

**Shore Capital Group Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2020**

**Annual Report and Financial Statements  
for the year ended 31 December 2020**

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## **Officers and Professional Advisers**

### **Directors**

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

\*Non-executive

### **Secretary**

Lynn Bruce

### **Legal Adviser**

Carey Olsen  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
GY1 4BZ

### **Independent Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### **Company Number**

51355

### **Registered Office**

3<sup>rd</sup> Floor  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1WD

### **Bankers**

Royal Bank of Scotland International  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 4BQ

### **Registrar**

Computershare Investor Services  
(Guernsey) Limited  
3<sup>rd</sup> Floor  
Natwest House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1WD

### **Broker**

Shore Capital Stockbrokers Ltd  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

## Chairman's Statement

### Financial highlights

	2020	2019	Change
Revenue	<b>£62.6m</b>	£53.2m	+18%
Operating profit before reorganisation costs	<b>£12.7m</b>	£7.1m	+79%
Statutory profit before tax	<b>£11.5m</b>	£0.3m	+3380%
EPS excluding reorganisation costs	<b>35.9p</b>	27.7p	+30%
Statutory EPS	<b>33.5p</b>	4.9p	+584%
Total dividends	<b>15.0p</b>	5.0p	+200%

### Chairman's Statement

The Group has recorded a very successful year in which revenues grew by over 17% to £63 million, delivering pre-tax profits of more than £11 million and adjusted earnings in excess of 35p per share.

The year was of course dominated by the ongoing COVID-19 pandemic, which led to a series of UK-wide lockdowns from late March. As we reported in our interim results, the business was able to adapt swiftly to remote working, maintaining our high level of service to clients and providing support to our staff. I should like to record a huge vote of thanks for all those in our operational team who made this possible.

Our diversified business model has continued to prove valuable and deliver strong returns. With our strong and liquid balance sheet, our trading teams have been able to respond very well to stock market volatility and have made a significant contribution to an outstanding performance in terms of revenue and profits. Elsewhere in our Capital Markets business, our research and sales teams have continued to deliver high-quality advice in an ever-changing landscape, and our corporate broking teams have continued to support an expanding client base with primary and secondary fundraises.

Our Asset Management business has proved resilient to the economic headwinds, increasing revenues and growing AUM by over 20% to £1.3 billion. We have seen particularly strong demand for our development finance products as the pandemic has led to further retrenchment of mainstream banks from the sector. In Principal Finance, we continue to be very positive about the prospects for our spectrum assets in Germany in a world where increased home working and video conferencing look likely to be a long term feature.

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

On the back of these strong results, I am pleased to report that the Group is proposing a final dividend of 10.0p for the period, taking total dividends for the year to 15.0p, a 200% increase on the previous year.

### Capital Markets

The Capital Markets business enjoyed a very strong year in which revenues grew by over a third to £44 million, and adjusted pre-tax profits rose by nearly 250% to exceed £11.5 million.

We were also particularly delighted to announce the appointment of Xavier Rolet as chairman of our Capital Markets business during the year.

## **Chairman's Statement (continued)**

Equity capital markets remained highly active and at times volatile in 2020, often flexing rapidly in sentiment as news of the pandemic and steps to contain its impact ebbed and flowed. Our Market Making business has performed exceptionally well during this period, generating annual trading revenues more than 125% higher than in 2019. The team has been adept at managing risk appropriately throughout the year, remaining nimble whilst delivering liquidity in the face of rapidly evolving trading conditions.

Our Research teams have responded to the prevailing market conditions with considerable analysis and commentary, and pleasing idea generation, which continued to be well supported by our Equity Sales team; so helping to drive strong ongoing trading activity levels. The work of our healthcare team and their expert analysis on the pandemic has been highly acclaimed by asset managers, business and more widely with professionals during the period.

Whilst adapting to the stockbroking challenges and opportunities presented by not just the pandemic crisis but also evolving EU-UK relations, advances in green technology, consumer technology and life sciences, we have maintained our strategy to continue building out our stock coverage, whilst sustaining the output and market interaction in our well-established areas of sector expertise, so supporting our expanding corporate client base too.

The pandemic resulted in a marked reduction in IPOs, offset by a substantial increase in secondary activity as companies looked to strengthen their balance sheets or raise capital to execute acquisitions. Our Corporate Broking and Advisory teams had an active year undertaking 22 secondary fundraisings and advising on two admissions. We added 11 new clients during the year, taking the business to 111 corporate retained clients at the end of the year.

### **Asset Management**

The Asset Management division delivered a resilient performance in the period, growing AUM to £1.3 billion, increasing revenues by 3% to over £18 million and producing pre-tax profits of £2.6 million.

Fundraising in Puma Investments, our UK fund management business, was impacted during the year as retail investors reacted to the uncertain environment. The timing of the first national lockdown in March came at what would typically be a strong fundraising period around the end of the tax year. However, the business has avoided any material increase in demands for redemptions, testament to the ongoing appeal of our offerings.

In contrast with fundraising, deal flow in both our Puma Property Finance and Puma Private Equity businesses has remained robust. Our development finance products have proved to be in high demand, with construction activity bouncing back rapidly from a brief hiatus in the second quarter. This has coincided with a further retrenchment from development lending by the clearing banks and significant liquidity issues in the peer-to-peer market, providing opportunities for nimble and liquid lenders such as Puma. We continue to maintain a conservative underwriting approach, but are optimistic about prospects to build further market share over the coming years.

Our Private Equity business is well placed to take advantage of the changing business landscape. During the year, the business made a number of new investments into companies in sectors such as digital healthcare, transport logistics, e-commerce and digital media. We are sector-agnostic and seek to back well-positioned businesses led by high-quality, credible management teams who have the potential and aspiration to deliver material growth. The business has two Venture Capital Trusts currently open for

## **Chairman's Statement (continued)**

subscriptions as well as the Puma Alpha EIS Service, and is able to target sectors that emerge strongly from COVID-19 without the burden of a sizeable legacy portfolio.

Despite the difficult market conditions as a result of the pandemic, the Puma AIM Service was able to record net inflows during the year and deliver a positive return of +2.8% to investors, lagging the AIM Index, but significantly outperforming the wider UK market. The Service continues to record a lifetime outperformance of its benchmark AIM Index by over 20%, and a compound annual growth rate since inception of 8.4%.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, recorded further progress in the period as targeted asset management initiatives continues to deliver value. Upward revaluations carried out during the year drove the overall increase in AUM, reflecting the continued strength and overall stability of the German real estate market. In addition, we negotiated a new financing facility on behalf of Brandenburg Realty, generating surplus proceeds which enabled a 30% return of capital to investors. Accordingly, Shore Capital received a return of capital of £1.9 million.

### **Principal Finance**

We continue to hold our 3.700-3.730 GHz frequency band German regional radio spectrum licences. The licences are for perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage. The flexibilisation will enable their use as part of the rollout of 5G services, demand for which has accelerated as a result of the COVID-19 disruption.

We also believe the move towards increased home working and video conferencing will enhance the value of our spectrum assets in Germany over time. We remain optimistic that these assets can be realised for value very significantly exceeding our carrying value of £2.2 million.

Our investment in Brandenburg Realty continues to perform well. As noted above, a successful refinancing allowed us to realise a partial return of capital during the period. We continue to benefit from the very low funding costs in Germany generally and ongoing strength of the condo market.

During the year, the Group made an investment of £3 million into the IPO of Nippon Active Value Fund plc, an investment trust listed on the London Stock Exchange targeting capital growth through the active management of a focused portfolio of quoted small cap Japanese equity investments. The Group has also taken a 15% share in Rising Sun Management, the investment adviser to the fund. The Fund was trading at a premium at the end of the year.

## **Chairman's Statement (continued)**

### **Current Trading and Prospects**

The Group has performed very strongly during this year of unprecedented challenge, illustrating the benefits of our diversified business model.

We strongly believe that as the economy recovers we will continue to benefit from being both a strong but also flexible participant in the new environment. We also remain open and willing to contemplate M&A opportunities as they may arise.

Finally, I would again like to thank and pay tribute to all our employees for their hard work and commitment during 2020.

**Howard Shore**

**Chairman**

11 March 2021

## **Financial Review**

### **Income and expenditure**

Revenue for the year increased by 17.6% to £62.6 million (2019: £53.2 million), whilst administrative expenses increased by 8.1% to £49.8 million (2019: £46.1 million).

Group operating profit excluding reorganisation costs (and impairment of goodwill in the prior year), increased by 79% to £12.7 million (2019: £7.1 million). Statutory profit before tax (including reorganisation costs and impairment of goodwill) was £11.5 million (2019: £0.3 million).

Reorganisation costs of £0.8 million incurred in the year relate to deferred expenses from the acquisition of Stockdale Securities. Prior year reorganisation costs of £2.5 million include costs of the post-acquisition integration of the Stockdale business and associated move to new London premises.

Divisional performance was as follows:

- Capital Markets: revenue increased by 36.4% to £44.1 million (2019: £32.4 million). Profit before tax excluding reorganisation costs (and impairment of goodwill in the prior year) was £11.5 million (2019: £4.7 million) with a net margin of 26.1% (2019: 14.5%).
- Asset Management: revenue increased by 3.1% to £18.2 million (2019: £17.7 million). Profit before tax was £2.6 million (2019: £3.7 million) with a net margin of 14.1% (2019: 20.8%).
- Principal Finance: pre-tax loss of £0.7 million (2019: £0.2 million loss).

### ***Basic Earnings per Share***

The Group generated earnings per share of 33.5p (2019: 4.9p).

Excluding reorganisation costs (and impairment of goodwill in the prior year), adjusted earnings per share were 35.9p (2019: 27.7p).

### **Liquidity**

As at the balance sheet date, available liquidity was £31.6 million, comprising cash of £29.3 million (2019: £27.5 million) and £2.3 million of gilts and bonds (2019: £2.4 million). 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 six 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 £71.3 million (2019: £65.4 million), the movement reflecting the profit generated in the year less dividends and capital distributions paid to shareholders and minority interests.

## **Financial Review**

In addition to the £29.3 million of cash and £2.3 million of gilts and bonds referred to above, at the year end the Group held £6.7 million in various of its Puma Funds; £5.6 million net in quoted equities and a further £2.5 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at a cost of £2.2 million on a gross basis, before allowing for minority interests. Other non-current assets included £4.1 million of fixed assets, and £2.8 million of investment properties.

The remainder of the balance sheet was £15.8 million net, which included £20.6 million of net market and other debtors in the Company's stockbroking subsidiary.

### **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.

### ***Net Asset Value per Share***

Net asset value per share at the year end was 285.3p (2019: 257.3p).

### **Dividend**

An interim dividend of 5p per share was paid during the year (2019: 5.0p per share). The Board proposes to pay a final dividend of 10.0p per share for the year ended 31 December 2020 (2019: nil). The final dividend is expected to be paid on Wednesday 31 March 2021 to shareholders on the register as at Thursday 18 March 2021. Shares will be marked ex-dividend on Wednesday 17 March 2021.

## **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 Chairman he is responsible for the strategy of the Group, having relinquished all operational responsibilities in 2017. He is Chairman of Spectrum Investments Limited and a Director of Brandenburg Realty Limited, as well as being a Director of Puma Brandenburg Limited, an investment vehicle through which he conducts private investment activities.

### **Simon Fine**

#### **Co-Chief Executive Officer**

Simon Fine has run Shore Capital Markets since joining in 2002. 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 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. Lynn is a member of the Remuneration Committee.

### **Zvi Marom**

#### **Non-executive Director**

Dr. Zvi Marom founded BATM in 1992. A former first lieutenant in the Israeli Navy, he graduated with excellence in Electronics from the Naval Academy and with excellence from the Advanced Naval Command Course. He has a postgraduate degree in medicine from the Sackler - Goldschleger 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, and was until Jan 2021 the Chairman of the Board of the Israeli Hi-Tech & Innovation Industries Association of the Manufacturers' Association of Israel..

**Board of Directors (continued)**

**James Rosenwald III**  
**Non-executive Director**

Mr. Rosenwald is Portfolio Manager for Dalton Investments' Asian Equities strategies. He is a recognized authority in Pacific Rim investing with more than 39 years of investment experience. He formerly co-managed and founded Rosenwald, Roditi & Company, Ltd., now known as Rovida Asset Management, Ltd., which he established in 1992 with Nicholas Roditi. Mr. Rosenwald advised numerous Soros Group funds between 1992 and 1998. Mr. Rosenwald holds an MBA from New York University and an AB from Vassar College. He is a CFA charterholder and a director of numerous investment funds. He is a member of the CFA Society of Los Angeles and the CFA Institute, and is an Adjunct Professor of Finance at New York University's Stern Business School. At Shore Capital he 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 2020.

### **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 8. 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 28. An interim dividend of 5.0p per share was paid during the year (2019: 5.0p per share). The Directors propose a final dividend for the year ended 2020 of 10.0p per share (2019: nil 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 23 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 24. 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.

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## 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 2020	31 December 2019
Howard Shore	10,802,433	10,802,433
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 £55,000 (2019: £122,000) during the year.

### 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 ongoing pandemic renders business prospects uncertain and impossible to predict, however as the Group has demonstrated over the last twelve months, the business is extremely well prepared for a further period of disrupted activity. The Directors have reviewed highly stressed forecasts which include material reductions in variable revenues across both Capital Markets and Asset Management divisions. On the basis of these, the directors 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.

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## **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 19 March 2021:

	<b>Ordinary Shares</b>	<b>%</b>
G B Shore (direct and beneficial interest)	2,116,009	9.81
M van Messel (direct and beneficial interest)	968,127	4.49

### **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.

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

BDO LLP 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.

## **Directors' Report**

### **Statement of director's responsibilities**

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  
19 March 2021

3<sup>rd</sup> Floor  
1 Le Truchot  
St Peter Port  
Guernsey GY1 1WD

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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 2020 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.

### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remain independent of the Group and the 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 applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Reviewing Management's cash flow forecasts/budgets and other available information and assessing whether the assumptions used in the forecasts and other available information were appropriate by examining contracts, pipeline deals and historical performance.
- Reviewing the stress testing performed by Management on the forecasts and other available information and considering how sensitive the information available is to changes in the assumptions. We applied alternative assumptions to assess the impact on the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue

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

as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Overview

<b>Coverage*</b>	<p>91% (2019: 90%) of Group profit before tax</p> <p>94% (2019: 77%) of Group revenue</p> <p>92% (2019: 73%) of Group net assets</p>
<b>Key audit matters</b>	<p>Revenue recognition – Capital Markets division (<i>consistent with the prior year</i>)</p> <p>Revenue recognition – Asset Management division (<i>consistent with the prior year</i>)</p> <p>Valuation of principal finance investments – unquoted (<i>consistent with the prior year</i>)</p> <p>Impairment of intangible assets (<i>consistent with the prior year</i>)</p>
<b>Materiality</b>	<p><i>Group financial statements as a whole</i></p> <p>£1m (2019: £490k) based on 2% average revenue for the last 3 years (2019: 7.5% of the average adjusted profit before tax for the last five years )</p>

\*% coverage of Group components subject to a full scope audit by BDO LLP

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

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

performed specific procedures including analytical procedures, based on their individual financial significance to the Group with reference to their profit before tax, revenue and net assets.

*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) that 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 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.

<b>Key audit matter</b>		<b>How the scope of our audit addressed the key audit matter</b>
<p><b>Revenue recognition – Capital Markets division</b></p> <p>The groups accounting policy for revenue is described in Note 1 and 3 to the financial statements.</p>	<p>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.</p> <p>Additionally, significant judgement is required by management in determining the timing of recognition of corporate finance deal fees and placing commissions in relation to when the performance obligations are satisfied.</p>	<p>Our procedures performed included:</p> <p><b>Commission earned from trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:</b></p> <ul style="list-style-type: none"> <li>• We reviewed the reconciliations between the trading system and the general ledger on an annual basis and agreed a sample of reconciling items to supporting documentation</li> <li>• We tested the operating effectiveness of key controls around the trading system’s calculation of realised gains / losses on trades</li> <li>• We obtained the reconciliation between the realised and</li> </ul>

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

		<p>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</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• We obtained direct confirmation from the service organisations of the year end market positions held</li> <li>• We agreed a sample of commission recorded to the service organisation statements and receipt per the bank account</li> </ul> <p><b>Corporate finance deal fees and placing commissions:</b></p> <ul style="list-style-type: none"> <li>• We recalculated the amount receivable in respect of a sample of corporate finance transactions based on the terms set out in the relevant engagement</li> </ul>
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**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED**

		<p>letters and agreed it to the amounts recorded</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• We have analysed a sample of deal fees and placing commissions received subsequent to the year-end, against 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.</li> </ul> <p><b>Key observations:</b> Based on the procedures performed we consider that revenue has been appropriately recognised.</p>
<p><b>Revenue recognition – Asset Management division</b></p> <p>The Group’s accounting policy for revenue is described in Note 1 to the financial statements</p>	<p>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.</p> <p>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</p>	<ul style="list-style-type: none"> <li>• We recalculated a sample of 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</li> </ul>

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

	<p>elements of this revenue, particularly in respect of the timing of recognition of certain deferred advisory fees and deal-specific fees.</p> <p>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.</p>	<p>requirements of applicable accounting standards.</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> <li>• We recalculated a sample of launch fees with reference to the investor lists produced by the third party registrars</li> <li>• We reviewed the details for a sample of invoices for a defined period raised after the year-end and checked with reference to supporting documentation that it was recorded as revenue in the current year where applicable.</li> <li>• We reviewed the terms of a sample of new loan management</li> </ul>
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**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SHORE CAPITAL GROUP LIMITED**

		<p>agreements entered into during the year and considered whether the accounting treatment was in accordance with the requirements of applicable accounting standards</p> <p><b>Key observations:</b> Based on the procedures performed we consider that revenue has been appropriately recognised.</p>
<p><b>Valuation of principal finance investments - unquoted</b></p> <p>The Group’s accounting policy for investments are described in Note 1 to the financial statements.</p>	<p>The Group holds a number of unquoted investments that are measured at fair value as described in note 16 to the financial statements.</p> <p>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.</p>	<p>Our procedures performed included:</p> <p>Unlisted investments</p> <ul style="list-style-type: none"> <li>• We reviewed a sample of the valuation reports prepared by management and considered the justification for the valuation basis, method and value with reference to market data and other observable inputs.</li> <li>• We challenged the validity of the assumptions inherent in the valuation of a sample of unquoted investments with reference to market data and other observable inputs</li> <li>• We reviewed the historical financial statements and recent management</li> </ul>

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

		<p>information available for a sample of unquoted investments used to support assumptions used in the valuations.</p> <p><b>Key observations:</b> Based on the procedures performed we did not identify any changes to key assumptions that would result in material changes to the fair value.</p>
<p><b>Impairment of intangible assets</b></p> <p>The Group’s accounting policy for intangible assets is described in Note 1 to the financial statements.</p>	<p>The group holds significant intangible assets (note 13) comprising spectrum licence assets that are required to be considered for indicators of impairment at the reporting date.</p> <p>The consideration of impairment of intangible assets was considered to be an area of focus for our audit due to the significant judgement involved in determining whether there are any impairment indicators and the level of any impairment required.</p>	<p>Our procedures performed included:</p> <p>Intangible assets</p> <ul style="list-style-type: none"> <li>• We reviewed management’s consideration of indicators of impairment at 31 December 2020 to assess the appropriateness of the methodology in relation to the applicable financial reporting framework</li> <li>• 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.</li> </ul>

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

		<p><b>Key observations:</b> Based on the procedures performed we did not identify any indicators of impairment.</p>
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**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	<b>Group financial statements</b>	
	2020 £m	2019 £m
<b>Materiality</b>	1,000,000	490,000
<b>Basis for determining materiality</b>	2% average revenue for last 3 years.	7.5% average profit before tax for the last five years adjusted for one-off items such as impairment charges.
<b>Rationale for the benchmark applied</b>	Profits are impacted by different parts of the business, and fluctuates significantly such that profit before tax is less representative of the Group’s underlying performance and therefore not a KPI for the users of the financial statements. Therefore revenue is considered to be the more appropriate benchmark for users of the financial statements. Given the variability from year to year we considered it appropriate to normalise this by taking an average.	This was determined as the most appropriate benchmark given that profit before tax as an important 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.
<b>Performance materiality</b>	750,000	360,000

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

<b>Basis for determining performance materiality</b>	75% of materiality on the basis of our risk assessment, together with our assessment of the group’s overall control environment.	75% of materiality on the basis of our risk assessment, together with our assessment of the group’s overall control environment.
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*Component materiality*

Our audit work on each significant component of the group was executed at levels of materiality applicable to the individual entity, dependent on the size and our assessment of the risk of material misstatement of that component, all of which were lower than group materiality which ranged from £8,000 to £533,000 (2019: £8,000 to £323,000). In the audit of each component, we further applied performance materiality levels of 75% (2019: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

*Reporting threshold*

We agreed with the Board that we would report to them all individual audit differences in excess of £50,000 (2019: £10,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**Other Companies (Guernsey) Law, 2008 reporting**

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

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

- 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, 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's and the 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 the 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the company and its subsidiaries which were contrary to applicable laws and regulations, including fraud. The Group monitors its compliance with these frameworks through its central compliance function. We held discussions with Management, reviewed correspondence with regulators and reviewed minutes of board meetings to assess how the Group is complying with the legal and regulatory framework.

We considered the significant laws and regulations to be the Companies (Guernsey) Law, 2008, the FCA rules, requirements of PAYE and VAT legislation and IFRS as adopted by the European Union.

We considered the risk of fraudulent revenue recognition that could give rise to material misstatement, as described in the Key Audit Matter section above. We also considered the risk that the valuation of principal finance investments which involves management judgement, were subject to bias, as described in the Key Audit Matter section above.

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

In respect of management override we have tested a risk based sample of journals back to supporting documentation as well as the procedures noted in the Key Audit Matter section.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 LLP  
Chartered Accountants  
London  
Date 19 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Revenue</b>	<b>1, 3</b>	<b>62,556</b>	53,205
Administrative expenditure		<b>(49,810)</b>	(46,099)
<b>Operating profit before reorganisation costs and impairment of goodwill</b>		<b>12,746</b>	<b>7,106</b>
Reorganisation costs	<b>4</b>	<b>(791)</b>	(2,501)
Impairment of goodwill	<b>4</b>	-	(3,740)
<b>Operating profit</b>	<b>4</b>	<b>11,955</b>	<b>865</b>
Interest income	<b>5</b>	<b>17</b>	29
Finance costs	<b>6</b>	<b>(522)</b>	(565)
		<b>(505)</b>	(536)
<b>Profit before taxation</b>	<b>2</b>	<b>11,450</b>	329
Taxation	<b>8</b>	<b>(1,966)</b>	1,107
<b>Profit for the year</b>		<b>9,484</b>	1,436
<b>Attributable to:</b>			
Equity holders of the parent		<b>7,225</b>	1,048
Non-controlling interests		<b>2,259</b>	388
		<b>9,484</b>	1,436
<b>Earnings per share</b>			
Basic	<b>10</b>	<b>33.5p</b>	4.9p
Diluted	<b>10</b>	<b>33.3p</b>	4.8p
<b>Adjusted Earnings per share</b>			
Basic	<b>10</b>	<b>35.9p</b>	27.7p
Diluted	<b>10</b>	<b>35.7p</b>	27.5p

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 2020

	Notes	2020 £'000	2019 £'000
<b>Profit after tax for the year</b>		<b>9,484</b>	1,436
<b>Items that may be reclassified to the income statement</b>			
Gains on cashflow hedges	24	74	138
Tax thereon		(14)	(26)
		<b>60</b>	112
Exchange difference on translation of foreign operations		<b>197</b>	(608)
<b>Other comprehensive income/(loss) during the year, net of tax</b>		<b>257</b>	(496)
<b>Total comprehensive income for the year, net of tax</b>		<b>9,741</b>	940
<b>Attributable to:</b>			
Equity holders of the parent		<b>7,459</b>	615
Non-controlling interests		<b>2,282</b>	325
		<b>9,741</b>	940

The accompanying notes form part of the financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Intangible assets	13	2,237	2,131
Property, plant & equipment	14	4,050	8,941
Right of use assets	11	8,296	9,432
Investment properties	15	2,799	2,799
Principal Finance Investments	16	10,297	8,837
Deferred tax asset	8	1,869	1,422
		<u>29,548</u>	<u>33,562</u>
<b>Current assets</b>			
Trading assets	17	7,866	7,965
Trade and other receivables	18	99,772	47,911
Derivative financial instruments		152	443
Tax assets		-	164
Cash and cash equivalents	19	29,276	27,493
		<u>137,066</u>	<u>83,976</u>
<b>Total assets</b>	<b>2</b>	<u><b>166,614</b></u>	<u><b>117,538</b></u>
<b>Current liabilities</b>			
Trading liabilities	12	(1,069)	(2,562)
Trade and other payables	20	(84,314)	(39,051)
Tax liabilities		(690)	-
Lease liabilities	11	(1,444)	(1,292)
		<u>(87,517)</u>	<u>(42,905)</u>
<b>Non-current liabilities</b>			
Lease liabilities	11	(7,772)	(9,237)
Provision for liabilities and charges	21	(33)	(29)
		<u>(7,805)</u>	<u>(9,266)</u>
<b>Total liabilities</b>	<b>2</b>	<u><b>(95,322)</b></u>	<u><b>(52,171)</b></u>
<b>Net assets</b>		<u><b>71,292</b></u>	<u><b>65,367</b></u>
<b>Capital and reserves</b>			
Share capital	23	-	-
Share premium		1,866	1,866
Merger reserve		14,903	14,903
Other reserves		1,572	1,460
Retained earnings		43,198	37,277
<b>Equity attributable to equity holders of the parent</b>		<u><b>61,539</b></u>	<u><b>55,506</b></u>
Non-controlling interests		9,753	9,861
<b>Total equity</b>		<u><b>71,292</b></u>	<u><b>65,367</b></u>

The accompanying notes form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2021. 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 2020

	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

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Share capital	Share premium account	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
At 1 January 2020	-	1,866	14,903	1,460	37,277	9,861	65,367
Profit for the year	-	-	-	-	7,225	2,259	9,484
Foreign currency translation	-	-	-	-	174	23	197
Valuation change on cash flow hedge	-	-	-	74	-	-	74
Tax on cash flow hedge (note 8)	-	-	-	(14)	-	-	(14)
Total comprehensive income	-	-	-	60	7,399	2,282	9,741
Equity dividends paid (note 9)	-	-	-	-	(1,079)	-	(1,079)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(399)	(1,089)	(1,488)
Capital distribution from subsidiary to minority interests	-	-	-	-	-	(1,301)	(1,301)
Credit in relation to share based payments	-	-	-	52	-	-	52
At 31 December 2020	-	1,866	14,903	1,572	43,198	9,753	71,292

The accompanying notes form part of the financial statements.

## Consolidated Cash Flow Statement

### For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Operating profit		11,955	865
Adjustments for:			
Depreciation and impairment charges	2	1,989	2,787
Goodwill impairment		-	3,740
Share-based payment debit		52	-
Loss on sale of fixed assets		-	661
Fair value gains on Principal Finance investments	16	(375)	(1,101)
Revaluation of investment properties	15	-	156
Increase/(reduction) in provision for national insurance on options		4	(39)
<b>Operating cash flows before movements in working capital</b>		<b>13,625</b>	<b>7,069</b>
Increase in trade and other receivables		(51,570)	(5,132)
Increase in trade and other payables		45,337	7,536
Decrease in trading liabilities		(1,493)	(2,835)
Increase in trading assets		99	7,663
<b>Cash generated by operations</b>		<b>5,998</b>	<b>14,301</b>
Interest paid	6	(522)	(565)
Corporation tax paid		(1,573)	(334)
<b>Net cash generated by operating activities</b>		<b>3,903</b>	<b>13,402</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	14	(662)	(3,668)
Sale of property, plant & equipment	14	4,741	-
Acquisition of subsidiary, net of cash acquired		-	(2,248)
Purchase of Principal Finance investments	16	(3,000)	(2,554)
Distribution from Principal Finance investments	16	1,915	175
Investment by non controlling interest in subsidiaries		-	297
Interest received	5	17	29
<b>Net cash generated by/(used in) investing activities</b>		<b>3,011</b>	<b>(7,969)</b>
<b>Cash flows from financing activities</b>			
Capital distribution to non controlling interests		(1,301)	(164)
Payment of lease liabilities	11	(1,313)	(678)
Repayment of borrowings		-	(4,239)
Dividends paid to equity shareholders	9	(1,079)	(2,158)
Dividends paid to non controlling interests		(1,488)	(1,528)
<b>Net cash used in financing activities</b>		<b>(5,181)</b>	<b>(8,767)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>1,733</b>	<b>(3,334)</b>
<b>Effects of exchange rate changes</b>		<b>50</b>	<b>(188)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	19	<b>27,493</b>	<b>31,015</b>
<b>Cash and cash equivalents at the end of the year</b>	19	<b>29,276</b>	<b>27,493</b>

The accompanying notes form part of the financial statements.

## Notes to the Financial Statements

### For the financial year ended 31 December 2020

#### 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 accounting standards (in conformity with the requirements of the Companies (Guernsey) Law, 2008).

##### **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**

###### *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:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

##### **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.

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## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

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:

##### *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 variable 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 variable 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 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 16, 17 and 24(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. Management forecasts of business performance are analysed as part of this judgement. The carrying value of deferred tax assets is set out in note 8.

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## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### *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 the directors with reference to appropriate investment yields and comparable market values. On at least a three yearly basis, and if deemed necessary more frequently, the group obtains an external valuation of its investment properties from an appropriately qualified valuer.

##### *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 incremental borrowing rate given that the Group had not drawn down any general debt facilities at that juncture to provide an incremental borrowing rate.

##### *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.

#### **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.

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## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### Revenue (continued)

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.

##### 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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### Taxation (continued)

###### *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.

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).

## **Notes to the Financial Statements (continued)**

### **For the financial year ended 31 December 2020**

#### **1. Accounting Policies (continued)**

##### **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.

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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### 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.

##### 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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### 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.

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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### 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.

##### *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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### Financial instruments (continued)

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.

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.

##### *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.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 1. Accounting Policies (continued)

##### Impairment of financial assets (continued)

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.

##### 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.

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 1. Accounting Policies (continued)

#### 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.

#### 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.

#### 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.

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 2. Segment Information (continued)

Year ended 31 December 2020	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
<b>Revenue</b>	<b>44,136</b>	<b>18,196</b>	<b>-</b>	<b>224</b>	<b>62,556</b>
Depreciation	(897)	(839)	(253)	-	(1,989)
Interest expense	(260)	(217)	(39)	(6)	(522)
<b>Profit/(loss) before tax excluding reorganisation costs</b>	<b>11,534</b>	<b>2,557</b>	<b>(1,136)</b>	<b>(714)</b>	<b>12,241</b>
Reorganisation costs	(791)	-	-	-	(791)
<b>Profit/(loss) before tax</b>	<b>10,743</b>	<b>2,557</b>	<b>(1,136)</b>	<b>(714)</b>	<b>11,450</b>
<b>Assets</b>	<b>122,860</b>	<b>12,857</b>	<b>1,370</b>	<b>29,527</b>	<b>166,614</b>
<b>Liabilities</b>	<b>(86,634)</b>	<b>(6,198)</b>	<b>(1,092)</b>	<b>(1,398)</b>	<b>(95,322)</b>
Year ended 31 December 2019	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
<b>Revenue</b>	<b>32,365</b>	<b>17,651</b>	<b>-</b>	<b>3,189</b>	<b>53,205</b>
Depreciation	(795)	(1,004)	(223)	(765)	(2,787)
Interest expense	(232)	(205)	(28)	(100)	(565)
<b>Profit/(loss) before tax excluding reorganisation costs and impairment of goodwill</b>	<b>4,694</b>	<b>3,913</b>	<b>(1,842)</b>	<b>(195)</b>	<b>6,570</b>
Reorganisation costs	(2,198)	(241)	(62)	-	(2,501)
Impairment of goodwill	(3,740)	-	-	-	(3,740)
<b>Profit/(loss) before tax</b>	<b>(1,244)</b>	<b>3,672</b>	<b>(1,904)</b>	<b>(195)</b>	<b>329</b>
<b>Assets</b>	<b>75,623</b>	<b>18,098</b>	<b>1,691</b>	<b>22,126</b>	<b>117,538</b>
<b>Liabilities</b>	<b>(44,482)</b>	<b>(5,424)</b>	<b>(770)</b>	<b>(1,495)</b>	<b>(52,171)</b>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 3. Revenue

a) Revenue disaggregated by division and geographical market below:

Year ended 31 December 2020	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
UK	44,136	14,270	61	58,467
Rest of Europe	-	3,926	163	4,089
	<b>44,136</b>	<b>18,196</b>	<b>224</b>	<b>62,556</b>

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
	<b>32,365</b>	<b>17,651</b>	<b>3,189</b>	<b>53,205</b>

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

Year ended 31 December 2020	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
Point in time	39,344	6,822	224	46,390
Over time	4,792	11,374	-	16,166
	<b>44,136</b>	<b>18,196</b>	<b>224</b>	<b>62,556</b>

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
	<b>32,365</b>	<b>17,651</b>	<b>3,189</b>	<b>53,205</b>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 4. Operating Profit

	2020 £'000	2019 £'000
Operating profit has been arrived at after recognising /(charging):		
Reorganisation costs	(791)	(2,501)
Impairment of goodwill	-	(3,740)
Depreciation on property, plant and equipment	(853)	(1,506)
Depreciation of right to use assets	(1,136)	(1,281)
Loss on disposal of fixed assets	-	(661)
	<hr/>	<hr/>
Exchange differences, excluding those arising on financial instruments:		
Exchange differences	48	(46)
	<hr/>	<hr/>

#### Reorganisation costs

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

	2020 £'000	2019 £'000
Acquisition expenses	-	266
Post-acquisition restructuring costs	791	1,544
Pre-opening office costs	-	691
	<hr/>	<hr/>
	791	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.

#### 5. Interest Income

	2020 £'000	2019 £'000
Bank interest	17	29
	<hr/>	<hr/>
	17	29

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 6. Finance Costs

	2020	2019
	£'000	£'000
Interest on bank overdrafts	36	156
Interest on lease liabilities	486	409
	<u>522</u>	<u>565</u>

#### 7. Employees and Directors

##### a) Employee numbers

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

	2020	2019
	No.	No.
Capital Markets - Securities	95	92
- Corporate Advisory	28	26
Asset Management	92	91
	<u>215</u>	<u>209</u>

##### b) The costs incurred in respect of these employees comprise

	2020	2019
	£'000	£'000
Salaries and commission	31,283	25,845
Social security costs	3,687	2,972
Pension costs	440	255
	<u>35,410</u>	<u>29,072</u>

##### 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 2020, there were 1,942,727 (2019: 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:

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 7. Employees and Directors (continued)

#### c) Employee Share Option Plan (continued)

	2020	Weighted average exercise price	2019	Weighted average exercise price
	Number of share options		Number of share options	
Outstanding at beginning of year	942,727	182p	942,727	182p
Granted during the year	1,000,000	200p	-	n/a
Cancelled during the year	-	n/a	-	n/a
Exercised during the year	-	n/a	-	n/a
Outstanding at the end of the year	<u>1,942,727</u>	191p	<u>942,727</u>	182p
Exercisable at the end of the year	1,942,727		876,061	

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 6.5 years (2019: 4.3 years).

#### d) Emoluments of the Directors of the Company

##### 2020

	Gross salary £'000	Bonus, commission and other income £'000	Benefits £'000	Total £'000
Howard Shore	200	300	15	515
Lynn Bruce	45	-	-	45
Simon Fine	250	600	4	854
David Kaye	300	-	2	302
Dr Zvi Marom	45	-	-	45
James Rosenwald III	45	-	-	45
	<u>885</u>	<u>900</u>	<u>21</u>	<u>1,806</u>

##### 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
	<u>885</u>	<u>400</u>	<u>21</u>	<u>1,306</u>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 7. Employees and Directors (continued)

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
Howard Shore	1,000,000	23 March 2020	200p	23 March 2030
David Kaye	245,000	Various between 2009 to 2012	250p	30 April 2024
Simon Fine	472,727	21 November 2002	110p	5 January 2024

The closing price of the ordinary shares at 31 December 2020 was 160.0p (2019: 155.0p) and the range during the year was 140.0p to 160.0p.

#### f) Related parties

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: £86,000 (2019: £829,000) to The Lily Partnership Limited and £3,442,000 (2019: £2,973,000) to Puma Property Investment Advisory Limited. Amounts owed to the Group at the year end from PBL were £860,000 (2019: £691,000). PBL is a related party as it has a high degree of common ownership.

During the year, the Group made an investment of £3 million into the IPO of Nippon Active Value Fund plc, an investment trust listed on the London Stock Exchange targeting capital growth through the active management of a focused portfolio of quoted small cap Japanese equity investments. The Group has also taken a 15% share in Rising Sun Management, the investment adviser to the fund. Both the Fund and its investment adviser are related parties to the Group as they have a director in common with the Group and Rising Sun Management is controlled by a Group director.

The Group also holds a \$500,000 (£366,000) (2019: \$500,000 / £377,000) investment in Ador Diagnostics, an entity which is considered a related party due to having a common director.

#### 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:

	2020 £'000	2019 £'000
Salaries and other short-term benefits	3,828	2,885

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 8. Taxation

	2020	2019
	£'000	£'000
The tax charge comprises:		
Current tax	2,300	191
Prior year underprovision	93	3
Movement in deferred tax	(427)	(1,301)
	<u>1,966</u>	<u>(1,107)</u>

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 19.00% (2019: 19.00%) as detailed below:

	2020	2019
	£'000	£'000
Profit on ordinary activities before tax	<u>11,450</u>	<u>329</u>
Tax thereon at 0% (2019: 0%)	-	-
Effects of:		
Different tax rates in other jurisdictions	2,291	671
Utilisation of tax losses	(418)	(471)
Deferred tax asset in relation of tax losses brought forward	-	(1,310)
Prior year adjustment	93	3
	<u>1,966</u>	<u>(1,107)</u>

The average tax rate on the profit before tax for the Group's UK activities for 2019 was 19% (2019: 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 2019	88	20	108
Credit to income statement	-	1,301	1,301
Credit equity	-	13	13
At 31 December 2019	88	1,334	1,422
Credit to income statement	-	427	427
Credit equity	-	20	20
<b>At 31 December 2020</b>	<b>88</b>	<b>1,781</b>	<b>1,869</b>

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 in 2019. The total value of the losses carried forward as at 31 December 2020 amounts to £16.3 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, as there is reasonable certainty over their recoverability. However, a deferred tax asset has only been recognized in respect of those losses anticipated to be relieved in the next five years.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 9. Rates of Dividends Paid and Proposed

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
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
Interim dividend for the year ended 31 December 2020 of 5.0p per share	<b>1,079</b>	-
	<b>1,079</b>	<b>2,158</b>

The directors propose a final dividend for the year of 10.0p per share, bringing the total for the year ended 31 December 2020 to 15.0p per share (2019: 5.0p 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:

	2020		2019	
	Basic	Diluted	Basic	Diluted
Earnings (£)	7,225,000	7,225,000	1,048,000	1,048,000
Number of shares	21,573,322	21,716,348	21,573,322	21,778,551
Earnings per share (p)	<b>33.5</b>	<b>33.3</b>	4.9	4.8
Earnings (£)	7,225,000	7,225,000	1,048,000	1,048,000
Reorganisation costs attributable to equity shareholders (£)	521,000	521,000	4,931,000	4,931,000
Adjusted Earnings (£)	7,746,000	7,746,000	5,979,000	5,979,000
Number of shares	21,573,322	21,716,348	21,573,322	21,778,551
Adjusted Earnings per share (p)	<b>35.9</b>	<b>35.7</b>	27.7	27.5

#### Calculation of number of shares

	2020		2019	
	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	-	143,026	-	205,229
	<b>21,573,322</b>	<b>21,716,348</b>	21,573,322	21,778,551

As at 31 December 2020 there were 21,573,322 ordinary shares in issue (2019: 21,573,322). The total number of options in issue is disclosed in note 7 and were all included in the calculation of diluted earnings per share.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 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
Amortisation	(1,136)	(1,136)
At 31 December 2020	<b>8,296</b>	<b>8,296</b>

##### 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
Interest expense	486	486
Lease payments	(1,799)	(1,799)
At 31 December 2020	<b>9,216</b>	<b>9,216</b>

Of which:

Current	1,444	1,444
Non-current	<b>7,772</b>	<b>7,772</b>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 11. Right of Use Assets and Lease liabilities (continued)

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

At 31 December 2020	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	550	1,980	2,071	5,711	2,983

  

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 2020

### 12. Categories of Financial Assets and Liabilities

As at 31 December 2020	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	29,276	29,276
Trading assets	7,866	-	7,866
Trade receivables in the course of collection	-	89,620	89,620
Financial investments	10,297	-	10,297
Derivatives	152	-	152
Contract balances	-	8,325	8,325
Other assets	-	1,827	1,827
	<u>18,315</u>	<u>129,048</u>	147,363
Intangible assets			2,237
Property, plant & equipment			4,050
Right of use assets			8,296
Investment properties			2,799
Deferred tax asset			1,869
<b>Total assets per balance sheet</b>			<u><b>166,614</b></u>
<b>Financial liabilities</b>			
Trading liabilities	1,069	-	1,069
Trade creditors in the course of collection	-	66,695	66,695
Lease liabilities		9,216	9,216
Other liabilities	-	14,565	14,565
Accruals	-	3,054	3,054
	<u>1,069</u>	<u>93,530</u>	94,599
Tax liabilities			690
Provision for liabilities and charges			33
<b>Total liabilities per balance sheet</b>			<u><b>95,322</b></u>

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 2020

#### 12. Categories of Financial Assets and Liabilities (continued)

As at 31 December 2019	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
<u>Financial assets</u>			
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
	<u>17,245</u>	<u>75,404</u>	<u>92,649</u>
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			<u>117,538</u>
<u>Financial liabilities</u>			
Trading liabilities	2,562	-	2,562
Trade creditors	-	24,789	24,789
Lease liabilities		10,529	10,529
Other liabilities	-	12,800	12,800
Accruals	-	1,462	1,462
	<u>2,562</u>	<u>49,580</u>	<u>52,142</u>
Provision for liabilities and charges			29
Total liabilities per balance sheet			<u>52,171</u>

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 2020

### 13. Intangible assets

	<b>£'000</b>
<b>Cost</b>	
At 1 January 2019	2,263
Retranslation movement	<u>(132)</u>
At 31 December 2019	2,131
Retranslation movement	<u>106</u>
At 31 December 2020	<u><b>2,237</b></u>
<b>Carrying amount</b>	
At 31 December 2020	<u><b>2,237</b></u>
At 31 December 2019	<u>2,131</u>

The intangible assets represent the spectrum licences acquired through the acquisition of Deutsche Breitband Dienste GmbH, 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 2020

#### 14. Property, Plant and Equipment

	Leasehold premises	Fixtures and equipment	Rental asset	Motor vehicles	Total
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	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
Additions	238	424	-	-	662
Disposals	-	(430)	(15,475)	(80)	(15,985)
Retranslation movement	-	38	99	5	142
At 31 December 2020	<b>3,355</b>	<b>6,291</b>	<b>-</b>	<b>164</b>	<b>9,810</b>
<b>Depreciation</b>					
At 1 January 2019	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
Charge for the year	229	604	-	20	853
Disposals	-	(430)	(10,736)	(80)	(11,246)
Retranslation movement	-	( 1)	69	35	103
At 31 December 2020	<b>1,237</b>	<b>4,401</b>	<b>-</b>	<b>122</b>	<b>5,760</b>
<b>Net Book Value</b>					
At 31 December 2020	<b>2,118</b>	<b>1,890</b>	<b>-</b>	<b>42</b>	<b>4,050</b>
At 31 December 2019	2,109	2,031	4,709	92	8,941

The Group's rental asset was sold in the year for \$6,250,000 (£4,741,000), at net book value for no gain or loss.

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 15. Investment property

	<b>Total £'000</b>
At 1 January 2019	2,643
Revaluation in the year	156
At 31 December 2019	<u>2,799</u>
At 31 December 2020	<u><b>2,799</b></u>

The investment properties held in the year were subject to an external desktop valuation as at 31 December 2020 by Rob Gascoigne MRICS, who determined the Investment properties were being held at an appropriate value. The last full red book valuation of the properties was conducted on 31 December 2019. The Group received rental income of £212,000 in the year and incurred direct operating costs of £78,000.

#### 16. Principal Finance Investments

	<b>Listed investments £'000</b>	<b>Unlisted investments £'000</b>	<b>Total £'000</b>
At 1 January 2019	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	<u>285</u>	<u>8,552</u>	<u>8,837</u>
Additions	3,000	-	3,000
Partial redemption of an investment	-	(1,915)	(1,915)
Revaluation in the year	5	370	375
At 31 December 2020	<u><b>3,290</b></u>	<u><b>7,007</b></u>	<u><b>10,297</b></u>

<b>Classification</b>	<b>Fair value through profit or loss £'000</b>	<b>Total £'000</b>
At 31 December 2020	<u><b>10,297</b></u>	<u><b>10,297</b></u>

<b>Classification</b>	<b>Fair value through profit or loss £'000</b>	<b>Total £'000</b>
At 31 December 2019	<u><b>8,837</b></u>	<u><b>8,837</b></u>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 16. Principal Finance Investments (continued)

##### Additional information on principal subsidiaries

Subsidiary		Country of registration and principal place of business	Activity	Proportion of economic interests
<b>Trading Companies</b>				
Shore Capital Group Treasury Limited		Guernsey	Treasury company	100%
Shore Capital Group Investments Limited		Guernsey	Holds investments	100%
Shore Capital Group Rising Sun Limited		Guernsey	Holds investments	100%
Puma Property Investment Advisory Limited		Guernsey	Advisory services	100%
Spectrum Investments Limited	<sup>1</sup>	Guernsey	Holds investments	64.3%
DBD Deutsche Breitband Dienste		Germany	Telecoms	100%
Shore Capital Markets Limited	<sup>2</sup>	England and Wales	Intermediate Holding Co.	82.7%
Shore Capital Stockbrokers Limited	<sup>2</sup>	England and Wales	Broker/dealer	100%
Shore Capital and Corporate Limited	<sup>2</sup>	England and Wales	Corporate adviser	100%
Stockdale Securities Limited	<sup>2</sup>	England and Wales	Broker/dealer / Corporate adviser	100%
Shore Capital International Asset Management Limited	<sup>3,6</sup>	Guernsey	Intermediate Holding Co.	72.1%
Puma Investment Management Limited	<sup>3,4,5</sup>	England and Wales	Fund Management	91.3%
Shore Capital Limited	<sup>3</sup>	England and Wales	Intermediate Holding Co.	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		England and Wales	Member of an LLP	100%
Puma Property Finance Limited	<sup>4</sup>	England and Wales	Fund Management	87.7%
Puma Private Equity Limited	<sup>5</sup>	England and Wales	Fund Management	86.0%
EA Capital Limited	<sup>6</sup>	Isle of Man	Intermediate Holding Co.	75.0%
EA Northampton Limited	<sup>6</sup>	England and Wales	Holds investment property	100%
EA Bedford Limited	<sup>6</sup>	England and Wales	Holds investment property	100%
<b>Limited Liability Partnerships</b>				
The Lily Partnership LLP		England and Wales	Asset rental business	80%
<b>Nominee Company</b>				
Puma Nominees Limited		England and Wales	Nominee company	100%

<sup>1</sup> 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 2020, the Company had a direct holding of 64.3% in Spectrum Investments Limited. The balance of the shares in Spectrum Investments Limited are held by external investors.

<sup>2</sup> 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 2020 the Company had a direct holding of 82.7% 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 2020

#### 16. Principal Finance Investments (continued)

<sup>3</sup> 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 2020 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.

<sup>4</sup> 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 87.7% of the economic interests in, Puma Property Finance Limited.

<sup>5</sup> Puma Investment Management Limited is the intermediate holding company of, and holds 86.0% 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.

<sup>6</sup> 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.

#### Non-controlling interests

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

	Profit/(loss) for the year	Net assets at 31/12/2020	Relating to non-controlling interests		
			Profit/(loss) for the year	Net assets at 31/12/2020	Dividends paid in the year
	£'000	£'000	£'000	£'000	£'000
Spectrum Investments Limited / DBD	(333)	2,606	(127)	946	-
Shore Capital Markets Limited	9,074	36,255	1,697	6,257	507
Puma Investment Management Limited	2,201	4,176	192	582	359
Puma Private Equity Limited	460	583	64	82	201
Puma Property Finance Limited	1,809	1,272	163	156	66
EA Capital Limited	(64)	890	(16)	85	8
Shore Capital International Asset Management Limited	1,434	1,176	400	1,677	347
Shore Capital Management Limited	(569)	250	(114)	(32)	-
			2,259	9,753	1,488

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 16. Principal Finance Investments (continued)

##### Non-controlling interests (continued)

	Profit/(loss) for the year	Net assets at 31/12/2019	Relating to non-controlling interests		
			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	-
			<u>388</u>	<u>9,861</u>	<u>1,528</u>

#### 17. Trading assets

	2020 £'000	2019 £'000
<b>Fair value through profit or loss</b>		
Listed holdings at market value		
Equities	3,503	2,939
Debt instruments	2,320	2,418
	<u>5,823</u>	<u>5,357</u>
Unlisted holdings:		
Other (including hedge funds)	2,043	2,608
	<u>2,043</u>	<u>2,608</u>
	<u>7,866</u>	<u>7,965</u>

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

- for listed holdings the fair value is determined, in whole, by reference to published price quotations (level 1); and
- 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 2020

#### 18. Trade and Other Receivables

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Trade receivables	<b>89,620</b>	37,969
Other receivables	<b>1,827</b>	2,170
Prepayments and contract balances	<b>8,325</b>	7,772
	<b>99,772</b>	47,911

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.

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Between 30 and 60 days	<b>742</b>	242
Between 60 and 90 days	<b>270</b>	324
Greater than 90 days	<b>332</b>	404
	<b>1,344</b>	970
Amounts not yet due	<b>98,428</b>	46,941
Trade receivables	<b>99,772</b>	47,911

	<b>£'000</b>
<b>Movement in the allowance for expected credit losses</b>	
At 1 January 2019	12
Increase in the allowance	65
Amounts written off	(2)
At 31 December 2019	75
Increase in the allowance	247
Amounts recovered during the year	(17)
Amounts written off	(42)
At 31 December 2020	<b>263</b>

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 19. Cash and Cash Equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	<u>29,276</u>	<u>27,493</u>

### 20. Trade and Other Payables

	2020	2019
	£'000	£'000
Trade creditors	66,695	24,789
Other creditors	12,120	11,241
Other taxation and social security	2,445	1,559
Accruals and deferred income	3,054	1,462
	<u>84,314</u>	<u>39,051</u>

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

### 21. Provision for Liabilities and Charges

	2020	2019
	£'000	£'000
Provision for National Insurance contributions on share options:		
At 1 January	29	68
Credit in the year	4	(39)
At 31 December	<u>33</u>	<u>29</u>

This provision will be utilised when staff exercise their options during the period of 1 January 2021 to 23 March 2030.

### 22. Capital Commitments

There were no amounts which were contracted for but not provided in the financial statements (2019: £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 2020 (2019: €5.45 million).

### 23. Share Capital

	Number of shares	£'000
Shore Capital Group Limited - ordinary shares of nil par value		
At 31 December 2019 and 31 December 2020	<u>21,573,322</u>	<u>-</u>

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 24. 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 19), 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 £'000	Total £'000
<b>2020</b>		
Equities	<b>22,031</b>	<b>22,031</b>
<b>2019</b>		
Equities	9,678	9,678

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 2020

#### 24. 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 17 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 2019. 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.

		2020			2019	
	£'000	Change in price of UK equities %	Effect on profit and on equity £'000	£'000	Change in price of UK equities %	Effect on profit and on equity £'000
Trading assets - equities (note 17)	3,503	10%	350	2,939	10%	294
Trading liabilities	(1,069)	10%	(107)	(2,562)	10%	(256)
Listed Principal Finance Investments	3,290	10%	329	285	10%	29

##### b) Currency Risk

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:

	2020 £'000	2019 £'000
Held in United States dollars	-	147
	-	147

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 24. 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 asset of £152,000 (2019: £443,000 net liability). The related notional contracts as at 31 December 2020 were £10,097,000 (2019: £11,908,000). These were all due to mature in January 2021.

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:

	2020		2019	
	Euro £'000	US Dollar £'000	Euro £'000	US Dollar £'000
10% Stronger against GBP	474	8	472	85
10% Weaker against GBP	(388)	(7)	(387)	(70)

Profits shown as positives, losses as negatives

##### c) Interest Rate Risk

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.

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:

	2020 £'000	2019 £'000
+100 basis point movement in interest rates	121	130
As percentage of total shareholders' equity	0.196%	0.235%

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 2020

#### 24. 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:

	2020 £'000
Hargreave Lansdown Stockbrokers	13,737
Interactive Investor Trading	10,655
Optiva Securities	5,375
Halifax Share Dealing	2,688
A J Bell	2,427
	<u>34,882</u>
	2019 £'000
Interactive Investor Trading	3,950
Hargreave Lansdown Stockbrokers	2,021
Barclays Capital	781
Redmayne Bentley	689
A J Bell	660
	<u>8,101</u>

## Notes to the Financial Statements (continued)

For the financial year ended 31 December 2020

### 24. 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 24 (c) 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:

2020	Repayable on demand £'000	Due within 3 months £'000	Due between 3 and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Trading liabilities	-	1,069	-	-	-	1,069
Trade payables	1,557	65,139	-	-	-	66,696
Lease liabilities	-	550	1,980	4,142	2,983	9,655
Other liabilities	-	14,565	-	-	-	14,565
	1,557	81,323	1,980	4,142	2,983	91,985

2019	Repayable on demand £'000	Due within 3 months £'000	Due between 3 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

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 24. 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).

<b>At 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>Quoted market price</b>	<b>Market observable inputs</b>	<b>Non- market observable inputs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Principal Finance Investments	3,290	-	7,007	10,297
Trading assets and other holdings at fair value	6,211	985	670	7,866
Derivative financial instruments	-	152	-	152
<b>Total financial assets</b>	<b>9,501</b>	<b>1,137</b>	<b>7,677</b>	<b>18,315</b>
Trading liabilities	1,069	-	-	1,069
<b>Total financial liabilities</b>	<b>1,069</b>	<b>-</b>	<b>-</b>	<b>1,069</b>

## Notes to the Financial Statements (continued)

### For the financial year ended 31 December 2020

#### 24. Financial Instruments (continued)

##### f) Fair value of financial instruments (continued)

At 31 December 2019	Level 1	Level 2	Level 3	Total
	Quoted market price	Market observable inputs	Non-market observable inputs	
	£'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
<b>Total financial assets</b>	<b>6,972</b>	<b>1,051</b>	<b>9,222</b>	<b>17,245</b>
Trading liabilities	2,562	-	-	2,562
<b>Total financial liabilities</b>	<b>2,562</b>	<b>-</b>	<b>-</b>	<b>2,562</b>

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 2020	Gains recorded in profit or loss	Purchases and transfers	Sales and transfers	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000
<b>Total financial assets</b>	<b>9,222</b>	<b>370</b>	<b>-</b>	<b>(1,915)</b>	<b>7,677</b>

The £1,915,000 sale/transfer out of Level 3 shown above relates to funds received from the partial redemption of an investment.