Shore Capital Group Limited

Annual Report and Financial Statements

Year ended 31 December 2022

Annual Report and Financial Statements for the year ended 31 December 2022

Contents

Officers and Professional Advisers

Directors
Howard Shore (Chairman)
Andrew Whittaker
Simon Fine
David Kaye
Heydan von Frankenberg (appointed 27 October 2022)
Dr Zvi Marom*
James Rosenwald III *

*Non-executive

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

Secretary
Maitland Administration (Guernsey) Limited

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 Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Chairman's Statement

Financial highlights

	2022	2021
Revenue	£61.5m	£73.5m
Profit before tax	£5.7m	£19.1m
Earnings per share	14.3p	61.4p

Chairman's Statement

The Group has recorded revenues of £61.5m and pre-tax profits of £5.7m for the year ended 31 December 2022, delivering basic earnings per share of 14.3p.

In a year that has been marked by significant macroeconomic headwinds and geopolitical instability, we have continued to see the value of our diversified business model.

Our Asset Management business has continued to record excellent inflows, as well as securing a new £300 million institutional funding line in our Puma Property Finance division and delivering a market-leading performance in our flagship evergreen Venture Capital Trust.

Our Capital Markets business has inevitably been impacted by the material weakening of investor sentiment during the year, but has nonetheless acted on a number of significant capital raisings and M&A transactions, including one of the few IPOs in 2022, as well as securing several high-quality new retained corporate clients.

Notwithstanding the drop in revenue in our Capital Markets business as a result of market conditions, for the first time in the group's history, Asset Management revenues have exceeded Capital Markets revenues, demonstrating the benefits of our diversified business model.

Capital Markets

The Capital Markets business recorded revenues of £30.1 million in the period, delivering pre-tax profits of £0.7million.

These figures represent a reduction from what was a very strong performance in 2021, reflecting the macroeconomic headwinds and geopolitical instability that impacted global equity markets throughout the period. Investor sentiment has been significantly weakened by a combination of Russia's invasion of Ukraine, a growing cost-of-living crisis and a rising interest rate environment, which together contributed to a material reduction in liquidity and activity generally.

Despite these headwinds, our Corporate Advisory and Broking business has remained active and saw a particularly busy second half of the year compared to market peers, raising c.£300 million in the secondary market for nine of our listed clients. Across the full year, we acted on M&A deals worth over £1 billion in total, completed one of the few IPOs in the year and raised over £460 million new capital for our clients and realising value for existing management.

During the period we added 15 new clients, including FTSE 350 constituents J Sainsbury plc, Hilton Food Group plc and SSP Group plc.

Chairman's Statement

Our Market Making business has not been immune to the macroeconomic environment and as a result revenues have declined due to lower volumes and tighter margins. The team has remained adept at managing risk appropriately throughout the period in the face of rapidly evolving trading conditions.

Within a challenging primary and secondary market context, our Research and Equity Sales teams remained focused on seeking to identify equity valuation anomalies and to support our strong corporate client list with market understanding and largely secondary fund-raising activities.

We continue to seek to support firms in the structurally growing areas of the green economy, enabled by our in-house ESG team, healthcare and life sciences. In 2022 we also built out our coverage of the professional services and real estate sectors.

Asset Management

The Asset Management division recorded a very strong performance in the period, increasing revenues by 40% to £30.5 million and nearly doubling pre-tax profits to £6.7 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 for deployment by the Puma Property Finance business as part of its ongoing growth.

The new funding line has provided 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 first two loans from this funding line were signed during the period, helping to take the Puma Property Finance business past £1 billion of funding provided to UK development projects.

Fundraising demand across the Puma Investments business has remained high, with the flagship evergreen Venture Capital Trust, Puma VCT 13, filling its initial and extended fundraising target in the 2021/22 tax year. Our Puma Heritage Estate Planning Service and Puma AIM Service have also recorded inflows significantly higher than in the previous year.

This demand has continued to be complemented by the investment performance. Puma VCT 13 has performed strongly, delivering a 19.3% NAV per Share uplift in the last financial year and 60.6% NAV per Share uplift over the last 3 financial years (including dividends). Despite the headwinds in equity markets generally, the Puma AIM Service has maintained its strong record against its key benchmarks, having recorded a lifetime outperformance as at December 2022 of over 70% against both the AIM Index and the FTSE All Share Index and a compound annual growth rate, again since inception in July 2014, of 7.6% 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 and commercial assets in Germany and the securing of new financing facilities, which allowed a further return of capital to shareholders in Brandenburg Realty in the period, such that 100% of capital contributed by investors has now been repaid.

Chairman's Statement

Principal Finance

In relation to our 3.700-3.730 GHz frequency band German regional radio spectrum licences, during the year the German Federal Network Agency has issued us with a notification of revocation of the licences. We strongly reject the grounds on which the revocation has been issued and have issued a formal appeal, however in light of the notification we have made a full impairment against the value of the licences, previously held at £2.1m gross, £1.38m net of minority interests.

Other Principal Finance investments have recorded net upward valuations of £0.9 million in the period, comprising a £1.5m gain in our holding in Brandenburg Realty and a £0.6m reduction in our investment in Nippon Active Value Fund, resulting in an overall loss for the Principal Finance division of £1.3 million gross, £0.5m net of minority interests.

Current Trading and Prospects

Current year to date revenue is significantly ahead of last year with continued strong performance from the Asset Management business as well as increased revenues from both Capital Markets and Principal Finance. The collapse of Silicon Valley Bank and the associated fallout will likely turn the cycle of credit tightening to something more akin to a credit crunch in certain sectors.

We believe this should open up new opportunities for our capital markets, asset management and principal finance businesses. We therefore remain confident about our future prospects.

Howard Shore
Chairman
16 March 2023

Financial review

Income and expenditure

Revenue for the year decreased by 16.3% to £61.5 million (2021: £73.5 million), whilst administrative expenses decreased by 1.0% to £53.4 million (2021: £53.9 million).

Group operating profit before impairment decreased by 58.2% to £8.2 million (2021: £19.6 million). An impairment of £2.1m has been made against the Group's spectrum licences during the year. Statutory profit before tax was £5.7 million (2021: £19.1 million).

Divisional performance was as follows:

- Capital Markets: revenue of £30.1 million (2021: £48.0 million). Profit before tax was £0.7 million (2021: £13.6 million) with a net margin of 2.2% (2021: 28.3%).
- Asset Management: revenue of £30.5 million (2021: £21.7 million). Profit before tax was £6.7 million (2021: £3.4 million) with a net margin of 21.9% (2021: 15.5%).
- Principal Finance: pre-tax loss of £1.3 million (2021: £4.1 million profit).

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 14.3p (2021: 61.4p).

Liquidity

As at the balance sheet date, available liquidity was £39.7 million, comprising solely of cash of £39.7 million (2021: £38.1 million and £2.8 million of gilts) . 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 four times.

Balance sheet

The Group's balance sheet remains strong. Total equity at the year end was £72.8 million (2021: £81.2 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 £39.7 million of cash referred to above, at the year end the Group held £4.4 million (2021: £7.1 million) in various of its Puma Funds; £8.5 million (2021: £8.2 million) net in quoted equities and a further £1.3 million (2021: £3.9 million) in other unquoted holdings. The licences held as part of the Group's Spectrum Investments are now carried, after impairment, at £nil (2021: £2.1 million on a gross basis, before allowing for minority interests). Other non-current assets included £4.0 million (2021: £3.5 million) of fixed assets, and £2.3 million (2021: £2.6 million) of investment properties

Financial Review (continued)

The remainder of the balance sheet was £12.6 million net (2021: £12.9 million), which included £5.9 million (2021: £15.6 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 290.7p (2021: 325.4p).

Dividend

The Board does not propose to pay a final dividend for the year (2021: 7.5p per share interim dividend, 10.0p per share final ordinary dividend and 35.0p per share special dividend).

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 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).

Heydan von Frankenberg
Director
Heydan von Frankenberg joined Shore Capital in 2017 as the Managing Director of Shore Capital International and is responsible for the German real estate and asset advisory activities. Prior to joining Shore Capital, Heydan was a director at EY, having worked for 15 years in their Frankfurt, Abu Dhabi and Berlin offices where he advised banks, institutional investors and private equity firms on all real estate related matters. He is a qualified chartered surveyor (MRICS) and graduated with a degree in business administration from Freie Universität Berlin.

Board of Directors (continued)

Dr Zvi Marom
Non-executive Director
Dr Marom is founded BATM Advanced Communications Ltd in 1992 and served as CEO until January 2023. A former first lieutenant in the Israeli Navy, he graduated with excellence from the officers course of the Naval Academy and with excellence from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler – Gold Schlagger School of Medicine, Israel and an MSc in Electronics. Dr. Marom was the Chairman of the Hi-Tech Union of the Manufacturers' Association of Israel until January 2021, and he now serves as the head of its quantum forum.

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 2022.

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 24. No interim dividend was paid during the year (2021: 7.5p per share). No final dividend is proposed for the year (2021: 10.0p ordinary dividend per share; 35.0p special dividend 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 (continued)

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 2022	**31 December 2021**
Howard Shore	10,802,433	10,802,433
Andrew Whittaker[1]	-	-
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
Heydan von Frankenburg[2]	-	n/a

[1] Appointed 1 May 2021.
[2] Appointed 27 October 2022.

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 £48,000 (2021: £184,000) 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 £39.7 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 four times FCA requirements.

The Directors have reviewed highly stressed forecasts which include material reductions in variable revenues 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.

Directors' Report (continued)

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 23 March 2023:

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

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

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

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 (continued)

Statement of directors' 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 give a true and fair view of 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;

- make judgements and accounting estimates that are reasonable and prudent;

- 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 (continued)

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
Director
23 March 2023

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 2022 and of its profit for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and

- 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 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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:

- We have discussed, evaluated and challenged the Directors' assessment of the Group's ability to continue as a going concern;
- We have reviewed the directors' trading and cash flow forecasts for a period of at least 12 months from the date when the financial statements were authorised for issue;
- We have substantiated key inputs into forecasts used in the directors' cash flow forecasts;
- We have considered the ability of the directors to forecast accurately, by comparing actual performance to forecasts in the prior year;
- We have challenged the directors' assessment including their stress test analysis and reverse stress testing, to determine the risk posed to the Group in respect of going concern;
- We have critically assessed the assumptions used by the directors' in making their assessment and have considered whether the events or conditions that impact going concern give rise to management bias; and

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

- We have read the disclosures in the financial statements regarding the directors’ going concern assessment and assessed whether it met the requirements of the financial reporting framework and was in line with our understanding gained throughout the audit.

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 authorised for issue.

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

Overview

Coverage*	100% (2021: 92%) of Group profit before tax 100% (2021: 94%) of Group revenue 100% (2021: 90%) of Group net assets		
Key audit matters		**2022**	**2021**
	KAM 1: Revenue recognition – Capital Markets division - corporate finance and research commissions	✔	✔
	KAM 2: Valuation of principal finance investments – unlisted	✔	✔
	KAM 3: Valuation of investment property	✔	×
	KAM 4: Impairment of intangible assets	×	✔
	KAM 5: Revenue recognition – Asset Management division – management fees	✔	✔
	Impairment of intangible assets is no longer considered to be a key audit matter, as these assets were impaired during the period.		
Materiality	Group financial statements as a whole £1.24m (2021: £1.26m) based on 2% revenue (2021: 2% average revenue for last 3 years).		

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

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

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.
The Group manages its operations from 5 locations in Europe: Guernsey, London, Liverpool, Edinburgh, and Berlin and consists of the Parent Company and a number of subsidiary undertakings.

The Group audit engagement team carried out full scope audits for the Parent Company and the 14 (2021:10) significant components based in the UK and Guernsey. For non-significant components 19 (2021:24) the Group engagement team performed specified audit 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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue recognition – Capital Markets division- Corporate finance and research commissions The Group's accounting policy for revenue is described in Notes 1 and 3 to the financial statements.	Revenue recognition from the Capital Markets division – Corporate Finance and Research commission income was considered to be key audit matter. There is a risk that revenue is not recognised in line with the contractual obligations, for example the wrong fee being recognised. There is also a risk that revenue is recognised at the incorrect point in time, i.e. before the work is completed, or in the incorrect period. The risk could be increased if fees change during the period or if additional fees are agreed however engagement letters are not updated.	Our procedures performed included: • We recalculated the amount due in respect of a sample of corporate finance transactions based on the terms set out in the relevant engagement letters. • We considered the status of open projects at the year end to determine whether it was appropriate for revenue to be recognised during the year. • We have tested cut off at the year end by reviewing the listing of corporate finance and research income in January 2023 and selected a sample of clients to agree back to source documentation to gain comfort that there is not revenue recognised after the year end which should be included in the 2022 revenue. We have applied the same approach to the end of the period to check that there is no revenue recognised in the year

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

		which should be recognised post year end. **Key observations:** Based on the procedures performed we consider that revenue in respect of the Capital Markets division has been appropriately recognised.
Valuation of principal finance investments - unlisted The Group accounting policy for investments are described in Notes 1 and 16 to the financial statements.	The Group holds a number of unlisted investments that are measured at fair value through profit and loss. Significant judgement is required in respect of the valuation of these assets and in some cases, information available on which to value the assets may be limited. There is therefore a risk that the valuations and resultant gain/(losses) recognized in the consolidated statement of comprehensive income are materially incorrect. We therefore considered unlisted investments to be a key audit matter.	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 available 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 where available and recent management information for a sample of unlisted investments used to support assumptions used in the valuations. • We independently recalculated the valuation of a sample of unlisted investments and fair value movement to verify mathematical accuracy. **Key observations:** Based on the procedures Performed, we consider the judgments and assumptions made by management in valuing the unlisted investments to be reasonable.
Valuation of investment property The Group's accounting policy for valuation of investment property is described in Notes 1 and 15 to the financial statements.	The Group holds a number of investments in investment property on its own balance sheet that are held at fair value. There is a risk that the valuation used is inappropriate, as there is	Our procedures performed included: • We have obtained the latest valuation assessment by the Directors as at 31 December 2022. • We have challenged the assumptions and inputs used by the management with

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

	significant judgement required in respect of the valuation of these assets and hence we considered this to be a key audit matter.	reference to market data and other observable inputs. • We have engaged with the BDO real estate experts. They have assessed the rational for valuation approach, inputs used in valuation along with any assumptions and the valuation assessment. We have considered their findings and the impact on the valuation assessment by the Directors. • We have agreed the ownership of the properties held as investment property, to land registry title deeds. • For any property acquisitions or sales in the year, we have agreed to supporting documentation and bank statements. • We have independently recalculated the change in the fair value to verify mathematical accuracy. **Key observations:** Based on the procedures performed, we consider the judgments and assumptions made by management in valuing the investment property to be reasonable.
Revenue recognition – Asset Management division – management fees The Group's accounting policy for revenue is described in Note 1 and Note 3 to the financial statements	Management fee income was considered to be an area of focus for our audit as it is based on underlying fund asset values that may not be audited. Management judgement is therefore involved in determining the most appropriate fund asset value. Any inaccuracies in the asset values could give rise to a material misstatement in management fees.	Our procedures performed included the following: • We have verified 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 have obtained the latest audited information available for the underlying funds and have considered the impact on the unaudited values used in the calculation of management fees. • In order to ensure completeness of management fees, on a sample basis, we have ensured 12 months of fees have been recognised. **Key observations:**

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

		Based on the procedures performed we consider that management fee revenue has been appropriately recognised.

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 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		
	2022 £	2021 £
Materiality	1,243,000	1,260,000
Basis for determining materiality	2% revenue (2021: 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. We have changed the basis of materiality for the current year, due to the fluctuations in revenue over the period.	
Performance materiality	932,000	945,000
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 and history of past misstatements	

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

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 an appropriate base which included 3 year average revenue, 3 year average profit before tax, gross expenditure, an asset basis or 60% group materiality, as a benchmark for different components. Component materiality levels ranged from £8,000 to £745,000 (2021: £8,000 to £654,000). In the audit of each component, we further applied performance materiality levels of 75% (2021: 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 £62,150 (2021: £62,000). 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, 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
- 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 Directors' responsibilities within the Report of the Directors, 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

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

using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

> We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Parent 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 and Those Charged with Governance, 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, IFRS as adopted by the European Union and the Bermuda Stock Exchange listing rules.
>
> 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 and valuation of investment property which involves management judgements, were subject to bias, as described in the Key Audit Matter section above.
>
> In respect of management override, we addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; on a sample basis we determined journals with key risk characteristics such as postings by non-finance staff and identification of least used accounts, agreeing these back to supporting documentation. We assessed whether the judgements made in making accounting estimates could be indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, including management's assessment of going concern.

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:

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

https://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: 23 March 2023

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 2022

	Notes	2022 £'000	2021 £'000
Revenue	**1, 3**	**61,515**	73,464
Administrative expenditure		**(53,362)**	(53,897)
Impairment loss	**4, 13**	**(2,108)**	-
Operating profit	**4**	**6,045**	**19,567**
Interest income	**5**	**102**	4
Finance costs	**6**	**(417)**	(500)
		(315)	(496)
Profit before taxation	**2**	**5,730**	19,071
Taxation	**8**	**(1,030)**	(2,800)
Profit for the year		**4,700**	16,271
Attributable to:			
Equity holders of the parent		**3,085**	13,254
Non-controlling interests		**1,615**	3,017
		4,700	16,271
Earnings per share			
Basic	**10**	**14.3p**	61.4p
Diluted	**10**	**14.2p**	61.0p

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 2022

	Notes	2022 £'000	2021 £'000
Profit after tax for the year		**4,700**	16,271
Items that may be reclassified to the income statement			
Exchange difference on translation of foreign operations		**125**	(373)
Other comprehensive income/(loss) during the year, net of tax		**125**	(373)
Total comprehensive income for the year, net of tax		**4,825**	15,898
Attributable to:			
Equity holders of the parent		**3,154**	12,947
Non-controlling interests		**1,671**	2,951
		4,825	15,898

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	2022	2021
		£'000	£'000
Non-current assets			
Intangible assets	**13**	**-**	2,101
Property, plant & equipment	**14**	**4,021**	3,534
Right of use assets	**11**	**6,268**	7,159
Investment properties	**15**	**2,279**	2,587
Investments	**16**	**9,180**	13,818
Deferred tax asset	**8**	**1,241**	1,429
		22,989	30,628
Current assets			
Trading assets	**17**	**5,576**	8,983
Trade and other receivables	**18**	**45,579**	86,466
Derivative financial instruments		**50**	90
Tax assets		**1,071**	-
Cash and cash equivalents	**19**	**39,740**	38,092
		92,016	133,631
Total assets	**2**	**115,005**	164,259
Current liabilities			
Trading liabilities	**12**	**(572)**	(852)
Trade and other payables	**20**	**(34,749)**	(73,754)
Derivative financial instruments		**(33)**	(4)
Tax liabilities		**-**	(462)
Lease liabilities	**11**	**(1,400)**	(1,321)
		(36,754)	(76,393)
Non-current liabilities			
Lease liabilities	**11**	**(5,408)**	(6,592)
Provision for liabilities and charges	**21**	**(59)**	(59)
		(5,467)	(6,651)
Total liabilities	**2**	**(42,221)**	(83,044)
Net assets		**72,784**	81,215
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		**44,377**	51,857
Equity attributable to equity holders of the parent		**62,718**	70,198
Non-controlling interests		**10,066**	11,017
Total equity		**72,784**	81,215

The accompanying notes form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2023. 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 2022

	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

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2022

	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 2022	**-**	**1,866**	**14,903**	**1,572**	**51,857**	**11,017**	**81,215**
Profit for the year	**-**	**-**	**-**	**-**	**3,085**	**1,615**	**4,700**
Foreign currency translation	**-**	**-**	**-**	**-**	**69**	**56**	**125**
Total comprehensive income	**-**	**-**	**-**	**-**	**3,154**	**1,671**	**4,825**
Equity dividends paid (note 9)	**-**	**-**	**-**	**-**	**(9,708)**	**-**	**(9,708)**
Dividends paid to non controlling interests/ rebalancing of non controlling interest (note 16)	**-**	**-**	**-**	**-**	**(926)**	**(2,952)**	**(3,878)**
Investment by non controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**330**	**330**
At 31 December 2022	**-**	**1,866**	**14,903**	**1,572**	**44,377**	**10,066**	**72,784**

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the year		**4,700**	16,271
Adjustments for:			
Depreciation and impairment charges	**2**	**1,938**	1,974
Impairment loss	**13**	**2,108**	-
Net Fair value gains on Investments	**16**	**(4,808)**	(4,001)
Increase in provision for national insurance on options		**-**	26
Interest income		**(102)**	(4)
Finance costs		**417**	500
Tax expense	**8**	**1,030**	2,800
Operating cash flows before movements in working capital		**5,283**	17,566
Decrease in trade and other receivables		**40,927**	13,368
Decrease in trade and other payables		**(38,976)**	(10,556)
Decrease in trading liabilities		**(280)**	(217)
Decrease/(increase) in trading assets		**3,407**	(1,117)
Cash generated by operations		**10,361**	19,044
Corporation tax paid		**(2,375)**	(2,588)
Net cash generated by operating activities		**7,986**	16,456
Cash flows from investing activities			
Purchase of property, plant & equipment	**14**	**(1,303)**	(344)
Sale of property, plant & equipment		**-**	8
Disposal of investment property	**15**	**308**	212
Purchase of Investments	**16**	**(1,022)**	-
Sale of Investments	**16**	**6,506**	-
Distribution from Investments	**16**	**3,962**	480
Interest received	**5**	**102**	4
Net cash generated by investing activities		**8,553**	360
Cash flows from financing activities			
Investment from/ (Capital distribution to) non controlling interests		**330**	(96)
Payment of lease liabilities	**11**	**(1,324)**	(1,303)
Interest paid on lease liabilities	**11**	**(379)**	(435)
Other interest paid	**6**	**(38)**	(66)
Dividends paid to equity shareholders	**9**	**(9,708)**	(3,775)
Dividends paid to non controlling interests		**(3,878)**	(2,104)
Net cash used in financing activities		**(14,997)**	(7,779)
Net increase in cash and cash equivalents		**1,542**	9,037
Effects of exchange rate changes		**106**	(221)
Cash and cash equivalents at the beginning of the year	**19**	**38,092**	29,276
Cash and cash equivalents at the end of the year	**19**	**39,740**	38,092

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

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 four times FCA requirements.

The Directors have reviewed highly stressed forecasts which include material reductions in variable revenues 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
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).

These have not materially affected the Group.

New 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 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).

The following amendments are effective for the period beginning 1 January 2024:
• IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
• IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

1. Accounting Policies (continued)

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

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

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

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

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

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

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement 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:

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.

However,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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

1. Accounting Policies (continued)

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.

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 inputs 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

1. Accounting Policies (continued)

Revenue (continued)
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. Principal Finance, trading assets and liabilities as are valued at closing out prices at the close of business on the balance sheet date, namely trading assets at the bid price and trading liabilities at the offer price.

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.

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

1. Accounting Policies (continued)

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

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

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

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

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 at the beginning and end of the year.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2022

1. Accounting Policies (continued)

Share-based payments (contined)
Employer's National Insurance ("NI") is accrued at the current rate of NI on differences between the market value at the balance sheet date of the shares that would be acquired when the options are exercised and the exercise price of those options.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 10).

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

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

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

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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 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 2022

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 2022

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 2022

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 2022

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

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.

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 2022

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 2022

2. Segment Information (continued)

Year ended 31 December 2022	**Capital Markets £'000**	**Asset Management £'000**	**Central costs £'000**	**Principal Finance £'000**	**Total £'000**
Revenue	**30,093**	**30,541**	**-**	**881**	**61,515**
Depreciation	**(905)**	**(812)**	**(221)**	**-**	**(1,938)**
Interest income	**40**	**14**	**1**	**47**	**102**
Interest expense	**(226)**	**(160)**	**(31)**	**-**	**(417)**
Profit/(loss) before impairments	**657**	**6,699**	**(283)**	**765**	**7,838**
Impairment loss	**-**	**-**	**-**	**(2,108)**	**(2,108)**
Profit/(loss) before tax	**657**	**6,699**	**(283)**	**(1,343)**	**5,730**
Assets	**71,849**	**17,371**	**3,246**	**22,539**	**115,005**
Liabilities	**(30,381)**	**(9,865)**	**(1,443)**	**(532)**	**(42,221)**

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 2022	**Capital Markets £'000**	**Asset Management £'000**	**Central costs £'000**	**Principal Finance £'000**	**Total £'000**
Additions to non-current assets	**531**	**981**	**11**	**1,022**	**2,545**

Year ended 31 December 2021	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Additions to non-current assets	150	166	29	-	345

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

3. Revenue

a) Revenue disaggregated by division and geographical market below:

Year ended 31 December 2022	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Total £'000**
UK	**30,093**	**26,449**	**20**	**56,562**
Rest of Europe	**-**	**4,092**	**861**	**4,953**
	30,093	**30,541**	**881**	**61,515**

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

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

Year ended 31 December 2022	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Total £'000**
Point in time	**24,264**	**19,550**	**881**	**44,695**
Over time	**5,829**	**10,991**	**-**	**16,820**
	30,093	**30,541**	**881**	**61,515**

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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.

	2022 £'000	2021 £'000
At 1 January	8,266	4,888
Impairment of contract assets	(40)	(89)
Excess of revenue recognised over cash received	1,593	3,467
At 31 December	**9,819**	**8,266**

4. Operating Profit

	2022 £'000	2021 £'000
Operating profit has been arrived at after recognising /(charging):		
Impairments on intangible assets	**(2,108)**	-
Depreciation on property, plant and equipment	**(828)**	(837)
Depreciation of right to use assets	**(1,110)**	(1,137)
Exchange differences, excluding those arising on financial instruments		
Exchange differences	**245**	82

5. Interest Income

	2022 £'000	2021 £'000
Bank interest	**63**	4
Other interest receivable	**39**	-
	102	4

6. Finance Costs

	2022 £'000	2021 £'000
Interest on bank overdrafts	**38**	66
Interest on lease liabilities	**379**	434
	417	500

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

7. Employees and Directors

a) Employee numbers

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

		2022 No.	2021 No.
Capital Markets	- Securities	**127**	115
	- Corporate Advisory	**19**	22
Asset Management		**119**	92
		265	229

b) The costs incurred in respect of these employees comprise

	2022 £'000	2021 £'000
Salaries and commission	**28,865**	31,351
Social security costs	**3,685**	3,900
Pension costs	**684**	528
	33,234	35,779

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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 2022, 200,000 share options were cancelled during the year, so there are 1,742,727 (2021: 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:

	2022		2021	
	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**	1,942,727	191p
Cancelled during the year	**(200,000)**	**250p**	-	n/a
Outstanding at the end of the year	**1,742,727**	**185p**	1,942,727	191p
Exercisable at the end of the year	**1,742,727**		1,942,727	

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 4.6 years (2021: 5.5 years).

d) Emoluments of the Directors of the Company

2022

	Gross salary £'000	**Bonus, commission and other income £'000**	**Benefits £'000**	**Total £'000**
Howard Shore	**200**	**-**	**55**	**255**
Andrew Whittaker	**35**	**-**	**-**	**35**
Simon Fine	**250**	**-**	**6**	**256**
David Kaye	**375**	**-**	**11**	**386**
Heydan von Frankenberg	**31**	**50**	**-**	**81**
Dr Zvi Marom	**45**	**-**	**-**	**45**
James Rosenwald III	**45**	**-**	**-**	**45**
	981	**50**	**72**	**1,103**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

7. Employees and Directors (continued)

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

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 2022 was 200.0p (2021: 200.0p) and the range during the year was 180.0p to 220.0p.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2022

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: £3,770,000 (2021: £3,387,000) to Puma Property Investment Advisory Limited. Amounts owed to the Group at the year end from PBL were £935,000 (2021: £1,582,000). PBL is a related party as it has a high degree of common ownership.

The Group holds an investment of £3.4 million in 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 also has 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 (£413,000) (2021: $500,000 / £369,000) investment in Ador Diagnostics, an entity which is considered a related party due to having a common director.

Howard Shore is considered to be the ultimate controlling party of the Group.

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:

	2022	2021
	£'000	£'000
Salaries and other short-term benefits	**3,756**	4,686

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

8. Taxation

The tax charge comprises:	**2022 £'000**	2021 £'000
Current tax	**842**	2,340
Prior year underprovision	**-**	20
Movement in deferred tax	**188**	440
	1,030	2,800

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 19.00% (2021: 19.00%) as detailed below:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	**5,730**	19,071
Tax thereon at 0% (2021: 0%)	**-**	-
Effects of:		
Effect of different tax rates in other jurisdictions	**1,291**	3,210
Utilisation of tax losses	**(261)**	(430)
Prior year adjustment	**-**	20
	1,030	2,800

The average tax rate on the profit before tax for the Group's UK activities for 2022 was 19% (2021: 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 2021	88	1,781	1,869
Debit to income statement	(7)	(433)	(440)
At 31 December 2021	81	1,348	1,429
Debit to income statement	-	(188)	(188)
At 31 December 2022	81	1,160	1,241

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 2022 amounts to £12.6 million (2021: £14.0 million). A deferred tax asset has only been recognized in respect of those losses anticipated to be relieved in the short term as this is the extent to which management can consider future profits to be probable.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

9. Rates of Dividends Paid and Proposed

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
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
Final dividend for the year ended 31 December 2021 of 10.0p per share	**2,157**	-
Special dividend for the year ended 31 December 2021 of 35.0p per share	**7,551**	-
	9,708	3,775

The directors do not propose a final dividend for the year.

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:

	2022		2021	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**3,085,000**	**3,085,000**	13,254,000	13,254,000
Number of shares	**21,573,322**	**21,786,049**	21,573,322	21,743,290
Earnings per share (p)	**14.3**	**14.2**	61.4	61.0

Calculation of number of shares	**2022**		2021	
	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	**-**	**212,727**	-	169,968
	21,573,322	**21,786,049**	21,573,322	21,743,290

As at 31 December 2022 there were 21,573,322 ordinary shares in issue (2021: 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 2022

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.

	Land & Buildings £'000	Total £'000
At 1 January 2021	8,296	8,296
Amortisation	(1,137)	(1,137)
At 31 December 2021	7,159	7,159
Additions	219	219
Amortisation	(1,110)	(1,110)
At 31 December 2022	**6,268**	**6,268**

Lease liabilities

	Land & Buildings £'000	Total £'000
At 1 January 2021	9,216	9,216
Interest expense	435	435
Lease payments	(1,738)	(1,738)
At 31 December 2021	7,913	7,913
Additions	219	219
Interest expense	379	379
Lease payments (total cash outflow)	(1,703)	(1,703)
At 31 December 2022	**6,808**	**6,808**
Of which Current and non Current at 31 December 2022:		
Current	**1,400**	**1,400**
Non-current	**5,408**	**5,408**
Of which Current and non Current at 31 December 2021:		
Current	1,321	1,321
Non-current	6,592	6,592

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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 2022

	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	522	1,483	647	5,222	1,523

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

12. Categories of Financial Assets and Liabilities

As at 31 December 2022		Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets				
Cash and cash equivalents	**19**	-	39,740	39,740
Trading assets	**17**	5,576	-	5,576
Trade receivables in the course of collection	**18**	-	26,319	26,319
Financial investments	**16**	9,180	-	9,180
Derivatives		50	-	50
Other assets		-	6,379	6,379
		14,806	72,438	87,244
Tax assets				1,071
Contract balances				12,881
Intangible assets	**13**			-
Property, plant & equipment	**14**			4,021
Right of use assets	**11**			6,268
Investment properties	**15**			2,279
Deferred tax asset	**8**			1,241
Total assets per balance sheet				**115,005**
Financial liabilities				
Trading liabilities		572	-	572
Trade creditors	**20**	-	18,264	18,264
Derivatives		33	-	33
Lease liabilities	**11**		6,808	6,808
Other liabilities	**20**	-	9,266	9,266
Accruals	**20**	-	3,981	3,981
		605	38,319	38,924
Tax liabilities				-
Other taxation and social security	**20**			3,238
Provision for liabilities and charges	**21**			59
Total liabilities per balance sheet				**42,221**

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 2022

12. Categories of Financial Assets and Liabilities (continued)

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
Contract balances	-	10,989	10,989
Other assets	-	3,204	3,204
	22,891	124,558	147,449
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			
Bank overdrafts and borrowings	-	-	-
Trading liabilities	852	-	852
Trade creditors	-	54,275	54,275
Derivatives	4	-	4
Lease liabilities		7,913	7,913
Other liabilities*	-	12,821	12,821
Accruals	-	3,923	3,923
	856	78,932	79,788
Tax liabilities			462
Other taxation and social security			2,735
Provision for liabilities and charges			59
Deferred tax liability			-
Total liabilities per balance sheet			**83,044**

* This comparative has been restated to correctly show Other taxation and social security as a non-financial liability.

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 2022

13. Intangible assets

	Cost £'000	Accumulated amortisation and impairment £'000	Net book value £'000
At 1 January 2021	2,237	-	2,237
Retranslation movement	(136)	-	(136)
At 31 December 2021	2,101	-	2,101
Impairment	-	(2,108)	(2,108)
Retranslation movement	7	-	7
At 31 December 2022	**2,108**	**(2,108)**	**-**

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.

During the year, the German Federal Network Agency has issued the Group with a notification of revocation of the licences. The Group strongly rejects the grounds on which the revocation has been issued and has issued a formal appeal, however in light of the notification a full impairment has been made against the value of the licences, previously held at £2.1m gross, £1.38m net of minority interests.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2022

14. Property, Plant and Equipment

	Leasehold premises	Fixtures and equipment	Motor vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2021	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
Additions	158	1,145	-	1,303
Disposals	-	(200)	-	(200)
Retranslation movement	-	37	5	42
At 31 December 2022	**3,505**	**7,575**	**164**	**11,244**
Depreciation				
At 1 January 2021	1,237	4,382	141	5,760
Charge for the year	249	572	16	837
Retranslation movement	-	(27)	(5)	(32)
At 31 December 2021	1,486	4,927	152	6,565
Charge for the year	255	570	3	828
Disposals	-	(200)	-	(200)
Retranslation movement	-	26	4	30
At 31 December 2022	**1,741**	**5,323**	**159**	**7,223**
Net Book Value				
At 31 December 2022	**1,764**	**2,252**	**5**	**4,021**
At 31 December 2021	1,861	1,666	7	3,534

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

15. Investment property

	Total
	£'000
At 1 January 2021	2,799
Disposals	(212)
At 31 December 2021	2,587
Disposals	(308)
At 31 December 2022	**2,279**

The investment properties are held at fair value and were subject to an internal valuation as at 31 December 2022 which 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 £245,000 (2021: £208,000) in the year and incurred direct operating costs of £104,000 (2021: £90,000).

16. Investments

	Listed investments	Unlisted investments	Total
	£'000	**£'000**	**£'000**
At 1 January 2021	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
Additions	1,022	-	1,022
Disposals	-	(6,506)	(6,506)
Distribution from investment	-	(3,962)	(3,962)
Revaluation in the year	(568)	5,376	4,808
At 31 December 2022	**4,414**	**4,766**	**9,180**

Classification

	Fair value through profit or loss	Total
	£'000	**£'000**
At 31 December 2022	**9,180**	**9,180**
At 31 December 2021	13,818	13,818

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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		England and Wales	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]	Cayman Islands	Holds investments	64.3%
DBD Deutsche Breitband Dienste		Germany	Telecoms	64.3%
Shore Capital Markets Limited	[2]	England and Wales	Intermediate Holding Co.	82.2%
Shore Capital Stockbrokers Limited	[2]	England and Wales	Broker/dealer	82.2%
Shore Capital and Corporate Limited	[2]	England and Wales	Corporate adviser	82.2%
Shore Capital International Asset Management Limited	[3,6]	Guernsey	Intermediate Holding Co.	68.2%
Puma Investment Management Limited	[3,4,5]	England and Wales	Fund Management	62.4%
Shore Capital Limited	[3]	England and Wales	Intermediate Holding Co.	68.2%
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	50.6%*
Puma Private Equity Limited	[5]	England and Wales	Fund Management	47.4%*
EA Capital Limited	[6]	Isle of Man	Intermediate Holding Co.	51.1%*
EA Northampton Limited	[6]	England and Wales	Holds investment property	51.1%*
EA Bedford Limited	[6]	England and Wales	Holds investment property	51.1%*
Nominee Company				
Puma Nominees Limited		England and Wales	Nominee company	100%

* Entities with which we hold less than 50% proportion of economic interests are still controlled by the Group as it has over 50% of ownership in each entity, and their immediate parent. Further ownership details for each entity are described below.

[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 2022, 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. As at 31 December 2022 the Company had a direct holding of 82.2% 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 2022

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 2022 the Group had a direct holding of 68.2% in Shore Capital International Asset Management Limited. The balance of the shares is held by the senior executive of that company. Shore Capital Limited is the intermediate holding company of, and holds 91.6% of the ordinary shares and voting rights in, Puma Investment Management Limited. The balance of the shares in Puma Investment Management Limited are held by senior executives of that company.

[4] Puma Investment Management Limited is the intermediate holding company of, and following vesting of shares held by non controlling interests during the year, now holds 81% of the economic interests in, Puma Property Finance Limited.

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

[6] Shore Capital International Asset Management Limited is the intermediate holding company of, and holds 75.0% of the ordinary shares and voting rights in, EA Capital Limited. EA Capital Limited holds 100% of the ordinary shares in and voting rights in STACC Properties Limited, 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 31/12/2022**	**Profit/(loss) for the year**	**Net assets at 31/12/2022**	**Dividends paid in the year**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Spectrum Investments Limited / DBD	(2,287)	156	(823)	81	-
Shore Capital Markets Limited	770	41,469	137	7,392	713
Puma Investment Management Limited	2,977	5,722	244	550	540
Puma Private Equity Limited	2,092	638	502	153	836
Puma Property Finance Limited	2,100	(703)	391	(128)	622
EA Capital Limited	(66)	973	(16)	47	-
Shore Capital International Asset Management Limited	3,706	1,391	1,180	1,942	1,167
Shore Capital Management Limited	-	284	-	29	-
			1,615	10,066	3,878

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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

	Profit/(loss) for the year	Net assets at 31/12/2021	Relating to non-controlling interests 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

17. Trading assets

	2022	2021
	£'000	£'000
Fair value through profit or loss		
Listed holdings at market value		
Equities	**4,652**	5,045
Debt instruments	**-**	2,820
	4,652	7,865
Unlisted holdings:		
Other (including hedge funds)	**924**	1,118
	924	1,118
	5,576	8,983

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 bid 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 2022

18. Trade and Other Receivables

	2022 £'000	2021 £'000
Trade receivables	**26,319**	72,273
Other receivables	**6,379**	3,204
Prepayments and contract balances	**12,881**	10,989
	45,579	86,466

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.

	2022 £'000	2021 £'000
Between 30 and 60 days	**28**	45
Between 60 and 90 days	**366**	318
Greater than 90 days	**475**	387
	869	750
Amounts not yet due	**44,710**	85,716
Trade receivables	**45,579**	86,466

	£'000
Movement in the allowance for expected credit losses	
At 1 January 2021	263
Increase in the allowance	99
Amounts recovered during the year	-
Amounts written off	(14)
At 31 December 2021	348
Increase in the allowance	77
Amounts recovered during the year	(5)
Amounts written off	(216)
At 31 December 2022	**204**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

19. Cash and Cash Equivalents

	As at 1 January 2022	Cash flows	As at 31 December 2022
	£'000	£'000	**£'000**
Cash at bank and in hand	38,092	1,648	39,740
	38,092	1,648	39,740

20. Trade and Other Payables

	2022	2021
	£'000	£'000
Trade creditors	**18,264**	54,275
Other creditors	**9,266**	12,821
Other taxation and social security	**3,238**	2,735
Accruals	**3,981**	3,923
	34,749	73,754

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 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 and 31 December 2022	**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 2023 to 23 March 2030.

Other provisions related to costs incurred in the prior year in relation to business interruption. The provision was utilised in the prior 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 (2021: £nil).

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

23. Share Capital

Shore Capital Group Limited – ordinary shares of nil par value	Number of shares	£'000
At 31 December 2021 and 31 December 2022	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**
2022		
Equities	**11,651**	**9,485**
Debt	**2**	**2**
	11,653	**9,487**

2021	Fair value through P&L £'000	Total £'000
Equities	22,115	22,115
	22,115	22,115

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 2022

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 2021. 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.

			2022			2021
		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)	**4,652**	**10%**	**465**	5,045	10%	505
Trading liabilities	**(572)**	**10%**	**(57)**	(852)	10%	(85)
Listed Principal Finance Investments	**4,414**	**10%**	**441**	3,960	10%	396

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:

	2022	2021
	£'000	£'000
Held in United States dollars	**2**	29
	2	29

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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.

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:

	2022		2021	
	Euro	**US Dollar**	Euro	US Dollar
	£'000	**£'000**	£'000	£'000
10% Stronger against GBP	**787**	**44**	473	16
10% Weaker against GBP	**(644)**	**(36)**	(387)	(13)

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 statement of financial position. 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:

	2022	2021
	£'000	£'000
+100 basis point movement in interest rates	**93**	111
As percentage of total shareholders' equity	**0.148%**	0.158%

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 2022

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:

	2022 **£'000**
Interactive Investor Trading	**2,453**
Merrill Lynch International	**662**
Halifax Share Dealing Ld	**480**
TS Capital	**319**
Shard Capital Partners	**296**
	4,210

	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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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:

2022	**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	-	572	-	-	-	572
Trade payables	443	17,821	-	-	-	18,264
Derivatives	-	33	-	-	-	33
Lease liabilities	-	522	1,483	5,869	1,523	9,397
Other liabilities	-	12,504	-	-	-	12,504
Accruals	-	3,981	-	-	-	3,981
	443	35,433	1,483	5,869	1,523	44,751

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*	-	12,821	-	-	-	12,821
Accruals**	-	3,923	-	-	-	3,923
	591	71,812	1,548	4,038	3,461	81,450

* This comparative has been restated to correctly exclude Other taxation and social security as it is a non-financial liability.
** This comparative has been restated to correctly include Accruals as a financial liability.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

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 2022	Level 1	Level 2	Level 3	
	Quoted market price	Market observable inputs	Non-market observable inputs	Total
	£'000	£'000	£'000	£'000
Principal Finance Investments	4,414	-	4,766	9,180
Trading assets and other holdings at fair value	4,652	924	-	5,576
Derivative financial instruments	-	50	-	50
Total financial assets	**9,066**	**974**	**4,766**	**14,806**
Trading liabilities	572	-	-	572
Derivative financial instruments	-	33	-	33
Total financial liabilities	**572**	**33**	**-**	**605**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

24. Financial Instruments (continued)

f) Fair value of financial instruments (continued)

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

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 2022	**Gains recorded in profit or loss**	**Purchases and transfers**	**Sales and transfers**	**At 31 December 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total financial assets	**9,858**	**5,376**	**-**	**(10,468)**	**4,766**

The £10,468,000 (2021: £266,000) sale/transfer out of Level 3 shown above relates to funds received from the partial redemption of an investment, as well as the sale of the Group's investment in Primary Bid.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2022

25. Subsequent events

There were no significant subsequent events.