year were as follows:

Effective interest rates

	2019	2018
	%	%
Bank overdrafts	**2.70**	2.70
Bank loans	**4.3**	4.33

23. Provision for Liabilities and Charges

Provision for National Insurance contributions on share options:	**2019**	2018
	£'000	£'000
At 1 January	**68**	66
Credit in the year	**(39)**	2
At 31 December	**29**	68

This provision will be utilised when staff exercise their options during the period of 1 January 2020 to 3 August 2026.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

24. Capital Commitments

There were no amounts which were contracted for but not provided in the financial statements (2018: £nil). During 2015, the Company made a commitment of €12.5 million to Brandenburg Realty Limited of which €5.45 million was undrawn as at 31 December 2019 (2018: €7.88 million).

25. Share Capital

Shore Capital Group Limited - ordinary shares of nil par value	**Number of shares**	**£'000**
At 31 December 2018 and 31 December 2019	21,573,322	-

26. Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents (see note 20), and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings (see Consolidated Statement of Changes in Equity).

The Group's financial instruments comprise cash and liquid resources, trade and other receivables and trade and other payables, trading assets and liabilities in equities, financial assets designated at fair value and derivative instruments.

The profit and loss arising from dealings in financial instruments is included within Revenue. This is analysed by financial instrument as follows:

Net gains or losses arising from dealings in financial instruments	**Fair value through P&L**	**Total**
	£'000	**£'000**
2019		
Equities	**9,678**	**9,678**

	Fair value through P&L	Total
	£'000	£'000
2018		
Equities	7,878	7,878

The main risks arising from the Group's financial instruments are market risk, currency risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

a) Market Risk

The Group is exposed to market risk in respect of its trading in equities and other holdings. The carrying value at the year end of positions arising from these activities as disclosed in note 18 for trading assets and the carrying value of the trading liabilities as disclosed on the face of the balance sheet are equal to their fair value.

Other holdings mainly comprise of other investments that are held in the Principal Finance division.

The year end positions arising from market-making activities are in line with those maintained throughout 2018. Both the permitted size of each trading book and the size of individual positions are predetermined and dealers are set prescribed limits within which they can deal. Day-to-day risk monitoring is carried out by the Head of the Capital Markets division, the Finance Department and the Compliance Department.

Based on a 10% movement in the market price of equities, with all other variables remaining unchanged, the effect on profit for the year and equity would be as set out in the table below. The Group's sensitivity to equity prices has not changed significantly from the prior year.

			2019			2018
		Change in price of UK equities	**Effect on profit and on equity**		Change in price of UK equities	Effect on profit and on equity
	£'000	**%**	**£'000**	£'000	%	£'000
Trading assets - equities (note 18)	**2,939**	**10%**	**294**	4,157	10%	416
Trading liabilities	**(2,562)**	**10%**	**(256)**	(708)	10%	(71)
Listed Principal Finance Investments	**285**	**10%**	**29**	654	10%	65

b) Currency Risk

Other than borrowings as set out in note 22, the Group's foreign currency cash and bank balances at the year end were not material and are not separately disclosed in the financial statements. Where relevant, currency is bought or sold at the time of trading in order to meet the funds due or receivable on settlement.

The fair value at the year end of Principal Finance investments, trading assets and other holdings which were denominated in foreign currencies was:

	2019	2018
	£'000	£'000
Held in United States dollars	**147**	196
	147	196

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

b) Currency Risk (continued)

The Group enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of trading assets and other holdings. These forward contracts are fair valued at the balance sheet date on a discounted cash flow basis using relevant market data on foreign exchange and interest rates, with any change in value taken to the income statement. They are reported in Derivative financial instruments in the Statement of Financial Position.

As at the year end the fair value of forward contracts which were hedging trading assets and other holdings was a net liability of £443,000 (2018: £135,000 net liability). The related notional contracts as at 31 December 2019 were £11,908,000 (2018: £5,143,000). These were all due to mature in January 2020.

Included in the £11,908,000 notional contracts, is an amount for £1,688,000 ($2,240,000) and £4,149,000 ($5,505,000) which the Group has designated as a cashflow hedges under IFRS 9. Changes in the fair value of the hedging instruments during the period are reflected as a component of equity to the extent the hedge is effective. This equated to £112,000 (2018: £201,000) with the ineffective portion of £4,000 (2018: £30,000) being recorded in the income statement.

The table below illustrates the sensitivity of the profit for the year and of equity with regards to currency movements on net currency exposure.

Based on a 10% movement in the Euro and US Dollar against sterling exchange rates, the effect on profit for the year and equity would be as follows:

	2019		2018	
	Euro	**US Dollar**	Euro	US Dollar
	£'000	**£'000**	£'000	£'000
10% Stronger against GBP	**472**	**85**	499	(368)
10% Weaker against GBP	**(387)**	**(70)**	(408)	301

Profits shown as positives, losses as negatives

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

c) Interest Rate Risk

The Group's exposure to long-term fixed borrowings is set out in note 22.

The interest bearing financial assets and liabilities of the Group comprise cash and cash equivalents, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Cash and cash equivalents receive, and bank overdrafts pay, interest at floating rates linked to either bank base rates or money market rates. The Group has a £20m revolving credit facility which is renewable annually. This facility pays interest at rates linked to money market rates. During 2018, the Group drew down a loan of $5,485,000 in its asset rental subsidiary and for which the Group has liability for 80%. The principal was repayable in one instalment on 31 March 2019 but was extended to 25 June 2019 when it was fully repaid. The loan is secured by a charge over the Group's rental asset. The loan carries an interest rate of 2.25% above 1 month USD LIBOR. The bank borrowings are described in more detail in note 22.

A positive 100 basis point movement in interest rate applied to the average value of balance sheet items which are subject to floating interest rates would result in the following impact on profit for the year:

	2019 **£'000**	2018 £'000
+100 basis point movement in interest rates	**130**	88
As percentage of total shareholders' equity	**0.235%**	0.151%

The Group would experience an equal and opposite impact on profit should the interest rate move by negative 100 basis points.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

d) Credit Risk

The Group's principal financial assets which are subject to credit risk are cash and cash equivalents, trade and other receivables.

The Group's cash and cash equivalents are held with a diversified range of banks, each of which is a major UK clearing bank.

The Group's main credit risk is attributable to its trade and other receivables. The amounts shown in the balance sheet arise from trading in equities. The Group seeks to deal with credit-worthy counterparties and the majority are financial institutions. As a result, the counterparties are generally subject to certain minimum capital requirements which serves to limit the credit risk to the Group.

The Group monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available, external credit ratings and/or reports on customers and other counterparties are obtained and used. The carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group's top five trade receivables counterparty exposures are as follows:

	2019 **£'000**
Interactive Investor Trading	**3,950**
Hargreave Lansdown Stockbrokers	**2,021**
Barclays Capital	**781**
Redmayne Bentley	**689**
A J Bell	**660**
	8,101

	2018 £'000
TD Waterhouse	11,102
Hargreave Lansdown Stockbrokers	5,113
Barclays Investment Solutions	1,176
Jarvis Investment Mgmt	1,040
Redmayne Bentley	725
	19,156

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

e) Liquidity Risk

Ultimate responsibility for liquidity management rests with the board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and borrowing facilities to meet its actual and forecast cash flows and matching maturity profiles of financial assets and liabilities. Note 22 includes details of undrawn facilities available to the Group.

Maturity profile of financial liabilities

The table below reflects the contractual maturities, including interest payments, of the Group's financial liabilities as at 31 December:

2019	**Repayable on demand £'000**	**Due within 3 months £'000**	**Due between 3 months and 12 months £'000**	**Due between 1 year and 5 years £'000**	**Due after 5 years £'000**	**Total £'000**
Trading liabilities	-	2,562	-	-	-	2,562
Trade payables	1,149	23,747	-	-	-	24,896
Lease liabilities	-	250	1,043	4,354	6,255	11,902
Other liabilities	-	10,170	2,630	-	-	12,800
	1,149	36,729	3,673	4,354	6,255	52,160

2018	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Trading liabilities	-	708	-	-	-	708
Trade payables	56	19,474	-	-	-	19,530
Derivatives – net settled	-	135	-	-	-	135
Bank loans and overdrafts	-	4,350	-	-	-	4,350
Other liabilities	-	2,683	-	-	-	2,683
	56	27,350	-	-	-	27,406

The contractual maturities relating to the bank loans reflect gross cash flows, which differ to the carrying values of the liabilities at the balance sheet date.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

f) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Based on the established fair value and model governance policies and the related controls and procedural safeguards the Group employs, management believe the resulting estimates in fair values recorded in the statement of financial position are reasonable and the most appropriate at the balance sheet date.

For trading assets and liabilities, financial assets and liabilities designated at fair value and financial investments through other comprehensive income which are listed or otherwise traded in an active market, for exchange-traded derivatives, and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices (level 1).

For financial instruments which do not have quoted market prices directly available from an active market, fair values are estimated using valuation techniques, based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date (level 2). This is the case for some unlisted investments and other items which are not traded in active markets.

For some types of financial instruments, fair values cannot be obtained directly from quoted market prices, or indirectly using valuation techniques or models supported by observable market prices or rates. This is the case for certain unlisted investments. In these cases, fair value is estimated indirectly using valuation techniques for which the inputs are reasonable assumptions, based on market conditions (level 3).

At 31 December 2019	**Level 1** Quoted market price	**Level 2** Market observable inputs	**Level 3** Non-market observable inputs	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Principal Finance Investments	285	-	8,552	8,837
Trading assets and other holdings at fair value	6,687	608	670	7,965
Derivative financial instruments	-	443	-	443
Total financial assets	**6,972**	**1,051**	**9,222**	**17,245**
Trading liabilities	2,562	-	-	2,562
Total financial liabilities	**2,562**	**-**	**-**	**2,562**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

26. Financial Instruments (continued)

f) Fair value of financial instruments (continued)

At 31 December 2018	Level 1 Quoted market price	Level 2 Market observable inputs	Level 3 Non-market observable inputs	Total
	£'000	£'000	£'000	£'000
Principal Finance Investments	654	-	4,703	5,357
Trading assets	8,914	273	650	9,837
Total financial assets	9,568	273	5,353	15,194
Trading liabilities	708	-	-	708
Derivative financial instruments	-	135	-	135
Total financial liabilities	708	135	-	843

Included in the fair value of financial instruments carried at fair value in the statement of financial position are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates (level 3). For such financial instruments, the Directors have generally made reference to published net asset values (derived by the manager of such investments) and used judgement over the use of those net asset values. The net asset values are generally derived from the underlying portfolios which are themselves valued using unobservable inputs. The significant unobservable inputs comprise the long term revenue growth rate, long term pre-tax operating margin and discounts for lack of marketability. A change in any of these inputs may result in a change in the fair value of such investments.

There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting such uncertainties and are deduced from the fair value produced by valuation techniques.

There have been no significant movements between Level 1 and Level 2 during the year.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2019	**Gains recorded in profit or loss**	**Purchases and transfers**	**Sales and transfers**	**At 31 December 2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total financial assets	**5,353**	**1,327**	**2,554**	**(12)**	**9,222**

The £12,000 sale/transfer out of Level 3 shown above relates to a distribution of funds from an investment.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2019

27. Subsequent events

On 29 January 2020, the Group signed a contract to dispose of its rental asset for $6,250,000, in line with the carrying value at the year end (see note 15).

The Coronavirus pandemic struck in the months following the Group's year end, bringing widespread disruption to all forms of economic activity in the UK and beyond.

The Group has considered the carrying value of its assets in the context of these developments. The Group's Principal Finance investments have already been valued on a prudent basis, in particular its largest holding in Brandenburg Realty Ltd. In relation to the property assets held within Brandenburg Realty, whilst the post balance sheet economic developments may impact future investment values, this should be mitigated by the very low funding costs particularly for qualified residential mortgage borrowers. Nevertheless, the valuation in the year end accounts has already been reduced compared to the independent valuations received from JLL.

The Group's investment properties continue to generate a strong income yield which should protect against significant value erosion in what is likely to become an ultra-low interest rate environment.

The value of the Group's spectrum licence holdings in Germany are not considered to be impacted by the recent events. Indeed, the recent pressure on the internet in major cities in Germany, in particular Berlin, as a result of the "lockdown" has further highlighted the need in Germany for increased capacity through the accelerated introduction of 5G.

As such, the Group does not consider the pandemic to constitute an adjusting post balance sheet event and the results are presented accordingly.