

Registered number
01850105

Shore Capital Stockbrokers Limited
Annual Report and Financial Statements for the year ended
31 December 2019



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Shore Capital Stockbrokers Limited
Company Information

Directors

S P Fine
Dr C W Black
M J P McEntyre

Company Secretary

M L van Messel

Registered Number

01850105

Registered Office

Cassini House
57 St James's Street
London, SW1A 1LD
United Kingdom

Auditor

BDO
150 Aldersgate Street
London
United Kingdom
EC1A 4AB

Bankers

The Royal Bank of Scotland plc
28 Cavendish Square
Marylebone
London W1G 0DB

Shore Capital Stockbrokers Limited Strategic Report

Review of the business

Shore Capital Stockbrokers Limited ("the Company") is a member of the Shore Capital Group of companies whose activities include, inter alia, a capital markets business. The capital markets business comprises a full scope broker dealer and a corporate finance adviser. Some of these activities are conducted within the Company, with corporate advisory services also provided by an affiliate, Shore Capital and Corporate Limited.

On 31 March 2019 Shore Capital Markets Limited, the Company's sole shareholder, completed the acquisition of the entire issued share capital of Stockdale Securities Limited ("Stockdale"). The relevant operations of Stockdale were merged with those of the Company. The Stockdale acquisition represented a compelling strategic fit for the Company, enhancing existing operations by expanding the corporate client base, adding a specialist investment funds capability and augmenting corporate broking, research, sales and trading expertise. The combination of Shore Capital and Stockdale adds scale, expertise and diversity to the business, demonstrating our commitment to servicing the needs of institutional clients and corporates.

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

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

The key performance indicator is profit before reorganisation costs. The Company's Profit and Loss account on page 7 shows that the company continues to be profitable on a pre-exceptional costs basis.

Principal risks and uncertainties

A financial risk management policy is established at group level by Shore Capital Group Limited, the ultimate parent company. Full details are set out in the consolidated Group accounts of Shore Capital Group Limited, which may be obtained from the website <https://www.shorecap.gg>. The particular risks that apply to the Company are reviewed in note 21 and comprise market risk, interest rate risk, credit risk and liquidity risk.

s172 Statement : Culture and people

Putting our institutional, corporate and investment trust clients at the centre of everything we do is vital in determining the long-term success of the business. Our people are key to maintaining these long-term relationships, offering continuity and a high level of service. We seek to maintain the highest standards of business conduct and thereby help safeguard our reputation for the long term. To achieve this, we retain experienced and stable teams, provide our people with support and remunerate our people to a level that motivates them to perform in line with the Company's strategic objectives.

Future Developments

The 2020 financial year started encouragingly, with the Company closing ten fundraisings. Together with the benefit of a strong performance by the Market Making division, the Company has remained profitable in the year to date. However, as we all know, we have entered a new phase where business prospects for the coming months are highly uncertain and impossible to predict. The directors have considered a range of severe stress scenarios to ensure that the company is properly prepared and resourced. The Company's balance sheet and liquidity remain strong, with net liquid resources of £25.4 million in place at the year end in addition to our £20 million undrawn working capital facility. Furthermore, the recently upgraded IT infrastructure is fully operational and enabling our workforce to work remotely from home. The directors consider that the Company is well prepared for a sustained period of disrupted activity.

This report was approved by the Board of Directors on 24 April 2020.



M L van Messel
Company Secretary
Cassini House
57 St James's Street
London SW1A 1LD

Shore Capital Stockbrokers Limited

Directors' Report

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

Going Concern

The Company's business activities, its future development, together with the factors likely to affect performance and position are set out in the 'Review of the business' section in the Strategic Report.

With the advent of measures related to the Corona19 pandemic, the directors have considered a range of severe stress scenarios to ensure that the company is properly prepared and resourced. The Company's balance sheet and liquidity remain strong, with net liquid resources of £25.4 million in place at the year end in addition to its £20 million undrawn working capital facility. Furthermore, the recently upgraded IT infrastructure is fully operational and enabling it's workforce to work remotely from home. The directors consider that the Company is well prepared for a sustained period of disrupted activity.

The Company's capital resources are in excess of seven times its regulatory requirements and it has an established business model which remains profitable despite the Corona19 measures. Liquidity positions within the entity are actively managed on a daily basis to ensure sufficient liquidity is maintained at all times to support the business while at the same time remaining well within regulatory and internal limits. Taking these factors into consideration, the Directors believe that the entity is well placed to manage its business risks successfully. Therefore, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Results

The retained profit for the year is set out on page 7 and the net assets on page 8. The loss for the financial year of £537,000 (2018: Profit of £2,241,000) has been transferred to reserves.

Dividends

During the year, interim dividends of £1,195,000 (2018: £2,440,000) were paid. The Directors do not recommend a final dividend for the year (2018: £nil).

Directors

The following persons served as directors during the year:

S P Fine
Dr C W Black
M J P McEntyre

Directors' Indemnities

The Company makes qualifying third-party indemnity provisions for the benefit of its Directors. These were made during the year and remain in force at the date of this report.

Charitable and political donations

Charitable donations of £10,984 (2018: £3,026) were made by the Company during the year. No political donations were made during the year (2018: £Nil).

Events after the reporting period

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

Financial Risk Management

Financial Risk Management objectives and information on exposure to risks has been disclosed in the Strategic Report.

Shore Capital Stockbrokers Limited

Directors' Report

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 Director has taken all the steps that 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 s418 of the Companies Act 2006.

A resolution to re-appoint BDO LLP as auditor of the Company will be proposed at the Company's Annual General Meeting.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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 included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Directors on 24 April 2020.



M L van Messel
Company Secretary
Cassini House
57 St James's Street
London SW1A 1LD

**Independent Auditor's Report
to the members of Shore Capital Stockbrokers Limited**

Opinion

We have audited the financial statements of Shore Capital Stockbrokers Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Independent Auditor's Report
to the members of Shore Capital Stockbrokers Limited**

Opinions on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) regulations 2013

In our opinion, the information given in note 23 to the financial statements for the year ended 31 December 2019 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) regulations 2013.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

April 24, 2020

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

Shore Capital Stockbrokers Limited
Profit and Loss Account
for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	21,871	20,913
Administrative expenses		(21,741)	(18,046)
Operating profit before reorganisation costs	3	<u>130</u>	<u>2,867</u>
Reorganisation costs	3	(1,581)	-
Operating (loss)/profit after reorganisation costs		<u>(1,451)</u>	<u>2,867</u>
Interest receivable & similar income	6	15	29
Interest payable & similar charges	7	(51)	(86)
(Loss)/Profit on ordinary activity before taxation		<u>(1,487)</u>	<u>2,810</u>
Taxation credit/ (charge)	8	950	(569)
(Loss)/Profit for the financial year		<u>(537)</u>	<u>2,241</u>

Continuing operations

All transactions are in respect of continuing operations.

Reorganisation costs

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

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

There are no recognised gains and losses other than the profit/loss shown above and, therefore, no separate statement of comprehensive income has been presented.

The notes on pages 10 to 25 form part of these financial statements.

Shore Capital Stockbrokers Limited
Balance Sheet
as at 31 December 2019
Company number: 01850105

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	10	1,478	462
Current assets			
Trading assets	21	5,803	5,805
Debtors	11	46,622	34,342
Current Asset Investments	12	832	721
Cash at bank and in hand		13,205	14,455
		<u>66,462</u>	<u>55,323</u>
Current liabilities			
Trading liabilities		(2,562)	(708)
Creditors	13	(34,354)	(22,321)
Net current assets		<u>29,546</u>	<u>32,294</u>
Net assets		<u><u>31,024</u></u>	<u><u>32,756</u></u>
Capital and reserves			
Called up share capital	15	1,640	1,640
Share premium account	16	3,271	3,271
Other reserves	17	10	10
Profit and loss account		26,103	27,835
Shareholders' funds		<u><u>31,024</u></u>	<u><u>32,756</u></u>

The notes on pages 10 to 25 form part of these financial statements.

The financial statements of Shore Capital Stockbrokers Limited were approved by the Board of Directors and authorised for issue on 24 April 2020.

They were signed on its behalf by:



S P Fine
Director

Shore Capital Stockbrokers Limited
Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Share premium account £000	Other reserves £000	Profit and Loss account £000	Total £000
At 1 January 2018	1,640	3,271	10	28,034	32,955
Profit for the financial year	-	-	-	2,241	2,241
Total comprehensive income	-	-	-	2,241	2,241
Dividends paid (Note 9)	-	-	-	(2,440)	(2,440)
At 31 December 2018	1,640	3,271	10	27,835	32,756
At 1 January 2019	1,640	3,271	10	27,835	32,756
Loss for the financial year	-	-	-	(537)	(537)
Total comprehensive income	-	-	-	(537)	(537)
Dividends paid (Note 9)	-	-	-	(1,195)	(1,195)
At 31 December 2019	1,640	3,271	10	26,103	31,024

The notes on pages 10 to 25 form part of these financial statements.

Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

1 Accounting policies

Company Information

Shore Capital Stockbrokers Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Cassini House, 57 St James's Street, London, SW1A 1LD.

Accounting convention

The financial statements have been prepared under the historical cost convention under FRS 102, modified to include certain items at fair value, and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company's functional and presentational currency are both Sterling.

The Company meets the definition of a qualifying entity under FRS 102 (1.12) and has therefore taken advantage of the disclosure exemptions available to it. The Company is consolidated in the financial statements of its ultimate parent, Shore Capital Group Limited, which may be obtained from its Head Office at 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. The Company has taken advantage of the disclosure exemption for transactions with group companies as provided by section 33 of Financial Reporting Standard 102.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the Company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

Deferred tax assets

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

Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

1 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 3. The Company holds considerable capital resources in excess of its regulatory requirements and has an established business model. Liquidity positions within the entity are actively managed on a daily basis to ensure sufficient liquidity is maintained at all times to support the business while at the same time remaining well within regulatory and internal limits. Taking these factors into consideration, the Directors believe that the entity is well placed to manage its business risks successfully. Therefore, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover represents the net profit on buying and selling securities and the profits arising on positions held in securities. Turnover also includes commission income and other ancillary fees. No material amounts of turnover are generated outside of the UK. Dividends arising on trading positions in securities form part of dealing profit and, because they are also reflected by movements in market prices, are not identified separately.

Turnover is arrived at under the principles of trade date accounting for Stock Exchange transactions.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company applies the recognition and measurement provisions of IAS 39 Financial Instruments in accordance with FRS 102 section 12.

Financial assets and liabilities

Investments are recognised and derecognised on 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.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial assets and liabilities at FVTPL

Financial assets and liabilities are classified as at FVTPL where the financial asset or liability is either held for trading or it is designated as at FVTPL. A financial asset or liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments which the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative which is not designated as an effective as a hedging instrument.

Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

1 Accounting policies (continued)

Financial instruments (continued)

Financial instruments which are classified as held for trading through profit or loss comprise trading assets and liabilities positions in securities and derivative instruments. Trading Assets and Liabilities are valued at bid and ask 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.

Derivatives are initially recognised at the contract value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A financial asset or liability, other than a financial asset or liability held for trading, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets and liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss within operating profit. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset or financial liability.

The Company's financial assets designated as at FVTPL upon initial recognition include positions in quoted and unquoted securities.

Trade debtors, other receivables and current asset investments

Trade debtors, intercompany receivables and other receivables are measured at initial recognition at fair value and subsequently at cost less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows.

Trade creditors and other payables

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets by equal annual instalments over their estimated useful lives at the following annual rates:

- Leasehold premises : over the unexpired term of the lease
- Fixtures and equipment : 25% straight line

Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

1 Accounting policies (continued)

Property and operating leases

Rentals paid under operating leases are charged to profit and loss account evenly over the primary period of the lease.

Pension costs

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

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted by the reporting date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. These differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements and deferred taxation is determined using tax rates that have been enacted by the reporting date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences are dealt with in the profit and loss account.

Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

2 Turnover

The entity operates in a single segment, stockbroking, based primarily in the United Kingdom.

3 Operating (loss)/profit

2019
£000

2018
£000

Operating (loss)/profit is stated after charging:

Depreciation of fixed assets	306	226
Operating lease rentals - Land and Buildings	925	476
Defined contribution pension costs	485	434
Foreign exchange differences	5	(31)
Settlement costs	2,081	1,936
Dealing Costs	2,958	2,274
Fees payable to the Company's auditors:		
Audit of the Company's financial statements	50	44
Audit-related assurance	3	3
Tax services	2	2

Reorganisation costs

2019
£000

2018
£000

Post-acquisition restructuring costs	1,060	-
Pre-opening office costs	521	-
	<u>1,581</u>	<u>-</u>

4 Directors' emoluments

2019
£000

2018
£000

Highest paid Director	654	317
Other Directors	776	588
	<u>1,430</u>	<u>905</u>

No pension payments were made on behalf of any Director in 2019 or 2018.

During the year, there was one Director (2018: 1) who held options over unissued ordinary shares of nil par value under the Shore Capital Group share option plan.

5 Staff costs

2019
£000

2018
£000

Wages and salaries	10,953	8,097
Social security costs	1,408	1,019
Other pension costs	485	434
	<u>12,846</u>	<u>9,550</u>

Average number of employees during the year

Number

Number

Staff numbers (includes Executive Directors)	<u>95</u>	<u>80</u>
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Shore Capital Stockbrokers Limited
Notes to the financial statements
for the year ended 31 December 2019

6	Interest receivable & similar income	2019	2018
		£000	£000
	Bank deposits	15	15
	Other interest receivable	-	14
		<u>15</u>	<u>29</u>
7	Interest payable & similar charges	2019	2018
		£000	£000
	Bank loans and overdrafts	51	86
8	Taxation	2019	2018
		£000	£000
	Analysis of charge in year		
	Current tax:		
	UK corporation tax (credit)/ charge on profits for the year	(256)	468
	Prior year tax charge	25	-
	Movement in deferred tax	(719)	101
		<u>(950)</u>	<u>569</u>
	Tax (credit) / charge on profit on ordinary activities		
		2019	2018
		£000	£000
	(Loss)/ Profit on ordinary activities before tax	<u>(1,487)</u>	<u>2,810</u>
	Standard rate of corporation tax in the UK	19.00%	19.00%
	(Loss)/ Profit on ordinary activities multiplied by the standard rate of corporation tax	(283)	534
	Effects of:		
	Expenses not deductible for tax purposes	68	49
	Utilisation of tax losses	(760)	-
	Prior year adjustment	25	-
	Other	-	(14)
	Total tax (credit)/ charge for the year	<u>(950)</u>	<u>569</u>

Factors that may affect future tax charges

The average tax rate on the profit before tax for the Company's UK activities for 2019 was 19.00% (2018: 19.00%). The Company 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

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8 Taxation (continued)

Deferred tax

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 Company's immediate parent company Shore Capital Markets Limited during the year. The Company considers that all of these losses will be available to be relieved against future profits arising from the same trade, however, in accordance with accounting standards, a deferred tax asset has only been recognized in respect of those losses anticipated to be relieved in the next five years.

	2019 £000	2018 £000
Deferred tax asset		
At 1 January	41	142
Movement in deferred tax	719	(101)
At 31 December	<u>760</u>	<u>41</u>

9 Dividends

	2019 £000	2018 £000
Interim dividends paid	<u>1,195</u>	<u>2,440</u>

A first interim dividend of £420,000 was paid on 31 January 2019 and a second interim dividend of £775,000 was paid on 15 May 2019.

Since the year end, the Company has not declared a dividend in respect of the year ending 31 December 2019.

10 Tangible fixed assets

	Leasehold improvements £000	Fixtures and equipment £000	Total £000
Cost			
At 1 January 2019	32	2,762	2,794
Additions	1,026	344	1,370
Disposals	-	(120)	(120)
At 31 December 2019	<u>1,058</u>	<u>2,986</u>	<u>4,044</u>
Depreciation			
At 1 January 2019	32	2,300	2,332
Charge for the year	53	253	306
Disposals	-	(72)	(72)
At 31 December 2019	<u>85</u>	<u>2,481</u>	<u>2,566</u>
Net book value			
At 31 December 2019	<u>973</u>	<u>505</u>	<u>1,478</u>
At 31 December 2018	<u>-</u>	<u>462</u>	<u>462</u>

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11 Debtors	2019 £000	2018 £000
Trade debtors	36,137	31,307
Amounts owed by group undertakings	7,243	1,209
Deferred tax	760	41
Corporation tax	694	-
Prepayments and accrued income	1,183	1,095
Other debtors	605	690
	<u>46,622</u>	<u>34,342</u>

Trade debtors comprise market debtors arising in the course of settlement. The Directors consider that the carrying value of debtors approximates their fair value.

Trade debtors are shown net of provision for doubtful debts amounting to nil (2018: nil).

Other debtors include deposits held with service providers.

12 Current Asset Investments	2019 £000	2018 £000
Unlisted investments	<u>832</u>	<u>721</u>
	<u>832</u>	<u>721</u>
Opening at fair value	721	231
Purchases	106	-
Gains on remeasurement to fair value	5	490
Market Value	<u>832</u>	<u>721</u>

All current asset investments are shares held in listed companies which are traded on a regular basis. The total income recognised on these investments represent the fair value remeasurements.

13 Creditors	2019 £000	2018 £000
Trade creditors	24,561	19,382
Amounts owed to group undertakings	4,814	222
Corporation tax	-	21
Other taxes and social security costs	597	675
Other creditors	157	89
Accruals and deferred income	4,225	1,932
	<u>34,354</u>	<u>22,321</u>

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Notes to the financial statements
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13 Creditors: amounts falling due within one year (continued)

The Company has a GBP revolving credit facility (£20m) which is secured by a floating charge over the assets of the Company. None was drawn at the end of the year (2018: £nil).

Trade creditors comprise market creditors arising in the course of settlement. The Directors consider that the carrying value of creditors approximates their fair value.

14 Operating leases

Total minimum future lease commitments under non-cancellable operating leases are as follows:

	2019 £000	2018 £000
Within one year	1,293	295
Between one year and five years	8,158	278
In more than five years	6,255	191
	<u>15,706</u>	<u>764</u>

15 Share capital

Authorised:

2,500,000 (2018 : 2,500,000) Ordinary shares of £1 each

	2019 £000	2018 £000
	<u>2,500</u>	<u>2,500</u>

Allotted, called up and fully paid:

1,639,899 (2018 : 1,639,899) Ordinary shares of £1 each

	<u>1,640</u>	<u>1,640</u>
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16 Share premium account

At 1 January and 31 December

	2019 £000	2018 £000
	<u>3,271</u>	<u>3,271</u>

17 Other reserves

Other reserves of £10,000 (2018: £10,000) relate to share-based payments made by the company.

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18 Cash Flow Statement

Under FRS 102 the Company is exempt from the requirement to prepare a cash flow statement since the cash flows of the Company are included in Shore Capital Group Limited's financial statements for the year ended 31 December 2019, which are publicly available.

19 Related Party Transactions

The Directors and all other staff are entitled to deal in securities through the 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 all such transactions are not material to either the Company or the relevant individuals.

The Company has not disclosed normal trading transactions with other Group companies. The Directors are of the opinion that all such transactions are not material to either the Company or the other Group companies.

The Company has taken advantage of the disclosure exemption for transactions with group companies as provided by section 33 of Financial Reporting Standard 102. There were no other related party transactions requiring disclosure.

Central Group overheads of the parent company are recharged throughout the Group, including to this Company, by way of a management charge. Amounts charged during the year were as follows.

	2019	2018
	£000	£000
Recharged from Shore Capital Group plc	<u>1,172</u>	<u>527</u>

20 Parent Company

The immediate parent company is Shore Capital Markets Limited, 79.8% of which is owned by Shore Capital Group Limited, a company incorporated in Guernsey. Shore Capital Group Limited is the ultimate parent and controlling party for which 2019 consolidated financial statements were prepared. Group financial statements are available on application from Shore Capital Group Limited, 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD.

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21 Financial Instruments

The Company's financial instruments comprise, for the purpose of FRS 102 Section 11, trading assets and liabilities, intercompany debtors and creditors, trade and other debtors and creditors and cash resources. The main risks arising from the Company's financial instruments are market risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. The turnover of the Company all arises from dealings in equities.

a) Market Risk

The Company is exposed to market risk in respect of its trading in equities. The Company carries out a market making activity primarily in small and mid cap stocks. It also undertakes principal dealing on a limited basis. The fair value at the year end of positions arising from these activities is disclosed in the Financial Statements in the balance sheet for trading assets and liabilities.

The year end positions arising from market making activities are in line with those maintained throughout 2019. Both the maximum permitted size of each trading book and the maximum 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 Shore Capital Markets division and the Finance 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 follows:

2019

	Net equity £'000	Change in price %	Effect on profit and on equity £'000
Listed equities (net)	377	10%	38
UK Treasury gilts	2,418	10%	242
Warrants	446	10%	45

2018

	Net equity £'000	Change in price %	Effect on profit and on equity £'000
Listed equities (net)	2,080	10%	208
UK Treasury gilts	2,815	10%	282
Warrants	202	10%	20

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21 Financial Instruments (continued)

b) Interest Rate Risk

The Company does not have any long-term fixed borrowings and therefore is not exposed to any fixed interest rates.

The interest bearing financial assets and liabilities of the company comprise cash and cash equivalents and bank overdrafts as shown in the balance sheet. Cash and cash equivalents receive, and bank overdrafts pay, interest at floating rates linked to either bank base rates or money market rates. The Company has a £20m revolving credit facility, renewable annually.

Interest rate sensitivity analysis

Interest on financial instruments linked to floating rate is reset at intervals of less than one year.

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

	2019 £'000	2018 £'000
+100 basis point movement in interest rates	19	32
As a percentage of total shareholders' equity	0.06%	0.10%

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

c) Credit risk

The Company's principal financial assets are trading assets, cash and cash equivalents, trade debtors and other receivables.

The credit risk on cash and cash equivalents is limited as the counterparties are all well rated internationally recognised banks, supported by a government guarantee, and financial institutions.

The Company's main credit risk is attributable to its trade debtors and other receivables. The amounts shown in the balance sheet arise from the Company's trading in equities where the counterparties are mainly regulated financial institutions. As a result, the Company's counterparties are generally subject to certain minimum capital requirements which serves to limit the credit risk to the Company.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and clients. The carrying amount of trade debtors and other receivables represents the company's maximum exposure to credit risk for such loans and receivables.

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21 Financial Instruments (continued)

d) Liquidity Risk

Ultimate responsibility for liquidity management rests with the Board of Directors. The Company 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.

Maturity profile of financial liabilities

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

	Current and 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
2019					
Trading liabilities	2,562	-	-	-	2,562
Trade payables	24,561	-	-	-	24,561
Other liabilities	4,287	-	-	-	4,287
	<u>31,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,410</u>
	Current and 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
2018					
Trading liabilities	708	-	-	-	708
Trade payables	19,382	-	-	-	19,382
Other liabilities	2,601	-	-	-	2,601
	<u>22,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,691</u>

e) 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.

For trading portfolio assets and liabilities, financial assets and liabilities designated at fair value and financial investments available-for-sale 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).

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21 Financial Instruments (continued)

e) Fair value of financial instruments (continued)

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).

2019	Level 1	Level 2	Level 3	
	Quoted	Market	Non-market	
	market price	observable	observable	Total
	£'000	inputs	inputs	£'000
Trading assets and other holdings at fair value	5,357	-	-	5,357
Current asset investments at fair value	-	-	832	832
Warrants	-	446	-	446
Total financial assets	5,357	446	832	6,635
Trading liabilities	2,562	-	-	2,562
Total financial liabilities	2,562	-	-	2,562

2018	Level 1	Level 2	Level 3	
	Quoted	Market	Non-market	
	market price	observable	observable	Total
	£'000	inputs	inputs	£'000
Trading assets and other holdings at fair value	5,603	-	-	5,603
Current asset investments at fair value	-	-	721	721
Warrants	-	202	-	202
Total financial assets	5,603	202	721	6,526
Trading liabilities	708	-	-	708
Total financial liabilities	708	-	-	708

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

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22 Post Balance Sheet Events

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

The Company has considered the carrying value of its assets in the context of these developments. The Company's financial assets are fair valued on a mark-to-market basis or presented at their cash value. Fixed assets are expected to continue to be employed over their future useful lives. As such, the Company does not consider the pandemic to constitute an adjusting post balance sheet event and the results are presented accordingly.

23 Regulatory Disclosure

The Pillar III document is available on the Shore Capital Group Limited website, www.shorecap.gg.

The Company is required to comply with Article 89 of the Capital Requirements Directive IV (CRD IV) country by country reporting in order to comply with this requirement. The information below provides the relevant detail:

	2019	2018
	£000	£000
Entity Name	Shore Capital Stockbrokers Ltd	Shore Capital Stockbrokers Ltd
Nature of Activities	Institutional Stockbroker	Institutional Stockbroker
Geographic Location	UK	UK
Turnover	21,871	20,913
Average number of employees	95	80
Loss/(profit) before tax	(1,487)	2,810
Corporation tax paid	0	569

24 Contingent Liability

The Company acts as guarantor in respect of the final payment due by Shore Capital Markets Limited to the vendors of Stockdale Securities Limited, due to be made after 30 September 2020.