Shore Capital Group Limited

Annual Report and Financial Statements

Year ended 31 December 2021

Annual Report and Financial Statements for the year ended 31 December 2021

Contents

Officers and Professional Advisers

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

*Non-executive

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

Secretary
Andrew Whittaker

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Company Number
51355

Registered Office
3rd Floor
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

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

Registrar
Computershare Investor Services
(Guernsey) Limited
3rd 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

	2021	2020	Change
Revenue	**£73.5m**	£62.6m	+17%
Profit before tax	**£19.1m**	£11.5m	+67%
Earnings per share	**61.4p**	33.5p	+83%
Total dividends	**17.5p**	15.0p	+17%
Special dividend	**35.0p**	n/a	n/a

Chairman's Statement

The Group had a successful year in which revenues grew by over 17% to £73.5 million and pre-tax profits grew by 67% to £19.1 million, producing earnings per share of 61.4p.

We have continued to see the value of our diversified business model to deliver strong returns during the period, with all divisions making a strong contribution. Our Corporate Advisory and Broking team has benefitted from an increase in both fundraising and M&A activity, where we acted on deals exceeding £11 billion in value. Our Market Making division recorded high trading volumes, particularly in the first six months of the year, and our Research business has invested in expanding its offering in a number of new sectors, including the addition of a dedicated ESG specialist team.

The Asset Management business has recorded important strategic gains, with Puma Property Finance securing a new £300 million institutional funding line, as well as increased retail capital inflows and upward portfolio valuations, growing AUM to £1.7 billion. We have seen particularly strong demand for the Puma Venture Capital Trusts and Puma AIM Service as retail investor sentiment has returned strongly during the year.

The Principal Finance business benefitted from valuation uplifts in its holdings in Nippon Active Value Fund and Brandenburg Realty, with the latter also contributing to increased fees and carried interest.

The Group's balance sheet and liquidity remain strong, with net assets of £81.2 million and liquid resources of over £40 million at the period end.

On the back of these improved results, I am pleased to report that the Group is proposing a final ordinary dividend of 10.0p per share, which will bring total ordinary dividends for the year to 17.5p, a 17% increase on the previous year.

In addition, as a result of the partial realisation of the investment in Brandenburg Realty and the dividends being paid from the operating subsidiaries, the Group is able to announce a special dividend of 35p a share to be paid at the same time as the final ordinary dividend.

Capital Markets

The Capital Markets business enjoyed a good year in which revenues grew by 9% to £48.0 million, and pre-tax profits rose by 27% to £13.6 million.

Chairman's Statement

Equity capital markets throughout the year remained considerably conditioned by the pandemic, its policy responses and their implications, with high levels of liquidity in many areas leading to a marked increase in M&A and market activity generally. We were active within the market acting on 8 M&A deals exceeding £11 billion, three IPOs and over £950 million of new capital raises for our clients, as well as raising over £800 million on secondary placings.

A key highlight was advising on the successful sale of Morrisons to Clayton, Dubilier & Rice. We were most grateful for the relationship and very much enjoyed working with the senior management of Morrisons. We are also delighted to have subsequently been appointed joint broker to Sainsburys on 15 March 2022.

Our Market Making business continued to perform very well, with the first half of the year maintaining the high trading volumes recorded in the second half of 2020. The team has remained adept at managing risk appropriately throughout the period in the face of rapidly evolving trading conditions.

Our Research team sustained its output of high-quality equity research through this period on our growing coverage of both independent and house stocks, well supported by our Equity Sales team. We continued to build our analytical capabilities with additional hires in a number of different research sectors.

Alongside our sector research, we have also added dedicated ESG specialists to our team, where we expect our output to positively evolve with digital, social and technological development. Indeed, we continue to work to develop our capability on the big themes of these times: digitisation, green industry, healthcare & life sciences.

Asset Management

The Asset Management division continued its strong growth path, increasing AUM to £1.7 billion, revenues by 19% to £21.7 million and pre-tax profits by 32% to £3.4 million.

Puma Investments, the UK fund management business, recorded important strategic gains, the highlight of which was the securing of a new £300 million funding line from US based Waterfall Asset Management to support the ongoing growth of the Puma Property Finance business.

The new funding line provides the business with the ability to fund larger loans of up to £50m at attractive rates to professional developers across all sectors and geographies in the UK and Ireland. The Puma Property Finance business is approaching £1 billion of funding provided to UK development projects, with a solid track record and a healthy pipeline for further deployment in 2022 and beyond.

Fundraising demand across the Puma Investments business has also been very strong in 2021 as retail investors sought attractive investment opportunities for savings built up through the 2020 lockdown months. Inflows for all the investment offerings were significantly higher than the prior year, with demand for the Puma Venture Capital Trusts, the Puma Heritage Estate Planning Service and Puma AIM Service being particularly high.

This demand has been complemented by the investment performance. Puma Investments' flagship evergreen Venture Capital Trust, Puma VCT 13, is the leading VCT performer in the UK market over the last three years, delivering a return of 42%. The Puma AIM Service recorded an annual return of 28.4% in 2021, significantly outperforming both the AIM Index (5.2%) and the FTSE All Share Index (14.6%).

Chairman's Statement

The Service has recorded a lifetime outperformance of its benchmark AIM Index by over 60% (since inception in June 2014), and a compound annual growth rate, again since inception, of 10.9% p.a.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, continued to implement their targeted asset management initiatives and deliver value for investors. We assisted with the ongoing sales of condo assets in Germany, which have benefitted from the strong residential markets in major German cities, and the redeployment of the resulting capital into further value-add opportunities.

Principal Finance

In late 2021, Brandenburg Realty agreed the sale of its largest asset, a commercial building in Potsdam, Germany. This together with other successful sales of condos enabled the Principal finance business to achieve an uplift in the value of its holding in, and performance fees from, Brandenburg Realty of £2.6m. The division also benefited from an uplift of £0.9m in the value of its holding in Nippon Active Value Fund plc whose NAV per share had increased to 137.9p per share at 31 December 2021.

We continue to hold our 3.700-3.730 GHz frequency band German regional radio spectrum licences. The licences are for a perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage.

Current Trading and Prospects

In the Capital Markets business, even though our pipeline in the Corporate Advisory and Broking business remains strong, market conditions and investor sentiment have been badly impacted by recent geo-political and economic events leading to a reduction in liquidity and activity generally. Higher inflation must inevitably lead to continued upward pressure on interest rates and/or pressure on governments to reduce spending. It will be interesting to see how markets adjust to this change in paradigm.

In the Asset Management division, we are excited by the opportunities provided by the new £300 million institutional funding line secured by the Puma Property Finance business as well as the ongoing strong fundraising appetite for Puma Investments' offerings.

Despite the many short term uncertainties, we remain confident in our belief that we will continue to benefit from being both a strong but also flexible participant in the markets in which we have built our franchises. We also remain open and willing to contemplate M&A opportunities as they may arise.

Finally, I would again like to thank all our employees for their hard work and commitment in support of the business.

Howard Shore
Chairman
18 March 2022

Financial Review

Income and expenditure

Revenue for the year increased by 17.4% to £73.5 million (2020: £62.6 million), whilst administrative expenses increased by 8.2% to £53.9 million (2020: £49.8 million).

Group operating profit increased by 54% to £19.6 million (2020: £12.7 million excluding reorganisation costs). Statutory profit before tax (including reorganisation costs in the prior year) was £19.1 million (2020: £11.5 million).

Reorganisation costs of £0.8 million incurred in the prior year relate to deferred expenses from the acquisition of Stockdale Securities in 2019.

Divisional performance was as follows:

- Capital Markets: revenue increased by 8.7% to £48.0 million (2020: £44.1 million). Profit before tax (excluding reorganisation costs in the prior year) was £13.6 million (2020: £11.5 million) with a net margin of 28.3% (2020: 26.1%).
- Asset Management: revenue increased by 19.2% to £21.7 million (2020: £18.2 million). Profit before tax was £3.4 million (2020: £2.6 million) with a net margin of 15.5% (2020: 14.1%).
- Principal Finance: pre-tax profit of £4.1 million (2020: £0.7 million loss).

Further detail on the performance of each division is given in the Chairman's Statement.

Basic Earnings per Share

The Group generated earnings per share of 61.4p (2020: 33.5p).

Liquidity

As at the balance sheet date, available liquidity was £40.9 million, comprising cash of £38.1 million (2020: £29.3 million) and £2.8 million of gilts (2020: £2.3 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 £81.2 million (2020: £71.3 million), the movement reflecting the profit generated in the year less dividends and capital distributions paid to shareholders and minority interests.

In addition to the £38.1 million of cash and £2.8 million of gilts referred to above, at the year end the Group held £7.1 million (2020: £6.7 million) in various of its Puma Funds; £8.2 million (2020: £5.6 million) net in quoted equities and a further £3.9 million (2020: £2.5 million) in other unquoted holdings. The licences

Financial Review

held as part of the Group's Spectrum Investments were carried at a cost of £2.1 million (2020: £2.2 million) on a gross basis, before allowing for minority interests. Other non-current assets included £3.5 million (2020: £4.1 million) of fixed assets, and £2.6 million (2020: £2.8 million) of investment properties

The remainder of the balance sheet was £12.9 million net (2020: £15.8 million), which included £15.6 million (2020: £20.6 million) of net market and other debtors in the Company's stockbroking subsidiary.

Net Asset Value per Share

Net asset value per share at the year end was 325.4p (2020: 285.3p).

Dividend

An interim ordinary dividend of 7.5p per share was paid during the year (2020: 5.0p per share). The Group proposes to pay a final ordinary dividend of 10.0p per share for the year ended 31 December 2021 (2020: 10.0p per share). In addition, the Group is able to announce a special dividend of 35.0p (2020: n/a) per share. The final ordinary dividend and the special dividend are expected to be paid on Tuesday 5 April 2022 to shareholders on the register as at Friday 25 March 2022. Shares will be marked ex-dividend on Thursday 24 March 2022.

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. He is also a trustee of the Tate.

Simon Fine
Co-Chief Executive Officer
Simon Fine joined as Chief Executive Officer of Shore Capital Markets in 2002 and became co-CEO of Shore Capital Group Limited in April 2017. He is the former Managing Director and Co-Head of Pan European Equity Cash Trading at Lehman Brothers. Prior to joining Lehman Brothers, 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.

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, 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 Chief Executive Officer of the asset management division in 2012. David became Co-CEO of Shore Capital Group Limited in April 2017.

Andrew Whittaker
Director
Andrew Whittaker is a Chartered Management Accountant and is a Member of the Chartered Institute for Securities and Investment, having gained over twenty years of experience in the investment sector and the fund industry across multiple jurisdictions. Andrew is currently Managing Director of Aver Partners, having previously been Managing Director at Ipes (Barings/Apex) and preceding that Managing Director at Capita. He has held senior management roles at Moscow Narodny and DML, having qualified whilst at Midland (HSBC/Montagu). Andrew is currently Chair of the British Venture Capital Association (BVCA) Channel Islands Working Group and is a previous Chair of the Guernsey Investment Fund Association (GIFA).

Board of Directors (continued)

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

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

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the financial year ended 31 December 2021.

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 7. 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 7.5p per share was paid during the year (2020: 5.0p per share). The Directors propose a final dividend for the year ended 2021 of 10.0p per share (2020: 10.0p per share). In addition, the Group proposes to pay a special dividend of 35.0p (2020: n/a) 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, cyber risk and insurance risk. The Group's activities comprise equity market activities, asset management and principal finance and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

Directors' Report

Following the ongoing crisis in Ukraine and the subsequent response by the UK government to impose sanctions on Russia, the Group has conducted a review of its exposure to politically exposed/sanctioned Russian individuals or entities. Sanctions sources are monitored daily through a combination of proactive manual monitoring and automated alerts. Screening of clients and investors is done electronically through AML tools. The stockbroking business does not hold any stocks in any sanctioned companies and is not regulated to make a market in Russia. Procedures are continually reviewed by our Compliance team. As such, the Directors consider that the Group has no material exposure to politically exposed/sanctioned Russian individuals or entities and that the Group's current procedures are sufficient in this regard to limit any future exposures.

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 2021	**31 December 2020**
Howard Shore	10,802,433	10,802,433
Lynn Bruce [1]	50,000	50,000
Andrew Whittaker [2]	-	-
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

[1] Retired on 1 May 2021.
[2] Appointed 1 May 2021.

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 £184,000 (2020: £55,000) 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 £40 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, on average more than six times FCA requirements.

Directors' Report

Ongoing world events, such as the global pandemic and the crisis in Ukraine, have rendered business prospects uncertain and more difficult 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 such as 20% reductions from the base case forecasts 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 for at least 12 months from the date of these financial statements being approved. 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.

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 12 April 2022:

	Ordinary Shares	**%**
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

Andrew Whittaker
Company Secretary
12 April 2022

3rd 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies (Guernsey) Law, 2008;
- 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 2021 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 accounting standards in conformity with the requirements of the Companies (Guernsey) Law, 2008..

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We 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 the Director'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 the Directors on the forecasts and other available information and considering how sensitive the information available is to changes in the assumptions. We applied alternative and more aggressive assumptions to assess the impact on the Group. Some of the assumptions we applied include the following:
  - 50% of the contractual retainer fees will be lost;
  - All Corporate fees earned as these are once-off in nature;
  - 100% of all market making revenue will be lost due to the volatile market; and
  - All discretionary bonuses will not be paid.

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

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

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

Overview

Coverage*	92% (2020: 91%) of Group profit before tax 94% (2020: 94%) of Group revenue 90% (2020: 92%) of Group net assets		
Key audit matters		**2021**	**2020**
	KAM 1: Revenue recognition – Capital Markets division	✔	✔
	KAM 2: Revenue recognition – Asset Management division	✔	✔
	KAM 3: Valuation of principal finance investments – unlisted	✔	✔
	KAM 4: Impairment of intangible assets	✔	✔
Materiality	Group financial statements as a whole £1.26m (2020: £1m) based on 2% (2020: 2%) average revenue for the last 3 years		

*% 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.

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

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 10 (2020:9) significant components based in the UK and Guernsey. For non-significant components 24 (2020:25) the Group engagement team 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.

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

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue recognition – Capital Markets division The groups accounting policy for revenue is described in Note 1 and 3 to the financial statements.	Revenue recognition from the Capital Markets division was considered to be an area of focus for our audit as revenue from principal trading and brokerage commission consists of a high volume of transactions and is calculated automatically on trade details. Due to the level of automation and the materiality of the balance, any errors could give rise to a material misstatement. Additionally, significant judgement is required by management in determining the timing of recognition of corporate finance deal fees and placing commissions in relation to when the performance obligations are satisfied.	Our procedures performed included: **Commission earned from trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:** • We 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 • We tested the operating effectiveness of key controls around the trading system's calculation of realised gains / losses on trades • We obtained the reconciliation between the realised and unrealised gains during the year to the movement in trading assets / liabilities, market debtors / creditors and cash movement during the year and agreed a sample of reconciling items to supporting documentation

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

		• We obtained and reviewed service organisation control reports from service providers responsible for the clearing and settlement of trades to consider if there were any findings that would impact the audit approach • We obtained direct confirmation from the service organisations of the year end market positions held • We agreed a sample of commission recorded to the service organisation statements and receipt per the bank account **Corporate finance deal fees and placing commissions**: • We recalculated the amount receivable in respect of a sample of corporate finance transactions based on the terms set out in the relevant engagement

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

		letters and agreed it to the amounts recorded • We considered the status of open projects at the year end to determine whether it was appropriate for revenue to be recognised with reference to achieved performance obligations • We have analysed a sample of deal fees and placing commissions received subsequent to the year-end, 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. **Key observations:** Based on the procedures performed we consider that revenue in respect of the Capital Markets division has been appropriately recognised.
Revenue recognition – Asset Management division The Group's accounting policy for revenue is described in Note 1 & Note 3 to the financial statements	Revenue from the Asset Management division includes revenue from fund management fees and other ancillary fees as described in note 1 to the financial statements. Revenue recognition from the Asset Management division was considered to be an area of focus for our audit as significant judgement is required in respect of the recognition of certain	• 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

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

	elements of this revenue, particularly in respect of the timing of recognition of certain deferred advisory fees and deal-specific fees. Management fee income is based on underlying fund asset values that may not be audited and any inaccuracies in the asset values could give rise to a material misstatement.	requirements of applicable accounting standards. • We agreed a sample of the inputs into the management fee calculation by agreeing the underlying fund asset values to audited accounts or the latest available financial information for the intervening periods • We recalculated a sample of arrangement and deal fees with reference to the underlying agreements and reviewed and challenged the accounting treatment and recognition criteria against the requirements of applicable accounting standards. • We recalculated a sample of launch fees with reference to the investor lists produced by the third party registrars • We reviewed the details for a sample of invoices for a defined period raised after the year-end and checked with reference to supporting documentation that it was recorded as revenue in the current year where applicable. • We reviewed the terms of a sample of new loan management

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

		agreements entered into during the year and considered whether the accounting treatment was in accordance with the requirements of applicable accounting standards **Key observations:** Based on the procedures performed we consider that revenue in respect of the Asset Management division has been appropriately recognised.
Valuation of principal finance investments - unlisted The Group's accounting policy for investments are described in Note 1 to the financial statements.	The Group holds a number of unlisted investments that are measured at fair value as described in note 16 to the financial statements. The valuation of principal finance investments requires significant judgement by management in determining the fair value and therefore was considered to be an area of focus for our audit.	Our procedures performed included: • 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. • We challenged the validity of the assumptions inherent in the valuation of a sample of unlisted investments with reference to market data and other observable inputs • We reviewed the historical financial statements and recent management

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

		information available for a sample of unlisted investments used to support assumptions used in the valuations. **Key observations:** Based on the procedures performed we consider the judgments and assumptions made by management in valuing the unlisted investments to be reasonable
Impairment of intangible assets The Group's accounting policy for intangible assets is described in Note 1 to the financial statements.	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. 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.	Our procedures performed included: • We reviewed management's consideration of indicators of impairment at 31 December 2021 to assess the appropriateness of the methodology in relation to the applicable financial reporting framework • We reviewed Management's assessment of recent market transactions in relation to radio spectrum licenses as part of our impairment review of the German radio spectrum licenses.

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

		Key observations: Based on the procedures performed, we concur with management's judgement when considering whether there are indicators of impairment present.

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:

	Group financial statements	
	2021 £	2020 £
Materiality	1,260,000	1,000,000
Basis for determining materiality	2% average revenue for last 3 years.	
Rationale for the benchmark applied	Profits are impacted by different parts of the business, and fluctuate significantly such that profit before tax is less representative of the Group's underlying performance and therefore not considered to be 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.	
Performance materiality	945,000	750,000

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

Basis for determining performance materiality	75% of materiality on the basis of our risk assessment, together with our assessment of the group's overall control environment.

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, we selected a benchmark of either average revenue over the last 3 years or net assets as a benchmark. Component materiality levels ranged from £5,000 to £654,000 (2020: £8,000 to £533,000). In the audit of each component, we further applied performance materiality levels of 75% (2020: 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 £62,000 (2020: £50,000). 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 could detect 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.

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. 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, UK
Date 12 April 2022
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 2021

	Notes	2021 £'000	2020 £'000
Revenue	**1, 3**	**73,464**	62,556
Administrative expenditure		**(53,897)**	(49,810)
Operating profit before reorganisation costs		**19,567**	**12,746**
Reorganisation costs	**4**	**-**	(791)
Operating profit	**4**	**19,567**	**11,955**
Interest income	**5**	**4**	17
Finance costs	**6**	**(500)**	(522)
		(496)	(505)
Profit before taxation	**2**	**19,071**	11,450
Taxation	**8**	**(2,800)**	(1,966)
Profit for the year		**16,271**	9,484
Attributable to:			
Equity holders of the parent		**13,254**	7,225
Non-controlling interests		**3,017**	2,259
		16,271	9,484
Earnings per share			
Basic	**10**	**61.4p**	33.5p
Diluted	**10**	**61.0p**	33.3p

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 2021

		2021	2020
		£'000	£'000
Profit after tax for the year		**16,271**	9,484
Items that may be reclassified to the income statement			
Gains on cashflow hedges	**4**	**-**	74
Tax thereon		**-**	(14)
		-	60
Exchange difference on translation of foreign operations		**(373)**	197
Other comprehensive (loss)/income during the year, net of tax		**(373)**	257
Total comprehensive income for the year, net of tax		**15,898**	9,741
Attributable to:			
Equity holders of the parent		**12,947**	7,459
Non-controlling interests		**2,951**	2,282
		15,898	9,741

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	**13**	**2,101**	2,237
Property, plant & equipment	**14**	**3,534**	4,050
Right of use assets	**11**	**7,159**	8,296
Investment properties	**15**	**2,587**	2,799
Investments	**16**	**13,818**	10,297
Deferred tax asset	**8**	**1,429**	1,869
		30,628	29,548
Current assets			
Trading assets	**17**	**8,983**	7,866
Trade and other receivables	**18**	**86,466**	99,772
Derivative financial instruments		**90**	152
Cash and cash equivalents	**19**	**38,092**	29,276
		133,631	137,066
Total assets	**2**	**164,259**	166,614
Current liabilities			
Trading liabilities	**12**	**(852)**	(1,069)
Trade and other payables	**20**	**(73,754)**	(84,314)
Derivative financial instruments		**(4)**	-
Tax liabilities		**(462)**	(690)
Lease liabilities	**11**	**(1,321)**	(1,444)
		(76,393)	(87,517)
Non-current liabilities			
Lease liabilities	**11**	**(6,592)**	(7,772)
Provision for liabilities and charges	**21**	**(59)**	(33)
		(6,651)	(7,805)
Total liabilities	**2**	**(83,044)**	(95,322)
Net assets		**81,215**	71,292
Capital and reserves			
Share capital	**23**	**-**	-
Share premium		**1,866**	1,866
Merger reserve		**14,903**	14,903
Other reserves		**1,572**	1,572
Retained earnings		**51,857**	43,198
Equity attributable to equity holders of the parent		**70,198**	61,539
Non-controlling interests		**11,017**	9,753
Total equity		**81,215**	71,292

The accompanying notes form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2022. Signed on behalf of the Board of Directors:

Andrew Whittaker
Director

James Rosenwald
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
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	-	-	-	(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 non controlling 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

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 January 2021	**-**	**1,866**	**14,903**	**1,572**	**43,198**	**9,753**	**71,292**
Profit for the year	**-**	**-**	**-**	**-**	**13,254**	**3,017**	**16,271**
Foreign currency translation	**-**	**-**	**-**	**-**	**(306)**	**(67)**	**(373)**
Total comprehensive income	**-**	**-**	**-**	**-**	**12,948**	**2,950**	**15,898**
Equity dividends paid (note 9)	**-**	**-**	**-**	**-**	**(3,775)**	**-**	**(3,775)**
Dividends paid to non controlling interests/ rebalancing of non controlling interest	**-**	**-**	**-**	**-**	**(514)**	**(1,590)**	**(2,104)**
Capital distribution from subsidiary to non controlling interests (note 16)	**-**	**-**	**-**	**-**	**-**	**(96)**	**(96)**
At 31 December 2021	**-**	**1,866**	**14,903**	**1,572**	**51,857**	**11,017**	**81,215**

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year		**16,271**	9,484
Adjustments for:			
Depreciation and impairment charges	**2**	**1,974**	1,989
Share-based payment debit		**-**	52
Fair value gains on Investments	**16**	**(4,001)**	(375)
Increase in provision for national insurance on options		**26**	4
Interest income		**(4)**	(17)
Finance costs		**500**	522
Tax expense		**2,800**	1,966
Operating cash flows before movements in working capital		**17,566**	13,625
Decrease/(increase) in trade and other receivables		**13,368**	(51,570)
(Decrease)/increase in trade and other payables		**(10,556)**	45,337
Decrease in trading liabilities		**(217)**	(1,493)
(Increase)/decrease in trading assets		**(1,117)**	99
Cash generated by operations		**19,044**	5,998
Corporation tax paid		**(2,588)**	(1,573)
Net cash generated by operating activities		**16,456**	4,425
Cash flows from investing activities			
Purchase of property, plant & equipment	**14**	**(344)**	(662)
Sale of property, plant & equipment		**8**	4,741
Disposal of investment property		**212**	-
Purchase of Investments	**16**	**-**	(3,000)
Distribution from Investments		**480**	1,915
Interest received	**5**	**4**	17
Net cash generated by investing activities		**360**	3,011
Cash flows from financing activities			
Capital distribution to non controlling interests		**(96)**	(1,301)
Payment of lease liabilities	**11**	**(1,303)**	(1,313)
Interest paid on lease liabilities		**(435)**	(486)
Other interest paid	**6**	**(66)**	(36)
Dividends paid to equity shareholders	**9**	**(3,775)**	(1,079)
Dividends paid to non controlling interests		**(2,104)**	(1,488)
Net cash used in financing activities		**(7,779)**	(5,703)
Net increase in cash and cash equivalents		**9,037**	1,733
Effects of exchange rate changes		**(221)**	50
Cash and cash equivalents at the beginning of the year	**19**	**29,276**	27,493
Cash and cash equivalents at the end of the year	**19**	**38,092**	29,276

The accompanying notes form part of the financial statements.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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
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 £40 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, on average more than six times FCA requirements.

Ongoing world events, such as the global pandemic and the crisis in Ukraine, have rendered business prospects uncertain and more difficult 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 such as 20% reductions from the base case forecasts 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 for at least 12 months from the date of these financial statements being approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 following amendments are effective for the period beginning 1 January 2022:
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
• References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
• Definition of Accounting Estimates (Amendments to IAS 8); and
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

1. Accounting Policies (continued)

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

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

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

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

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

Judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, 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.

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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.

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: commission income, corporate advisory fees, fund management and advisory 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 retainer fees being recognised over time as performance of those contractual obligations are ongoing throughout the period under contract.

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.

Included within revenue is the net profit/loss on principal trading and principal finance investments which are classified as financial assets at fair value through profit or loss. The fair value is determined in accordance with IFRS 13 fair value measurement.

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.

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

1. Accounting Policies (continued)

Revenue (continued)
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 but 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 2021

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 2021

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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
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 2021

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; and
- 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; and
- 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 or 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 2021

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.

Rental income is receivable in relation to short term occupancy licences in place on the Group's investment properties.

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

1. Accounting Policies (continued)

Financial instruments (continued)
financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

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 2021

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 2021

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.

Dividends
Dividends are recognised when they become legally payable.

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 2021

2. Segment Information (continued)

Year ended 31 December 2021	**Capital Markets £'000**	**Asset Management £'000**	**Central costs £'000**	**Principal Finance £'000**	**Total £'000**
Revenue	**47,970**	**21,698**	**-**	**3,796**	**73,464**
Depreciation	**(929)**	**(818)**	**(227)**	**-**	**(1,974)**
Interest expense	**(281)**	**(184)**	**(35)**	**-**	**(500)**
Profit/(loss) before tax	**13,594**	**3,374**	**(2,006)**	**4,109**	**19,071**
Assets	**118,191**	**13,224**	**2,983**	**29,861**	**164,259**
Liabilities	**(73,792)**	**(6,602)**	**(2,040)**	**(610)**	**(83,044)**

Year ended 31 December 2020	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	44,136	18,196	-	224	62,556
Depreciation	(897)	(839)	(253)	-	(1,989)
Interest expense	(260)	(217)	(39)	(6)	(522)
Profit/(loss) before tax excluding reorganisation costs	11,534	2,557	(1,136)	(714)	12,241
Reorganisation costs	(791)	-	-	-	(791)
Profit/(loss) before tax	10,743	2,557	(1,136)	(714)	11,450
Assets	122,860	12,857	1,370	29,527	166,614
Liabilities	(86,634)	(6,198)	(1,092)	(1,398)	(95,322)

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

3. Revenue

a) Revenue disaggregated by division and geographical market below:

Year ended 31 December 2021	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Total £'000**
UK	**47,970**	**17,969**	**17**	**65,956**
Rest of Europe	**-**	**3,729**	**3,779**	**7,508**
	47,970	**21,698**	**3,796**	**73,464**

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

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

Year ended 31 December 2021	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Total £'000**
Point in time	**42,624**	**8,447**	**3,796**	**54,867**
Over time	**5,346**	**13,251**	**-**	**18,597**
	47,970	**21,698**	**3,796**	**73,464**

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

3. Revenue (continued)

c) Contract assets

Contract asset balances included in Trade and Other receivables arise largely in the Group’s Asset Management division in relation to management and advisory fees from its fund management business and also from arrangement fees arising in its property finance business.

	2021 £'000	2020 £'000
At 1 January	4,888	7,640
Impairment of contract assets	(89)	(1,085)
Excess of revenue recognised over cash received/ (Excess of cash received over revenue recognised)	3,467	(1,667)
At 31 December	**8,266**	**4,888**

4. Operating Profit

	2021 £'000	2020 £'000
Operating profit has been arrived at after (charging)/ recognising:		
Reorganisation costs	**-**	(791)
Depreciation on property, plant and equipment	**(837)**	(853)
Depreciation of right to use assets	**(1,137)**	(1,136)
Exchange differences, excluding those arising on financial instruments		
Exchange differences	**82**	48

Reorganisation costs

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

	2021 £'000	2020 £'000
Post-acquisition restructuring costs	**-**	**791**
	-	**791**

Post-acquisition restructuring costs related to deferred staff retention costs following the Stockdale acquisition in 2019. Reorganisation costs are expensed through the profit or loss and not attributable to equity.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

5. Interest Income

	2021 £'000	2020 £'000
Bank interest	**4**	17
	4	17

6. Finance Costs

	2021 £'000	2020 £'000
Interest on bank overdrafts	**66**	36
Interest on lease liabilities	**434**	486
	500	522

7. Employees and Directors

a) Employee numbers

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

	2021 No.	2020 No.
Capital Markets	**137**	123
Asset Management	**92**	92
	229	215

b) The costs incurred in respect of these employees comprise

	2021 £'000	2020 £'000
Salaries and commission	**31,351**	31,283
Social security costs	**3,900**	3,687
Pension costs	**528**	440
	35,779	35,410

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

7. Employees and Directors (continued)

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 2021, there were 1,942,727 (2020: 1,942,727) 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:

	2021		2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of year	**1,942,727**	**191p**	942,727	182p
Granted during the year	**-**	**n/a**	1,000,000	200p
Cancelled during the year	**-**	**n/a**	-	n/a
Exercised during the year	**-**	**n/a**	-	n/a
Outstanding at the end of the year	**1,942,727**	**191p**	1,942,727	191p
Exercisable at the end of the year	**1,942,727**		1,942,727	

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 5.5 years (2020: 6.5 years).

d) Emoluments of the Directors of the Company

2021

	Gross salary £'000	**Bonus, commission and other income £'000**	**Benefits £'000**	**Total £'000**
Howard Shore	**200**	**500**	**53**	**753**
Lynn Bruce	**15**	**-**	**-**	**15**
Andrew Whittaker	**23**	**-**	**-**	**23**
Simon Fine	**250**	**600**	**5**	**855**
David Kaye	**300**	**-**	**9**	**309**
Dr Zvi Marom	**45**	**-**	**-**	**45**
James Rosenwald III	**45**	**-**	**-**	**45**
	878	**1,100**	**67**	**2,045**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

7. Employees and Directors (continued)

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
	885	900	21	1,806

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 2021 was 200.0p (2020: 160.0p) and the range during the year was 140.0p to 200.0p.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

7. Employees and Directors (continued)

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: £3,387,000 (2020: £3,442,000) to Puma Property Investment Advisory Limited and in the prior year £86,000 from The Lily Partnership. Amounts owed to the Group at the year end from PBL were £1,582,000 (2020: £860,000). PBL is a related party as it has a high degree of common ownership.

During the prior 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 received 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 (£369,000) (2020: $500,000 / £366,000) 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:

	2021	2020
	£'000	£'000
Salaries and other short-term benefits	**4,686**	3,828

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

8. Taxation

The tax charge comprises:	**2021** **£'000**	2020 £'000
Current tax	**2,340**	2,300
Prior year underprovision	**20**	93
Movement in deferred tax	**440**	(427)
	2,800	1,966

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 19.00% (2020: 19.00%) as detailed below:

	2021 **£'000**	2020 £'000
Profit on ordinary activities before tax	**19,071**	11,450
Tax thereon at 0% (2020: 0%)	**-**	-
Effects of:		
Effect of different tax rates in other jurisdictions	**3,210**	2,291
Utilisation of tax losses	**(430)**	(418)
Prior year adjustment	**20**	93
	2,800	1,966

The average tax rate on the profit before tax for the Group's UK activities for 2021 was 19% (2020: 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 2020	88	1,334	1,422
Credit to income statement	-	427	427
Credit equity	-	20	20
At 31 December 2020	88	1,781	1,869
Debit to income statement	(7)	(433)	(440)
At 31 December 2021	81	1,348	1,429

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 2021 amounts to £14.0 million (2020: £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 2021

9. Rates of Dividends Paid and Proposed

	2021	2020
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2020 of 5.0p per share	**-**	1,079
Final dividend for the year ended 31 December 2020 of 10.0p per share	**2,157**	-
Interim dividend for the year ended 31 December 2021 of 7.5p per share	**1,618**	-
	3,775	1,079

The directors propose a final dividend for the year of 10.0p per share, bringing the total for the year ended 31 December 2021 to 17.5p per share (2020: 15.0p per share). In addition, the Group proposes to pay a special dividend of 35.0p (2020: n/a) 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:

	2021		2020	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**13,254,000**	**13,254,000**	7,225,000	7,225,000
Number of shares	**21,573,322**	**21,743,290**	21,573,322	21,716,348
Earnings per share (p)	**61.4**	**61.0**	33.5	33.3
Earnings (£)	**13,254,000**	**13,254,000**	7,225,000	7,225,000
Reorganisation costs attributable to equity shareholders (£)	**-**	**-**	521,000	521,000
Adjusted Earnings (£)	**13,254,000**	**13,254,000**	7,746,000	7,746,000
Number of shares	**21,573,322**	**21,743,290**	21,573,322	21,716,348
Adjusted Earnings per share (p)	**61.4**	**61.0**	35.9	35.7

Calculation of number of shares	**2021**		2020	
	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	**-**	**169,968**	-	143,026
	21,573,322	**21,743,290**	21,573,322	21,716,348

As at 31 December 2021 there were 21,573,322 ordinary shares in issue (2020: 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 2021

11. Right of Use Assets and Lease liabilities

Nature of leasing activities
The Group leases a number of properties in the jurisdictions from which it operates. Rent is fixed over the lease term.

Right of use assets	Land & Buildings £'000	Total £'000
At 1 January 2020	9,432	9,432
Amortisation	(1,136)	(1,136)
At 31 December 2020	8,296	8,296
Amortisation	(1,137)	(1,137)
At 31 December 2021	**7,159**	**7,159**

Lease liabilities	Land & Buildings £'000	Total £'000
At 1 January 2020	10,529	10,529
Interest expense	486	486
Lease payments	(1,799)	(1,799)
At 31 December 2020	9,216	9,216
Interest expense	435	435
Lease payments (total cash outflow)	(1,738)	(1,738)
At 31 December 2021	**7,913**	**7,913**
Of which current and non Current at 31 December 2021:		
Current	**1,321**	**1,321**
Non-current	**6,592**	**6,592**
Of which current and non Current at 31 December 2020:		
Current	1,444	1,444
Non-current	7,772	7,772

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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 2021	**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	528	1,548	2,019	3,916	3,461

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

12. Categories of Financial Assets and Liabilities

As at 31 December 2021	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
Cash and cash equivalents	-	38,092	38,092
Trading assets	8,983	-	8,983
Trade receivables in the course of collection	-	72,273	72,273
Financial investments	13,818	-	13,818
Derivatives	90	-	90
Other assets	-	3,204	3,204
	22,891	113,569	136,460
Contract balances			10,989
Intangible assets			2,101
Property, plant & equipment			3,534
Right of use assets			7,159
Investment properties			2,587
Deferred tax asset			1,429
Total assets per balance sheet			**164,259**
Financial liabilities			
Trading liabilities	852	-	852
Trade creditors	-	54,275	54,275
Derivatives	4	-	4
Lease liabilities		7,913	7,913
Other liabilities	-	15,556	15,556
Accruals	-	3,923	3,923
	856	81,667	82,523
Tax liabilities			462
Provision for liabilities and charges			59
Total liabilities per balance sheet			**83,044**

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 2021

12. Categories of Financial Assets and Liabilities (continued)

As at 31 December 2020	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
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
Other assets	-	1,827	1,827
	18,315	120,723	139,038
Contract balances*			8,325
Intangible assets			2,237
Property, plant & equipment			4,050
Right of use assets			8,296
Investment properties			2,799
Deferred tax asset			1,869
Total assets per balance sheet			166,614
Financial liabilities			
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
	1,069	93,530	94,599
Tax liabilities			690
Provision for liabilities and charges			33
Total liabilities per balance sheet			95,322

*This comparative has been restated to correctly show Contract balances as non-financial assets.

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 2021

13. Intangible assets

	£'000
Cost	
At 1 January 2020	2,131
Retranslation movement	106
At 31 December 2020	2,237
Retranslation movement	(136)
At 31 December 2021	**2,101**
Carrying amount	

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 2021

14. Property, Plant and Equipment

	Leasehold premises	Fixtures and equipment	Rental asset	Motor vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2020	3,117	6,259	15,376	239	24,991
Additions	238	424	-	-	662
Disposals	-	(330)	(15,475)	(80)	(15,885)
Retranslation movement	-	(62)	99	5	42
At 31 December 2020	3,355	6,291	-	164	9,810
Additions	-	344	-	-	344
Disposals	(8)	-	-	-	(8)
Retranslation movement	-	(42)	-	(5)	(47)
At 31 December 2021	**3,347**	**6,593**	**-**	**159**	**10,099**
Depreciation					
At 1 January 2020	1,008	4,228	10,667	147	16,050
Charge for the year	229	604	-	20	853
Disposals	-	(386)	(10,736)	(80)	(11,202)
Retranslation movement	-	(64)	69	54	59
At 31 December 2020	1,237	4,382	-	141	5,760
Charge for the year	249	572	-	16	837
Disposals	-	-	-	-	-
Retranslation movement	-	(27)	-	(5)	(32)
At 31 December 2021	**1,486**	**4,927**	**-**	**152**	**6,565**
Net Book Value					
At 31 December 2021	**1,861**	**1,666**	**-**	**7**	**3,534**
At 31 December 2020	2,118	1,909	-	23	4,050

The Group's rental asset was sold in the prior 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 2021

15. Investment property

	Total
	£'000
At 1 January 2020 and as at 31 December 2020	2,799
Disposal	(212)
At 31 December 2021	**2,587**

The investment properties are held at fair value and were subject to an internal director valuation as at 31 December 2021 who determined the Investment properties were being held at an appropriate value. This was supported by the valuation of investment properties sold in the year. As this valuation is based on properties sold in the year and not at the balance sheet date the investment properties are level 3 on the fair value hierarchy.

The last full red book valuation of the properties was conducted on 31 December 2019, with an external desktop review being performed as at 31 December 2020 by Rob Gascoigne MRICS. 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.

The Group received rental income of £208,000 (2020: £212,000) in the year and incurred direct operating costs of £90,000 (2020: £78,000).

16. Investments

	Listed investments	Unlisted investments	Total
	£'000	**£'000**	**£'000**
At 1 January 2020	285	8,552	8,837
Additions	3,000	-	3,000
Disposals	-	(1,915)	(1,915)
Revaluation in the year	5	370	375
At 31 December 2020	3,290	7,007	10,297
Distribution from investment	(214)	(266)	(480)
Revaluation in the year	884	3,117	4,001
At 31 December 2021	**3,960**	**9,858**	**13,818**

Classification	Fair value through profit or loss	Total
	£'000	**£'000**
At 31 December 2021	**13,818**	**13,818**
At 31 December 2020	10,297	10,297

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

16. Investments (continued)

Additional information on principal subsidiaries
The below subsidiaries are all included in these consolidated financial statements.

Subsidiary		Country of registration and principal place of business	Activity	Proportion of economic interests
Trading Companies				
Shore Capital Group Treasury Limited		Guernsey	Treasury company	100%
Shore Capital Group Investments Limited		Guernsey	Holds investments	100%
Shore Capital Group Rising Sun Limited		Guernsey	Holds investments	100%
Puma Property Investment Advisory Limited		Guernsey	Advisory services	100%
Spectrum Investments Limited	[1]	Guernsey	Holds investments	64.3%
DBD Deutsche Breitband Dienste		Germany	Telecoms	64.3%
Shore Capital Markets Limited	[2]	England and Wales	Intermediate Holding Co.	82.7%
Shore Capital Stockbrokers Limited	[2]	England and Wales	Broker/dealer	82.7%
Shore Capital and Corporate Limited	[2]	England and Wales	Corporate adviser	82.7%
Shore Capital International Asset Management Limited	[3,6]	Guernsey	Intermediate Holding Co.	72.1%
Puma Investment Management Limited	[3,4,5]	England and Wales	Fund Management	66.5%
Shore Capital Limited	[3]	England and Wales	Intermediate Holding Co.	72.1%
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%
Puma Property Finance Limited	[4]	England and Wales	Fund Management	54.6%
Puma Private Equity Limited	[5]	England and Wales	Fund Management	57.2%
EA Capital Limited	[6]	Isle of Man	Intermediate Holding Co.	54.1%
EA Northampton Limited	[6]	England and Wales	Holds investment property	100%
EA Bedford Limited	[6]	England and Wales	Holds investment property	100%
Nominee Company				
Puma Nominees Limited		England and Wales	Nominee company	100%

[1] Spectrum Investments Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, DBD Deutsche Breitband Dienste. As at 31 December 2021, 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.

[2] Shore Capital Markets Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, each of Shore Capital Stockbrokers Limited, Shore Capital and Corporate Limited and Stockdale Securities Limited. As at 31 December 2021 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 2021

16. Investments (continued)

[3] Shore Capital International Asset Management Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, Shore Capital Limited. As at 31 December 2021 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 92.3% 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. During the year a capital distribution from Puma Investment Management Limited to non-controlling interests was made of £96,000.

[4] Puma Investment Management Limited is the intermediate holding company of, and following vesting of shares held by non controlling interests during the year, now holds 82% of the economic interests in, Puma Property Finance Limited.

[5] 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.

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

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

			Relating to non-controlling interests		
	Profit/(loss) for the year	**Net assets at 31/12/2021**	**Profit/(loss) for the year**	**Net assets at 31/12/2021**	**Dividends paid in the year**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Spectrum Investments Limited / DBD	(66)	2,400	(24)	853	-
Shore Capital Markets Limited	11,180	44,398	1,930	7,669	529
Puma Investment Management Limited	2,323	4,692	188	538	289
Puma Private Equity Limited	861	955	121	134	209
Puma Property Finance Limited	1,157	524	208	94	271
EA Capital Limited	(85)	1,045	(21)	70	-
Shore Capital International Asset Management Limited	2,011	812	561	1,636	806
Shore Capital Management Limited	269	254	54	23	-
			3,017	11,017	2,104

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

16. Investments (continued)
Non-controlling interests (continued)

			Relating to non-controlling interests		
	Profit/(loss) for the year	**Net assets at 31/12/2020**	**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

17. Trading assets

	2021	2020
	£'000	£'000
Fair value through profit or loss		
Listed holdings at market value		
Equities	**5,045**	3,503
Debt instruments	**2,820**	2,320
	7,865	5,823
Unlisted holdings	**1,118**	2,043
	1,118	2,043
	8,983	7,866

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

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

18. Trade and Other Receivables

	2021	2020
	£'000	£'000
Trade receivables	**72,273**	89,620
Other receivables	**3,204**	1,827
Prepayments and contract balances	**10,989**	8,325
	86,466	99,772

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 levels of write offs the rate is less than 1% and therefore not considered material to the Group.

	2021	2020
	£'000	£'000
Between 30 and 60 days	**45**	742
Between 60 and 90 days	**318**	270
Greater than 90 days	**387**	332
	750	1,344
Amounts not yet due	**85,716**	98,428
Trade receivables	**86,466**	99,772

	£'000
Movement in the allowance for expected credit losses	
At 1 January 2020	75
Increase in the allowance	247
Amounts recovered during the year	(17)
Amounts written off	(42)
At 31 December 2020	263
Increase in the allowance	99
Amounts written off	(14)
At 31 December 2021	**348**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

19. Cash and Cash Equivalents

Analysis of Changes in Net Funds

	As at 1 January 2021	Cash flows	As at 31 December 2021
	£'000	£'000	**£'000**
Cash at bank and in hand	29,276	8,816	38,092
	29,276	8,816	38,092

20. Trade and Other Payables

	2021	2020
	£'000	£'000
Trade creditors	**54,275**	66,695
Other creditors	**12,821**	12,120
Other taxation and social security	**2,735**	2,445
Accruals and deferred income	**3,923**	3,054
	73,754	84,314

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

21. Provision for Liabilities and Charges

	National insurance on share options £'000	**Other £'000**	**Total £'000**
At 1 January 2021	**33**	**-**	**33**
Increase in the year	**26**	**2,182**	**2,208**
Utilised in the year	**-**	**(2,182)**	**(2,182)**
At 31 December 2021	**59**	**-**	**59**

The provision for National Insurance contributions on share options will be utilised when staff exercise their options during the period of 1 January 2022 to 23 March 2030.

Other provisions related to costs incurred in relation to business interruption. The provision was utilised in the year following receipt of insurance monies to reimburse the costs.

22. Capital Commitments

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

23. Share Capital

Shore Capital Group Limited - ordinary shares of nil par value	Number of shares	£'000
At 31 December 2020 and 31 December 2021	21,573,322	-

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**
2021		
Equities	**22,115**	**22,115**

2020	Fair value through P&L £'000	Total £'000
Equities	22,031	22,031

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 2021

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 2020. 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.

			2021			2020
		Change in price of UK equities	**Effect on profit and on equity**		Change in price of UK equities	Effect on profit and on equity
	£'000	**%**	**£'000**	£'000	%	£'000
Trading assets - equities (note 17)	**5,045**	**10%**	**505**	3,503	10%	350
Trading liabilities	**(852)**	**10%**	**(85)**	(1,069)	10%	(107)
Listed Principal Finance Investments	**3,960**	**10%**	**396**	3,290	10%	329

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 investments, trading assets and other holdings which were denominated in foreign currencies was:

	2021	2020
	£'000	£'000
Held in United States dollars	**29**	-
	29	-

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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 £86,000 (2020: £152,000 net asset). The related notional contracts as at 31 December 2021 were £6,707,000 (2020: £10,097,000). 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:

	2021		2020	
	Euro	**US Dollar**	Euro	US Dollar
	£'000	**£'000**	£'000	£'000
10% Stronger against GBP	**473**	**16**	474	8
10% Weaker against GBP	**(387)**	**(13)**	(388)	(7)

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:

	2021	2020
	£'000	£'000
+100 basis point movement in interest rates	**111**	121
As percentage of total shareholders' equity	**0.158%**	0.178%

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 2021

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:

	2021 **£'000**
Interactive Investor Trading	**7,125**
UBS AG	**4,553**
Hargreave Lansdown Stockbrokers	**2,447**
Redmayne Bentley	**1,884**
Oberon Investments	**1,393**
	17,402

	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
	34,882

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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:

2021	**Repayable on demand £'000**	**Due within 3 months £'000**	**Due between 3 months and 12 months £'000**	**Due between 1 year and 5 years £'000**	**Due after 5 years £'000**	**Total £'000**
Trading liabilities	-	852	-	-	-	852
Trade payables	591	53,684	-	-	-	54,275
Derivatives	-	4	-	-	-	4
Lease liabilities	-	528	1,548	4,038	3,461	9,575
Other liabilities	-	15,556	-	-	-	15,556
	591	70,624	1,548	4,038	3,461	80,262

2020	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Trading liabilities	-	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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

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).

At 31 December 2021	**Level 1** **Quoted market price**	**Level 2** **Market observable inputs**	**Level 3** **Non-market observable inputs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Principal Finance Investments	3,960	-	9,858	13,818
Trading assets and other holdings at fair value	7,865	1,118	-	8,983
Derivative financial instruments	-	90	-	90
Total financial assets	**11,825**	**1,208**	**9,858**	**22,891**
Trading liabilities	852	-	-	852
Derivative financial instruments	-	4	-	4
Total financial liabilities	**852**	**4**	**-**	**856**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

24. Financial Instruments (continued)

f) Fair value of financial instruments (continued)

At 31 December 2020	Level 1 Quoted market price	Level 2 Market observable inputs	Level 3 Non-market observable inputs	Total
	£'000	£'000	£'000	£'000
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
Total financial assets	9,501	1,137	7,677	18,315
Trading liabilities	1,069	-	-	1,069
Total financial liabilities	1,069	-	-	1,069

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 2021	**Gains recorded in profit or loss**	**Purchases and transfers**	**Sales and transfers**	**At 31 December 2021**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total financial assets	**7,677**	**2,447**	**-**	**(266)**	**9,858**

The £266,000 (2020: £1,915,000) sale/transfer out of Level 3 shown above relates to funds received from the partial redemption of an investment.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2021

25. Subsequent events

On 19 February 2022, the Group sold one of its investments for an initial sum of £5.1m, a gain of £3.4m on its fair value at the year end. Subject to certain conditions being met, further sale proceeds of £1.4m will arise leading to a further gain of £0.9m.