Ravenscroft

Annual Report & Consolidated Financial Statements

2019


6601,37
52 Wochen
Hoch
Vortag
Uhr

CONTENTS

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BUSINESS AND FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2019

Revenue increased by 24% to
£27.85m
(31 December 2018: £22.49m)

Assets Under Administration (AUA) increased by 16% to
£7.45b
(31 December 2018: £6.41b)

Recurring revenues increased by 26% to
£18.52m
(31 December 2018: £14.64m)

Non recurring revenues increased by 19% to
£9.34m
(31 December 2018: £7.85m)

Trading profit[1] increased by 33% to
£6.52m
(31 December 2018: £4.91m)

Statutory profit before taxation increased by 169% to
£6.59m
31 December 2018: £2.45m)

Statutory basic earnings per share of
45.15p
(2018: 16.45p)

The Board declared a dividend of **5.50p per share** in respect of the period 1 July 2019 to 31 December 2019 ("the 2019 H2 dividend") (2018 H2 dividend: 13p per share) resulting in a total annual dividend of
11p per share
for the year, a **40%** decrease (2018: 18.25p per share)

Ravenscroft

Financial Calendar

2020

6 April 2020	Dividend declaration date and publication of the 2019 Annual Report
8 April 2020	Ex-dividend date
9 April 2020	Dividend record date
17 April 2020	Dividend payment date

[1] This represents operating profit before share based payments expense. Refer to the business and financial review on page 9 for the calculation of trading profit. Trading profit is used by the Board to evaluate the performance of the Group.

COMPANY INFORMATION
YEAR ENDED 31 DECEMBER 2019

RAVENSCROFT HOLDINGS LIMITED (THE "COMPANY")

DIRECTORS

CURRENT DIRECTORS

S P Lansdown CBE
(Non-Executive Chairman)

D C Jones
(Inpedendent Non-Executive Director)

C D Barling
(Inpedendent Non-Executive Director)

R A Hutchinson
(Inpedendent Non-Executive Director)

J R Ravenscroft
(Group Chief Executive Officer)

M L C Bousfield
(Group Managing Director)

B M O'Mahoney
(Group Finance Director)

COMPANY SECRETARY

J Cook
(Group Company Secretary)
(until 25 October 2019)

D McGall
(Group Company Secretary)
(from 2 December 2019)

REGISTERED OFFICE

(effective 1 March 2019)
PO Box 222
20 New Street
St Peter Port, Guernsey GY1 4JG

FORMER REGISTERED OFFICE

PO Box 222, Level 5
The Market Buildings
Fountain Street
St Peter Port, Guernsey GY1 4JG

TISE LISTING SPONSOR

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

THE BOARD OF DIRECTORS

YEAR ENDED 31 DECEMBER 2019

Stephen Lansdown CBE

Non-Executive Chairman

Stephen is co-founder and former Chairman of Hargreaves Lansdown plc, the UK's largest independent private client brokerage and a member of the FTSE 100. A Fellow of the Institute of Chartered Accountants in England and Wales, Stephen was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012. He moved to Guernsey in March 2010 and has become a firm supporter of the local business, culture and sporting scenes. Stephen's many other business interests include investments in Africa, renewables and various sports teams. In June 2017 Stephen was awarded a CBE for his services to business and community in Bristol. Stephen became a shareholder in December 2012, was appointed as a Non-Executive Director to the Ravenscroft Limited Board in September 2015 and was named Chairman in June 2017. Stephen is also a member of the Nomination and Remuneration Committees.

Dominic Jones

Independent Non-Executive Director

Dominic holds a degree in law from the University of Bristol and was admitted to the English Bar in 1987 and the Paris Bar in 1992. He started his career in 1988 with Slaughter and May, and after a period in investment banking with Morgan Stanley joined Mourant, where he was a partner of Mourant Equity Compensation Solutions. He also held senior group board positions at leading European private equity fund administrators IPES and Alter Domus. In 2010, he joined his family's business, JPRestaurants, as an Executive Director. Dominic is a non-executive director of the General Partner of a leading Nordic private equity fund and a council member of the National Trust for Jersey. He was appointed to the Ravenscroft Limited Board on 18 March 2014, is a member of the Nomination and Audit Committees and is Chairman of the Remuneration Committee.

Christopher Barling

Independent Non-Executive Director

Chris holds a first class honours degree in computer science from Brunel University and has over 40 years' IT industry experience. For eight years he was a Non-Executive director of Hargreaves Lansdown plc, latterly as Senior Independent Director and Chairman of the Remuneration Committee. He was the co-founder of Actinic Software Limited, a software company specialising in e-commerce solutions for SMEs. Chris specialises in product development and digital business with current directorships including Powered Now Ltd, which provides software and services for small trade companies, and The Bot Platform Limited, which develops chatbots for large companies. He was appointed to Ravenscroft Holdings Limited as a Non-Executive Director and Chairman of the Nomination Committee on 1 September 2018. Chris is also a member of the Remuneration and Audit Committees.

Robert (Rob) Hutchinson

Independent Non-Executive Director

Rob qualified as a Chartered Accountant in 1990 and spent 28 years with KPMG. He led the firm's fund and private equity practices for seven years and served as Head of Audit for KPMG in the Channel Islands for five years until 2013. Rob retired from practice in 2014. He is a Fellow of the Institute of Chartered Accountants in England and Wales and has served as President of the Guernsey Society of Chartered and Certified Accountants between 2007 and 2009. Rob now holds several non-executive directorships including a board position on the Guernsey Sports Commission LBG, a registered charity. He was appointed to Ravenscroft Holdings Limited as a Non-Executive Director and Chair of the Audit Committee on 1 November 2018 and is also a member of the Nomination and Remuneration Committees.

Jon Ravenscroft
Group Chief
Executive Officer

Jon founded Ravenscroft in 2005. He has more than 30 years' experience in stockbroking. Jon started his career in stockbroking in 1983 as a trainee dealer at Sheppards & Chase and then spent a short time in the Isle of Man before returning to Guernsey to establish a stockbroking office that is now Canaccord Genuity Wealth (International) Limited (formerly Collins Stewart (CI) Limited). He was educated at Elizabeth College in Guernsey and Millfield School in the UK. Jon is a Fellow of the Chartered Institute for Securities and Investment ("CISI").

Mark Bousfield
Group Managing Director

Mark joined Ravenscroft in 2008, having previously been head of discretionary portfolio management at Brewin Dolphin Limited, Guernsey. Prior to that, he worked at Matheson Securities Limited and Credit Suisse (Guernsey) Limited. Mark was educated at Elizabeth College, Guernsey and the University of Leeds where he studied geography and politics. He is a Fellow of the CISI, having completed the CISI Diploma, and also a Chartered Wealth Manager.

Brian O'Mahoney
Group Finance Director

Brian joined Ravenscroft as Group Finance Director in July 2015 having previously worked at Legis Group where he performed a similar role. He was instrumental in steering Legis Group through its initial management buyout and subsequent industry sales. Prior to Legis, Brian worked at Kleinwort Benson for 13 years, ultimately becoming Chief Financial Officer for the Channel Islands, a role he held for a number of years. Brian is a Fellow of the Institute of Chartered Accountants in Ireland and holds a finance based MBA from Manchester Business School.

CHAIRMAN'S STATEMENT

YEAR ENDED 31 DECEMBER 2019

As I write this update to you, our clients and shareholders, it is my job to reflect on the financial year gone by and to update you on the successes and developments within the business. There have thankfully been many positives from which to choose, including fantastic growth of profitability, assets under administration and headcount.

It would however be remiss of me not to comment on the current global situation – specifically COVID-19 and the resultant effect on stock markets, economics and society. While current events, in the strictest sense, fall outside of the period of these financial statements, they are of course entirely relevant to our business, our clients, our staff and our plans.

At the time of writing, the COVID-19 virus is wreaking havoc across the globe. Many countries are on lockdown, global travel has all but ground to a halt, face-to-face meetings have ceased completely and there is no industry, business or sector that has not been affected. Our priorities during this period are the health and safety of our clients, staff and peers, and the ability of our business to continue its operations in even the most challenging of circumstance. I would like to reassure you that our Business Continuity Plan is now in full swing and 100% of our staff, across four separate offices, are now working from home. Whilst this was, of course, not a simple task, I have been incredibly impressed with the effort, positivity and flexibility displayed by the Ravenscroft team in making this happen. All members of staff are fully functioning and we anticipate absolutely no disruption to client service.

The markets have understandably reacted badly to the outbreak - combined with other factors - and this has a direct effect on our future performance and our AUA. I would encourage our clients and shareholders to remain calm and to remember that market shocks are a very normal part of any market cycle. Ravenscroft is here to help guide you through the ups and downs of the markets, so please do get in touch to discuss any aspects of your portfolio.

In positive news, we are thrilled to have completed our acquisition of Tees Investment Management Limited ("TIML"); an established investment business based in Bishops Stortford UK, which was the investment arm of Tees Law. Tees Law was founded in 1913 by its namesake Herbert Stanley Tee and currently offers both legal and financial services across East Anglia. Like A Vartan Limited (trading as Vartan Ravenscroft), they have a predominantly local client base with many multi-generational relationships and both companies have a "client first" ethos and dedication to building and maintaining personal relationships. It is this ethos that makes this business an ideal fit for the Ravenscroft brand. The TIML team brings with them 900 existing clients and a wealth of valuable experience.

As one door opens, sometimes another must close. Following a strategic review of the business by both Tavira and Ravenscroft, it has been mutually agreed to end the joint partnership in Monaco. Whilst the physical office is now closed, we maintain new and flourishing relationships that we developed during our time in the Principality.

As you will see for yourselves on the following pages, Ravenscroft is delighted to report another successful year financially. Profits have risen and costs have been contained. Investment into innovation continues via our new operating platform and we also continue to invest into the development of our staff and their knowledge via various examinations and training programmes. These two fundamental resources will provide solid foundations of our planned future growth.

Considering the current COVID-19 pandemic and the uncertainty regarding how this will affect the economic backdrop going forwards, the Board has made the decision to announce a conservative dividend of 5.50p. We are confident that our shareholders will support our decision to opt for financial prudence at this moment in time.

The dedication and endeavour of the staff at Ravenscroft to give our clients the best possible service is the major reason for our success, and I should therefore like to take this opportunity to thank them for all their hard work over this financial year and in the years to come.

In what is set to be a difficult period for financial markets, I would like to take this opportunity to reassure you that Ravenscroft is a robust, financially sound and reliable business that remains entirely committed to offering our clients and shareholders the best possible experience in their investment and financial ventures.

Stephen Lansdown CBE
Chairman
6 April 2020

BUSINESS AND FINANCIAL REVIEW

YEAR ENDED 31 DECEMBER 2019

Jon Ravenscroft
Group Chief Executive Officer

GROUP BUSINESS REVIEW

	31 December 2019 £'000	31 December 2018 £'000	Year on Year Change
Revenue			
recurring revenue	18,515	14,643	26%
non-recurring revenue	9,337	7,851	19%
Total revenue	27,852	22,494	24%
Gross profit	24,325	19,236	26%
Operating expenses (excluding share based payments expense)			
Administrative expenses	(16,806)	(14,043)	20%
Depreciation and amortisation	(1,001)	(280)	257%
Trading profit	6,518	4,913	33%
Assets under administration (£m)	7,453	6,411	16%

The Board evaluates the performance of the Group using trading profit disclosed above, as the Board believes that this provides period to period comparability before the effects of the share based payment schemes are recognised. The only adjustment to the statutory International Financial Reporting Standards as adopted by the European Union ("IFRS") information presented in determining these alternative performance measures is the deduction of the relevant period's shared based payment expense.

Group business review

I am pleased to report that 2019 saw a very robust performance from the Group reflecting the trust and loyalty of our clients and shareholders, and the hard work and dedication of our staff.

The Group continues to grow across all areas, with the Cash Management business in particular reflecting good results in 2019 off the back of stable interest rates and robust client flows. As we grow we have continued to hire staff with the skills required for us to deliver a seamless client offering across jurisdictions, and to keep abreast of the ever changing regulatory environment. Our operating platform upgrade is reaching the final stages and is due for launch in late 2020, which will allow us to be more flexible in how we offer services to clients.

Revenue

We are proud to present revenues which have increased by 24% to £27.85m (2018: £22.49m). A 26% increase in recurring revenues to £18.52m (2018: £14.64m) reflects the long-term sustainability and durability of the majority of the Group's revenue. Pleasingly, all areas of the business contributed to this increase, but of particular note was Cash Management £2.16m (acquired in late 2018 thus a large percentage of the increase here reflects the full effect of 2019), Investment Management £822k, Corporate Finance £412k and CI Broking £270k. These increases are reflective of newly acquired businesses and the hard work undertaken over a number of years to attract assets to our business and to ensure we manage and invest them effectively.

Revenue continued

Non-recurring revenue increased by 19% to £9.34m (2018: £7.85m) mainly due to corporate finance transactional revenue, for which 2019 was an exceptionally strong year.

Trading profit

Trading profit increased by 33% to £6.52m (2018: £4.91m). This reflects the revenue increases described above, alongside our ability to manage costs despite the fast growth of the Group.

The increase in administrative expenses can be attributed mainly to the annualised effect of employing staff during 2018 (including the new business acquired) as well as the effect of employing staff during the current year and performance related remuneration.

The increase in depreciation and amortisation is due to the first time adoption of IFRS 16 *Leases*, which has resulted in depreciation and impairment on the right-of-use assets (see Note 2) in 2019 and the depreciation of the newly acquired office building in Guernsey.

Statement of financial position and cash flows

At the 2019 year end, the Group had net assets of £19.61m (2018: £16.85m), including cash balances of £7.41m (2018: £5.13m).

The Group manages its capital to ensure that all Group entities will be able to continue as going concerns while aiming to maximise the return to shareholders. The capital structure of the Company consists of borrowings (see Note 15) and equity attributable to shareholders of the Company, comprising issued share capital, share premium and reserves as disclosed in the consolidated statement of changes in equity.

It is the responsibility of the Board to review the Group's gearing levels on an ongoing basis and as such it carries out extensive on-going cashflow forecasting. As described in Note 25, in February 2020 the Company committed to a further loan facility of £3.75m with Investec Bank (Channel Islands) Limited and has to date drawn down £2m to fund expansion in line with our plans.

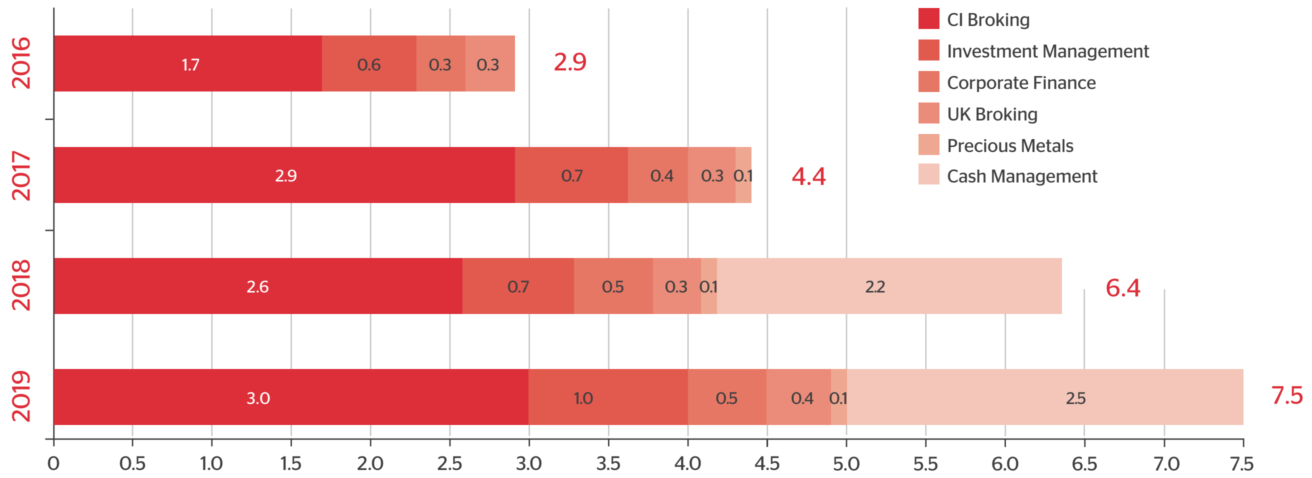
Five of the Group's subsidiaries, Ravenscroft Limited ("RL"), Ravenscroft Investment Management Limited ("RIML"), A Vartan Limited (trading as Vartan Ravenscroft), Ravenscroft Cash Management Limited ("RCML") and Ravenscroft Custody Services Limited ("RCSL") are required to maintain minimum financial resources in accordance with the rules of their respective regulators. These requirements vary from time to time depending on the business conducted by these companies. The companies' financial resources are reviewed on an ongoing basis and the levels maintained are considered by the Board as sufficient to meet the companies' commitments and withstand the risks to which they are subject.

RL, through its Jersey branch, is regulated by the Jersey Financial Services Commission ("JFSC") under the Financial Services (Jersey) Law, 1998. The Group's Guernsey subsidiaries regulated by the Guernsey Financial Services Commission ("GFSC") are RL, RIML, RCML and RCSL. Vartan Ravenscroft is regulated by the Financial Conduct Authority ("FCA"). The Group's subsidiaries have complied with the applicable capital adequacy requirements to which they are subject during the period under review.

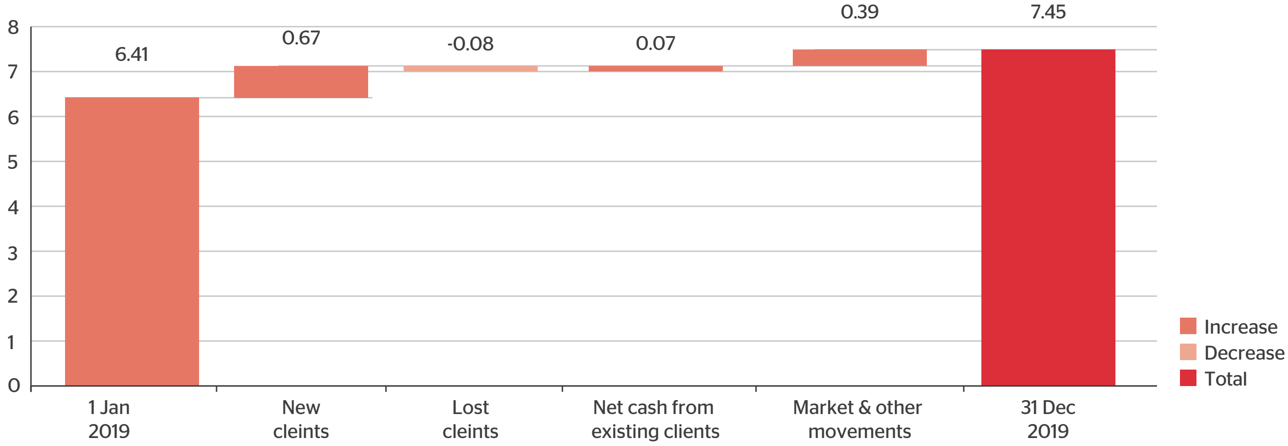
Assets Under Administration ("AUA")

The AUA of the Group grew organically during the year, rising by 16% to £7.45b (2018: £6.41b). This year-on-year increase was achieved through £668m of new clients; £73m (net) from existing clients; (£84m) from clients who have left; and £389m positive market movements.

Group AUA (£ billions)



AUA Movement 2019 (£ billions)



Earnings per share

Basic earnings per share of 45.15p and diluted earnings per share of 42.11p have increased by 28.70p and 27.06p respectively (2018: basic earnings per share of 16.45p and diluted earnings per share of 15.05p) reflecting the increased profitability in 2019 and lower share based payments expense.

The dilutive effect reflects the potential exercise of staff share options. As at the year end date, all outstanding share options had a dilutive effect, as the then share price of £6.50 exceeded the exercise price of the options.

Share based payments expense

The share based payments expense in 2019 of £63k (2018: £2.68m) has decreased significantly as a result of the 2016 Share Incentive Scheme and tranche 1 of the Share Option Plan having fully vested in 2018, tranche 2 of the Share Option Plan fully vesting in September 2019 and the early closure of the Share Award Scheme in 2018 (see Note 20).

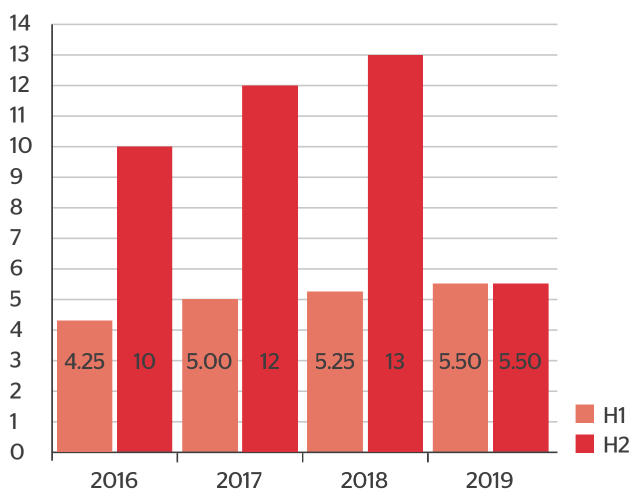
Dividend

The Board declared a conservative dividend of 5.50p per share in respect of the period 1 July 2019 to 31 December 2019 ("the 2019 H2 dividend") (2018 H2 dividend: 13p per share) to be paid on 17 April 2020.

This reduced level reflects the current uncertainty and disruption that COVID-19 has had, and continues to have, on economies and markets around the world.

This results in a total annual dividend for 2019 of 11p (2019 H1 dividend of 5.50p per share) representing a decrease of 40% from the prior year total of 18.25p

Dividend declared (pence per share)

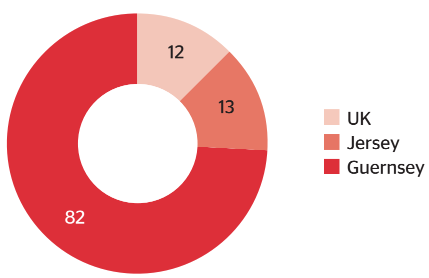


People

We recognise that our staff are a key resource of the business and that quality of leadership and the highest level of client service is vital to the success of the Group. The Board continually strives to improve the engagement and motivation of our people in order to improve business performance, and we ensure heads of department understand what is expected of them in developing their teams.

As at 31 December 2019, the Group employed a total of 107 (2018: 95) permanent staff across the three offices. Post year-end, through the acquistion of Tees Investment Management Limited in February 2020, the Group acquired a fourth office in Bishop's Stortford and a further three staff (see Note 25).

Group Headcount 2019



Ravenscroft
in the communities


Our extra miles
result in
extra smiles
Ravenscroft
www.ravenscroftgroup.com


Ravenscroft
Investments for everyone @ www.ravenscroftgroup.com


The Guernsey Press and Star
Angel of the
Year
Ravenscroft
erating Theatre team

Corporate Social Responsibility

As we have from our early days, Ravenscroft continues to help the communities within which we operate with financial support to charities, sport, voluntary organisations, schools and events. In 2019, nearly 150 recipients benefited from Ravenscroft's support, which ranged from hampers for raffles through to annual sponsorships.

Over the past two years, we have begun to focus on larger and mass participation initiatives, which allows us to extend the Ravenscroft brand further into our communities. We have also balanced our commitments more evenly across all our jurisdictions. Our involvement in sport is generally aimed at the grass roots level so that we can develop the potential of young people and encourage them to be active for both their physical and mental wellbeing. We sponsor cricket, football, hockey and rugby initiatives and support some of the Channel Islands' leading young sports stars including racing driver Sebastian Priaulx, footballer Maya Le Tissier and triathletes Josh Lewis and Jack Kennedy. In 2019, we became the sole sponsor of the Lions Jersey Swimarathon and continued our sponsorship of the Super League Triathlon, the Weekender and Island Games 2021. In 2019, we stepped in to ensure that St Peter Port had bunting during the summer months with our staff giving up their own time to help put up the flags.

We have sponsored the Angel of the Year category at both the Pride of Jersey and Pride of Guernsey Awards as well as the Island FM and Channel 103 Christmas Toy Appeal, which sees generous islanders donating gifts for underprivileged youngsters in the islands. We have continued our long-standing support of the Priaulx Library, St James Concert and Assembly Hall and Ladies College. We have weekly dress down days and fundraising events internally to support local charities which have been chosen by our staff and we also support Ravenscroft teams and individuals in sporting challenges which in 2019 included ultra-marathons, netball and cricket.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group are detailed below. The risks outlined are those that the Board believes have the potential to have a significant detrimental impact on the Group's financial performance and future prospects.

Reputational risk

We consider the greatest risk to our business comes from the potential loss of its reputation. Many of the below listed risks have the potential to damage our reputation and are recognised and managed accordingly. In addition, we recognise new business as an area of significant potential reputational risk. Whilst entrepreneurial employees are encouraged to develop new clients and varied streams of revenue, all new business is subject to a rigorous take-on process and risk rating review, as well as on-going controls and monitoring to ensure that it meets the Group's strict new business criteria.

Employee risk

Our employees are the Group's greatest asset and all future successes are dependent on our ability to attract and retain high quality executives and employees. We seek to minimise employee risk by rewarding staff members through an attractive remuneration package, which includes performance-based payments that align the interests of both employees and shareholders, whilst avoiding the encouragement of excessive individual risk taking. We conduct annual appraisals and semi-annual reviews, which include an assessment of whether the employee conforms to both regulatory and other Group-required standards.

Regulatory risk

Regulatory changes arising in any of the Group's current jurisdictions, which could potentially impair the Group's ability to provide services, would adversely affect our ability to trade and achieve our strategic objectives.

There has been, and continues to be, considerable regulatory change in Guernsey, Jersey and the UK. Guernsey introduced a new AML Handbook on 31 March 2019 and a National Risk Assessment was released in February 2020. Jersey commenced its National Risk Assessment in 2018, with further and ongoing requests for information. The Senior Managers regime came into force in December 2019 in the UK. We have formed working parties to ensure we proactively embrace the changes in order to meet the new requirements. Our technology and data driven operational model enables us to rapidly respond to the ever increasing volume of information requests from our various regulators. Before entering any new jurisdiction, we ensure that we understand and can comply with the relevant regulation.

Business continuity risk

There is a risk that any incident we are affected by, directly or indirectly, such as disruption to utilities and services, office closures or pandemic occurrences, could potentially damage the Group's infrastructure or affect key employees, which in turn could cause financial loss. Business continuity planning is in place across the Group in order to maintain operations with minimum disruption, through a combination of business continuity planning, duplicated infrastructure and remote facilities. Regular testing of the business continuity plan is undertaken. The threat of disruption from COVID-19 is recognised and appropriate measures are in place and is constantly monitored in order to attempt to mitigate this risk. Since the year end date the Group has successfully implemented its Business Continuity Plan and all staff are currently working remotely.

Information security risk

Technology and information security are central to the Group's business. Information security risk is defined as the risk of loss resulting from cyber-crime, malicious disruption to our networks from the theft, misplacing, interception, corruption or deletion of information. Cyber-crime attacks continue to grow in terms of scale and complexity. All internet traffic, both outgoing and incoming, is routed through state of the art cyber security mechanisms by our service provider, CORVID Protect Limited, that constantly screen for unusual or suspicious traffic, both inward and outward. External access to our systems is protected by two factor authentication and all traffic is encrypted. Internally, all drives are locked down to prevent data transfer unless specifically authorised and enabled. Ravenscroft servers are housed in a highly secure and resilient data centre in Guernsey with a minimum of daily offsite backups. The network is protected with industry standard firewalls and ant-virus measures and all server patching is maintained to appropriate levels.

Strategic risk

The Group's business strategy is to deliver the core operational services centrally from Guernsey, to both existing and new jurisdictions. The ability to scale our operations efficiently and effectively is key to sustainable and geographically diverse growth. The Board appointment of Christopher Barling, an experienced systems professional, reflects the importance we attach to this area. In 2020, the Group will launch its transformational systems and operations platform, which has received substantial investment in both monetary and staff terms. The associated implementation risk is high and this is being managed through the appointment of an experienced project manager reporting directly to the Group Chief Operating Officer and Head of Risk. We have also assigned sufficiently experienced and qualified staff available to support the project whilst ensuring day-to-day business does not suffer.

Operational risk

Operational risk is the risk that the Group suffers a loss, directly or indirectly, from inadequate or failed internal processes, people, systems, or external events. Compliance personnel and senior management ensure that significant operational risks and the mitigation thereof, including appropriate control systems, are continually reviewed. Where applicable, a corrective action plan is put in place.

Liquidity risk

The Group has in place a robust liquidity risk management framework for the management of all short, medium and longterm funding, and any liquidity management requirements. We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Given the nature of our business, other than borrowings, the Group does not run any significant liquidity mismatches. Financial liabilities are, on the whole, short term and we have sufficient cash retained to cover all non-client and market liabilities. The Group manages its liquidity risk on funding by continuously assessing the Group's cash flow, forecasting forward, and horizon scanning to ensure that the Group maintains sufficient cash flow to repay both the principal and interest requirements as they fall due.

Economic conditions

The Group is broadly dependent on the health of the UK and global financial markets. The impact of poor economic conditions on our clients and the markets has the potential to adversely influence the Group's overall financial performance and prospects. Specific examples that could affect the Group include a reduced level of securities trading as well as a general decline in the value of AUA, as is currently the case with the COVID-19 pandemic. The Group has a business model that seeks to minimise the impact of poor economic conditions by continually reviewing its cost base and, more importantly, by having a flexible remuneration structure in place which is geared to overall financial performance.

Client asset custody

The Group recognises that it has physical asset custody risk at Ravenscroft Precious Metals Limited (trading as BullionRock). The Group insures against this risk and implements stringent controls around both the segregation of duties and the movement of bullion in order to mitigate this risk.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

The Directors present their report on the consolidated financial statements of the Group for the year ended 31 December 2019. Ravenscroft Holdings Limited ("the Company") was registered in Guernsey on 4 May 2016 and is listed on The International Stock Exchange ("TISE"). Prior to the Group reorganisation in April 2018, Ravenscroft Limited ("RL") was the TISE listed holding company of the Group.

Principal activity

Ravenscroft Holdings Limited and its subsidiaries (together the "Group") is an investment services business providing; advisory investment, execution only trading, market making, discretionary investment management, institutional fund management, corporate finance, cash management, property investment and precious metals dealing and storage, to private and institutional clients in Guernsey, Jersey and the UK.

Directors

The Directors of the Company who held office during the current year and to the date of signing are as follows:

Current Directors

S P Lansdown CBE
D C Jones
C D Barling
R A Hutchinson
J R Ravenscroft
M L C Bousfield
B M O'Mahoney

Election and re-election of Directors

In accordance with the Company's Articles of Incorporation, the Directors are obliged to retire by rotation and are eligible for re-election at the third Annual General Meeting ("AGM") after their initial election. Any Director appointed by the Board holds office only until the next AGM when they are eligible for re-election.

At the Company's AGM held on 24 June 2019 the following appointments were made by the shareholders:

- Stephen Lansdown CBE was re-elected as a Non-Executive Director of the Company having been appointed to the Board on 15 March 2018;
- Robert Hutchinson was elected as a Non-Executive Director of the Company having been appointed as a Director by the Board on 1 November 2018;
- Mark Bousfield was re-elected as an Executive Director of the Company further to his appointment to the Board on 15 March 2018;
- Brian O'Mahoney was re-elected as an Executive Director of the Company further to his appointment to the Board on 15 March 2018;
- Dominic Jones was re-elected as a Non-Executive Director of the Company having been appointed to the Board on 15 March 2018;
- Christopher Barling was elected as a Non-Executive Director of the Company having been appointed as a Director on 1 September 2018.

Attendance at meetings	Company Board Meetings
Total number of meetings in the year	**5**
J R Ravenscroft	5
D C Jones	5
B M O'Mahoney	5
S P Lansdown CBE	5
M L C Bousfield	5
C D Barling	5
R A Hutchinson	5

Attendance at scheduled Committee meetings	Audit Commitee	Nomination Commitee	Remuneration Commitee
Total number of meetings in the year	**3**	**2**	**2**
D C Jones	3	2	2
S P Lansdown CBE (appointed to Remuneration Committee 19/09/2019)	-	2	1
C D Barling	3	2	2
R A Hutchinson	3	2	2

Directors' interests in Ordinary Shares of Ravenscroft Holdings Limited

The current Directors had interests in the ordinary share capital of the Company as shown below:

	31 December 2019		31 December 2018	
	No. of shares	Interest	No. of shares	Interest
J R Ravenscroft [1]	1,656,567	11.84%	1,616,067	11.55%
D C Jones [2]	75,000	0.54%	75,000	0.54%
S P Lansdown CBE [3]	3,836,410	27.43%	3,700,000	26.45%
B M O'Mahoney [4]	200,063	1.43%	200,063	1.43%
M L C Bousfield [5]	478,517	3.42%	478,517	3.42%
R A Hutchinson	11,350	0.08%	11,350	0.08%

[1] These are held by TEMK Investments Limited, an investment company where the beneficial owners are Mr J and Mrs J Ravenscroft.
[2] 60,000 of these shares are held by Les Teurs Champs Investments Limited where the beneficial owner is Mr D Jones with the remaining 15,000 being held directly by Mr D Jones.
[3] These are held by Pula Investments Limited, an investment company where the beneficial owners are Mr S and Mrs M Lansdown.
[4] 12,500 of these shares are held by the Trustees of the Powerscourt RATS where the beneficial owner is Mr B O'Mahoney with the remaining 187,563 being held directly by Mr B O'Mahoney.
[5] 36,750 of these shares are held by the Trustees of the Bozz RATS where the beneficial owner is Mr M Bousfield with the remaining 441,767 being held directly by Mr M Bousfield.

Directors' interests in share options in Ravenscroft Holdings Limited

The current Directors had interests in options over ordinary shares in the Company as shown below:

Name of Director	31 December 2019	31 December 2018	Exercise price	Grant date	First possible exercise date	Expiry date
J R Ravenscroft	100,000	150,000	375p	18.11.15	18.11.18	18.11.25
J R Ravenscroft	50,000	50,000	405p	13.02.17	13.02.20	13.02.27
M L C Bousfield	50,000	50,000	375p	18.11.15	18.11.18	18.11.25
M L C Bousfield	50,000	50,000	375p	20.09.16	20.09.19	20.09.26
M L C Bousfield	50,000	50,000	405p	13.02.17	13.02.20	13.02.27
M L C Bousfield	50,000	50,000	425p	18.09.17	18.09.20	18.09.27
B M O'Mahoney	100,000	100,000	375p	18.11.15	18.11.18	18.11.25
B M O'Mahoney	50,000	50,000	405p	13.02.17	13.02.20	13.02.27
B M O'Mahoney	25,000	25,000	425p	18.09.17	18.09.20	18.09.27

Non-Executive Directors' Remuneration

Each of the Non-Executive Directors have signed a letter of appointment with the Company setting out the terms of their appointment including their annual remuneration. Under the terms of these letters each director is entitled to receive annual remuneration of £40k per annum.

In addition to these fees, the Company reimburses all reasonable travel and other incidental expenses incurred by the Non-Executive Directors in the performance of their duties.

All remuneration of the Non-Executive Directors is in the form of annual remuneration and did not include any performance-related compensation.

Dividend

The Board declared a dividend of 5.50p per share in respect of the period 1 July 2019 to 31 December 2019 ("the 2019 H2 dividend") (2018 H2 dividend: 13p per share) to be paid on 17 April 2020.

Going concern

After making enquiries and reviewing the Group's forecasts and projections, repayment and servicing of borrowings, and taking account of possible changes in and stress testing trading performance given the current global disruption caused by COVID-19 (see Note 25), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Directors' and Officers' liability insurance

The Group maintains liability insurance for the benefit of the Company's Directors and Officers.

Auditor

The independent Group Auditor, PricewaterhouseCoopers CI LLP, has indicated its willingness to continue in office. A reappointment resolution will be proposed at the Annual General Meeting.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing financial statements for each financial year that give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the 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.

So far as the Directors are aware, there is no relevant audit information of which the Group's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 6 April 2020 and signed on its behalf by:

Brian O'Mahoney
Director

Rob Hutchinson
Director

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2019

Introduction

The Company is not subject to the Finance Sector Code of Corporate Governance (the "Code") issued by the Guernsey Financial Services Commission ("GFSC") but has adopted it by way of best practice as the Board fully supports high standards of corporate governance. It is the Directors' opinion that throughout the year to 31 December 2019 the Company has complied fully with the principles set out in the Code.

The role of the Board

The Directors collectively bring a broad range of relevant business experience to the Board and this is considered essential for the effective management of the Company. The Board is responsible for both the strategy and a clear governance structure, which reflects the demands and complexities of the external environment, the Company's values and standards, risk appetite, internal controls and key policies. It reviews financial performance, regulatory compliance, monitors key performance indicators, risk management processes and will consider any matters of significance to the Group including but not limited to corporate activity.

The Board has established a number of committees to which it delegates certain authorities. These committees analyse and review specific issues and their activities and decisions are reviewed and approved by the Board at each quarterly Board meeting. The day-to-day management of the Company's business is delegated to the Executive Directors.

The composition of the Board

The Board consists of three Executive and four Non-Executive Directors who each contribute a range of complementary skills, balance, knowledge and experience. Details of the individual Directors and their biographies are set out on pages 6 and 7.

Roles of Chairman and Group Chief Executive Officer

The roles of the Chairman and Group Chief Executive Officer are separated, ensuring a clear division of authority and responsibility at the most senior level within the Group.

Chairman

The Non-Executive Chairman is Stephen Lansdown CBE. He is responsible for the leadership of the Board and ensuring the effective running and management of the Board. He is also responsible for the Board's oversight of the Group's affairs, which includes ensuring that the Directors receive accurate, timely and clear management information, ensuring the effective contribution of the Non-Executive Directors and implementing effective communication with shareholders.

Group Chief Executive Officer, Group Managing Director and Group Finance Director

The Group Chief Executive Officer is Jon Ravenscroft. His responsibilities include the progress and development of objectives for the Group, as well as overseeing the executive leadership of the Group and ensuring continuing effective communication with shareholders.

Mark Bousfield as Group Managing Director and Brian O'Mahoney as Group Finance Director support Jon in his role. Together, Mark and Brian are responsible for day-to-day oversight of operations, managing the Group's risk exposure, implementing the Board's decisions and communicating with regulatory bodies. They are assisted by Andrew Courtney, Director of Ravenscroft Limited and Chief Operating Officer & Head of Risk for the Group.

Non-Executive Directors

Together with the Non-Executive Chairman, the Board comprises a further three Non-Executive Directors as at 31 December 2019, with each bringing independent judgement, knowledge and relevant experience to the Board.

The Board is of the opinion that each Non-Executive Director acts in an objective manner. The Board's opinion is determined by considering whether each Non-Executive Director is independent in character and judgement, their conduct at Board and committee meetings, whether they, or any other Director, have any interests that may give rise to a potential or an actual conflict of interest and whether they act in the best interests of the Group.

The Non-Executive Directors also scrutinise the performance of the Group's management team and monitor the reporting of performance in order to support the objectives of the Group.

Board meetings and information to the Board

The Board has regular scheduled Board meetings and ad-hoc meetings as and when deemed necessary. During the year there were four scheduled Board meetings. The Executive Directors are also in regular contact with the Non-Executive Directors regarding ongoing developments throughout the year.

Before each Board meeting the Directors receive comprehensive papers and reports on the matters to be discussed at the meeting. In addition to Board papers, Directors are provided with relevant information between meetings. The Group maintains a conflicts of interest policy and register, and the Board has put in place a procedure to identify and address situations where conflicts of interest may arise and implement a programme of mitigation wherever necessary.

Support to the Board
Ad-hoc meetings may be held by the Board-appointed committees in order to provide additional support to the Board when deemed necessary. In addition, any Director wishing to do so may take independent professional advice at the expense of the Company. All Directors are able to consult the Company Secretary, who is responsible for ensuring that Board procedures have been prepared and followed throughout the year.

Board evaluation
The annual Board evaluation seeks to identify whether the Board has demonstrated the appropriate standards in practice during the period, in line with the Code. Each Director has taken part in a review that analyses the individual and collective skills, expertise and independence required for the Company to achieve its objectives. Among other matters, the evaluation challenges the Directors to consider if they have received appropriate management information, consider the Board's balance and composition, delegation, succession planning and if they have committed the required time to the Company in order for them to be able to discharge their responsibilities effectively.

Board committees
The Board has established a supporting committee structure in line with the Code. The Board has three committees; namely the Audit Committee ("Audit-Co"), the Remuneration Committee ("Rem-Co") and the Nomination Committee ("Nom-Co"), as described below. Each committee's Terms of Reference are regularly reviewed by the Board and clearly define each committee's responsibilities and duties. During the period, each committee of the Board has taken part in an evaluation process that analyses the individual and collective skills of the members and the performance of the committee to ensure that it is achieving its objectives in line with the committees Terms of Reference, which are tabled and considered at each meeting.

Audit Committee
The Audit-Co comprises three Non-Executive Directors; Dominic Jones, Christopher Barling and Rob Hutchinson who acts as the chairman. The Audit-Co meets formally at least three times a year, plus additional ad-hoc meetings when necessary. Other Directors, members of staff and the external Auditor may be invited by the Audit-Co chairman to attend these meetings, as deemed appropriate.

During the period, the Audit-Co reorganised the Group's Risk Committee ("Risk-Co") reporting lines so that the Risk-Co formally reports directly into the Audit-Co. Andrew Courtney, Head of Risk for the Group, reports directly to the Audit-Co to highlight any Group-wide risk management and control issues that have been identified by the Risk-Co, which in turn the Audit-Co may escalate to the Board. Through this process, the Risk-Co has been able to identify a number of emerging risks to the Audit-Co, which have been addressed and mitigated effectively and expeditiously.

The Risk-Co is the internal control unit tasked with the reviews processes, risks and controls (prioritised by criticality) and makes recommendations to the Audit-Co and the Board on improvements.

In addition, enhancements have been made to the Group's Whistleblowing Policy. All staff members were notified of these changes during the period.

The Audit-Co's Terms of Reference details the scope and responsibilities of the committee and are available from the Company Secretary upon request. Alternatively, they may be downloaded from the Group's website: www.ravenscroftgroup.com.

External Auditor
The Audit-Co is responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditor. Following a tender process in 2013, PricewaterhouseCoopers CI LLP was appointed as the Group's external Auditor on 11 October 2013. There are currently no plans to re-tender. The Audit-Co receives and reviews audit plans and reports from the external Auditor. It is standard practice for the external Auditor to meet with the Audit-Co in private, without the Executive Directors present.

In assessing the effectiveness of the external audit process, the Audit-Co reviewed the overall performance and the independence of the external Auditor, taking into account its regular dealings with the external Auditor, the views of the management team, the cost effectiveness of the audit and the maintenance of objectivity. As part of the external Auditor's independence procedures the engagement leader will rotate from the audit having served the maximum allowed in accordance with ethical standards. Accordingly the Audit-Co are satisfied that this change is appropriate.

The decision to recommend the re-appointment of the external Auditor was based on the Audit-Co's monitoring of the external Auditor's performance, behaviour and effectiveness during the exercise of its duties.

Safeguarding Auditor objectivity and independence

The external Auditor reports to the Audit-Co on its independence twice a year at the interim review and the audit planning stages. The Audit-Co and the Board consider that the approach taken by the external Auditor in evaluating its independence from the Group is sufficiently comprehensive, covering regulatory, professional and relevant ethical requirements, and is in line with the non-audit services policy. However, the Audit-Co continues to review the fees charged for non-audit services and gives due consideration as to whether any additional work performed by the external Auditor may potentially compromise their independence. The Audit-Co also gives due consideration to appointing other firms where it is felt that the impact of an assignment may compromise the independence of the external Auditor.

The following table summarises the remuneration paid to the external Auditor for audit and non-audit services during the year ended 31 December 2019:

	£'000
Audit fees	
Group audit fees	142
Non-audit services fees	
Half year review	20
Total	**162**

Financial reporting and significant financial issues

The Audit-Co assesses whether suitable accounting policies have been adopted and whether the management team has made appropriate estimates and judgements and provided adequate management information to the Audit-Co when considering these matters. The Audit-Co reviews reports from the external Auditor that highlight any issues in respect of the work undertaken on the audit when looking at various risks and uncertainties faced by the Group, and, where necessary, accounting papers from the management team that provide details on the main financial reporting judgements.

Following a review of the reports from the external Auditor and management team, and consulting where necessary with the external Auditor, the Audit-Co is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect of the amounts reported and the disclosures). The Audit-Co is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Internal control and risk management

The Board is responsible for identifying, evaluating and managing significant risks faced by the Group. It acknowledges that it is responsible for the Group's system of internal controls and for setting the control framework including financial, operational, contingency, compliance controls and risk management systems.

The Board reviews its Risk Appetite Statement annually and has appointed the Risk-Co, chaired by the Group Chief Operating Officer who is also Head of Risk for the Group, to manage risk. The Risk-Co meets quarterly and reports to the Board via the Audit-Co. A dynamic tool is used to manage risk: the Risk Management Framework identifies risks and assesses the effectiveness of their controls. The Risk-Co discusses the top five highest risk/weakest control combination in order to decide what action could or should be taken to reduce the risk to an acceptable level.

The Head of Risk for the Group formally met with the Audit-Co and Chairman four times during the period and also attended each Group Board meeting to provide a report on the effectiveness of the Group's systems and controls, in line with the Group's Risk Management Framework. Emerging risks, updates to the Group's operating systems and principal risks are presented to the Board for analysis.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and as such can only provide reasonable and not absolute assurances against material misstatement or loss. The Board, through the Audit-Co and the Risk-Co, regularly review the effectiveness of the system of internal controls. The Audit-Co regularly assesses the status of the Group's internal control framework and also considers how risks are identified, monitored, mitigated and reported throughout the Group.

Following these reviews, the Audit-Co agreed that the internal control framework continues to provide reasonable assurances that appropriate internal controls are in place. Accordingly, the Board confirms that throughout the year ended 31 December 2019 and up to the approval date of these financial statements, there had been an ongoing process of identifying, evaluating and managing significant risks faced by the Group.

Remuneration Committee
Membership of the Rem-Co is limited to Non-Executive Directors. The current members are Dominic Jones as Chairman, Christopher Barling and Rob Hutchinson. The Rem-Co meets at least twice a year in order to ensure that it discharges its duties in determining the remuneration policy for the Group.

During the period, the Rem-Co updated the Group's Remuneration Policy following a review of the Director's notice period and restrictive covenants requirements. In addition, the Rem-Co extended the scope of their review to the Group's senior management. The Group maintains a policy to attract and retain individuals of the highest calibre and reward them appropriately and such that they are motivated to grow the value of the business in order to maximise returns to shareholders without taking excessive risks. This policy is as relevant to the Executive Directors as it is to the senior management and employees, and as such, their rewards are aligned with those of shareholders.

The Group operates in an arena where it is common practice to pay significant variable remuneration. However, the Group's policy is to pay appropriate rewards only where it can be demonstrated that individual and team performances have increased the profitability of the business and the return to shareholders. This is operated through a formula-based profit sharing arrangement for all staff and Executive Directors.

The Rem-Co's Terms of Reference details the scope and responsibilities of the committee and are available from the Company Secretary upon request. Alternatively, they may be downloaded from the Group's website; www.ravenscroftgroup.com.

Nomination Committee
Membership of the Nom-Co is limited to the Non-Executive Directors. The current members are Christopher Barling as Chairman, Stephen Lansdown CBE, Dominic Jones and Rob Hutchinson.

The Nom-Co is responsible for leading the process for all Board appointments within the Group, and in this context it should:

- regularly review the structure, size and composition of the Boards within the Group;
- be responsible for identifying and nominating new Board members within the Group;
- review annually the time required from Non-Executive Directors; and
- give consideration to succession planning for Group Directors and other senior executives of the Group.

In addition, the Nom-Co is undertaking a review of the Group's senior management in order to identify 'rising stars' as part of the Group's succession planning. The Nom-Co considered the progress and ability of a number of individuals across the Group in order to identify potential long-term successors to the Board. The Nom-Co's Terms of Reference detail the scope and responsibilities of the committee and are available from the Company Secretary upon request. Alternatively, they may be downloaded from the Group's website; www.ravenscroftgroup.com

Management Committees
To assist the Board and senior management in the discharge of their duties, the Group has two management committees:

Executive Committee
The Executive Committee ("Ex-Co"), which is chaired by the Group Managing Director, is responsible for overseeing the effective and efficient running of the Group's businesses and to assist the Board in the implementation of the Group's business plan, development and strategy. The Executive Committee meets on a quarterly basis and its quorum is three members.

Risk Committee
The Risk-Co is chaired by the Head of Risk for the Group and meets on a quarterly basis to monitor and review the risk management and regulatory compliance of the business. Whilst the Company itself is not regulated, the Board recognises the regulatory requirements and responsibilities by which many of the Group entities are governed.

The Board is confident that all regulatory risks faced by the Group are appropriately identified and managed via the Risk-Co. The Risk-Co understands that its overall purpose is to assist the Board in the discharge of its responsibilities for the management of risk and regulatory compliance across the Group.

Group operational risks are assessed, reported and managed through the attendance of the following members, six of whom may form a quorum:

- Group Chief Operating Officer & Head of Risk – Chairman
- Group Head of Compliance
- Group Company Secretary & Data Protection Officer
- Group Financial Controller
- Group Information Systems Manager; and
- A representative from each of the Group's core services.

Shareholder relations

The Company places a great deal of importance on communicating clearly and openly with its shareholders and providing them transparent and adequate information to assist them in making informed decisions. However, in light of the current circumstances, a firm date for the Annual General Meeting ("AGM") cannot be set at this time. The Board will update shareholders with a relevant date for the AGM once matters surrounding the impact of COVID-19 become clearer. Should shareholders have any queries in respect of the AGM they are able to contact the Company directly through its dedicated email address (IR@ravenscroftgroup.com), or by correspondence addressed directly to the Company Secretary. In addition, the Group Chief Executive Officer and Chairman remain available for regular contact with the Company's investors throughout the year and are responsible for ensuring that shareholders' views are communicated to the wider Board.

This report was approved by the Board of Directors on 6 April 2020 and signed on its behalf by:

Brian O'Mahoney
Director

Rob Hutchinson
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAVENSCROFT HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2019

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Ravenscroft Holdings Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall Group materiality was £329,650 which represents 5% of group profit before tax.

Audit scope

- The Group consists of 13 components, seven of which are considered financially significant for the year ended 31 December 2019; Ravenscroft Holdings Limited, Ravenscroft Investment Management Limited, Ravenscroft Limited, A Vartan Limited, Ravenscroft Services Limited, Ravenscroft Cash Management Limited and BullionRock. Other than BullionRock, all financially significant components are subject to a full scope financial statement audit.it.
- The Group's primary locations of operation are in Guernsey, in Jersey via Ravenscroft Limited and in the United Kingdom via A Vartan Limited. The Group's financial statements are a consolidation of the parent company and underlying subsidiaries which provide stockbroking, corporate finance, investment management and custody services.
- We conducted audit procedures appropriate to all components based on Group materiality.
- All of the audit work for the Group is undertaken and completed by PricewaterhouseCoopers CI LLP ("PwC CI LLP") - Guernsey office.

Key audit matters

- Revenue recognition
- Management's consideration of the potential impact of COVID-19

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	£329,650 (2018: 122,650)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark	We have applied this benchmark based on our analysis of the common information needs of the users of the financial statements and as profit before tax is a key metric for measuring the financial performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,610, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION (refer to the revenue recognition section of note 2)

We focus on revenue recognition across the Group because it is material, is the primary determinant of the Group's profitability and one of the primary measures of performance communicated to investors. In addition there is a further inherent risk of fraud in revenue recognition as revenue performance could impact the companies share price and there are share incentive schemes in place for management. As in any organisation where there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there may be an incentive to overstate revenue. Revenue may also be misstated due to errors in automated calculations or manual processes.

How our audit addressed the key audit matter

We have assessed each revenue stream and determined the risk associated with that respective stream and responded to the risk as detailed below:

TRANSACTION BASED REVENUE STREAMS

Broking and other commission fee based revenue

We tested the revenue recognition for transaction-based revenue by performing the following procedures:

- Obtained and evaluated the ISAE 3402 controls report over the underlying trade and settlement system;
- Performed walkthroughs of key controls within the ISAE 3402 control report and other relevant Group controls, to evaluate that these controls are appropriately designed and implemented;
- Performed controls testing over the other relevant Group controls in order to test the operating effectiveness of the key controls identified on which we intended to rely;
- Performed substantive testing, which included testing a sample of trades posted on the trade and settlement systems to verify the respective inputs into the revenue recognition calculation; and
- Agreed a sample of revenue transactions to subsequent cash receipts.

Key audit matters (continued)

MANUALLY CALCULATED REVENUE STREAMS

Investment management and related fees

We substantively tested the investment management and related fees by performing the following procedures:

- Agreed a sample of management fee rates to the original investment management agreements;
- Re-performed the management fee calculation based on the fee rates and net asset values sourced
- independently from the fund administrator;
- Tested a sample of other manually calculated revenue items by recalculating these items through the use of
- supporting evidence; and
- Agreed a sample of revenue transactions to subsequent cash receipts.

Corporate finance and other fees

As these fees are contracted on a deal by deal basis, we agreed the corporate finance and other fees back to source documentation for each specific corporate finance deal on a sample basis determined in line with materiality, ensured that the contractual obligations to earn the revenue had been met, and we agreed the sample of revenue transactions to subsequent cash receipts.

ALL REVENUE STREAMS

As part of our testing described above, we also ensured revenue was recognised in the correct period and that the recognition criteria of IFRS 15 had been appropriately applied. In addition, we performed risk based target testing of journals posted to revenue which did not follow the expected posting pattern, as this could be indicative of fraud or error. For those journals identified, we understood the nature of the journal and agreed the appropriateness of the journal with reference to supporting documentation.

From our procedures performed, we have no matters to report with respect to revenue recognition.

MANAGEMENT'S CONSIDERATION OF THE POTENTIAL IMPACT OF COVID-19

Management and the Board have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19 (Note 25), on the current and future operations of the Group. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations.

As a result of the impact of COVID-19 on the wider financial markets and the potential impact on the company's share price, we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.

How our audit addressed the key audit matter

In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures:

- We obtained from management their latest financial models that support the Board's assessment and conclusions with respect to the going concern statement.
- We tested the integrity of the financial models, including the mathematical accuracy.
- We discussed with management and the Board the critical estimates and judgements applied in their latest financial models so we could understand and challenge the rationale for the factors incorporated into these financial models and the sensitivities applied as a result of COVID-19.
- We inspected the financial models provided to assess their consistency with our understanding of the operations of the Group and the most recent impact on the Group's Assets Under Administration ("AUA"). We also agreed any key amendments, estimates and judgements to underlying supporting information and fact patterns where and as appropriate.

MANAGEMENT'S CONSIDERATION OF THE POTENTIAL IMPACT OF COVID-19 (continued)

- We subjected the financial models to additional stress testing to confirm that both management and the Board have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19 on the Group.
- In discussing, challenging and evaluating the estimates and judgments made by management in their financial models, we noted the following factors that were considered to be fundamental by management and the Board in their consideration of the potential impact of COVID-19 on the current and future operations of the Group and which support the going concern statement:
  - The Group's employees will be able to work remotely as and when required and therefore the Group is able to continue to offer all of its services and staff are able to perform all of their duties in line with Government issued guidance in each of the relevant jurisdictions it operates in.
  - The Group has sufficient cash resources to meet its obligations for the next 12 months.
  - The AUA base is diversified offering exposure, for example to traditional equities, bullion and cash; thereby offering clients the ability to switch between asset classes reducing the risk of losing clients.
  - In the worst-case scenario, various cash outflows included in management's model are discretionary and can be withdrawn by management, providing further headroom in the financial models provided to support the going concern basis.
- We considered the appropriateness of the disclosures made by management and the Board in respect of the potential impact of COVID-19 on the current and future operations of the Group as a non-adjusting post balance sheet event.

Based on our procedures, we have not identified any matters to report with respect to both management's and the Board's considerations of the impact of COVID-19 on the current and future operations of the Group.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Consolidated Financial Statements (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

6 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Revenue	2	**27,852**	**22,494**
Cost of sales		(3,527)	(3,258)
Gross profit		**24,325**	**19,236**
Administrative expenses	4	(16,806)	(14,043)
Depreciation and amortisation	8, 9, 17	(1,001)	(280)
Trading profit[1]		**6,518**	**4,913**
Share based payments expense	20	(63)	(2,680)
Operating profit		**6,455**	**2,234**
Finance costs		(312)	(21)
Share of net profit of associates and joint ventures accounted for using the equity method	11	450	241
Profit before taxation		**6,593**	**2,453**
Income tax expense	2, 6	(214)	(203)
Profit for the financial year and total comprehensive income		**6,379**	**2,250**
Attributable to:			
Equity holders of the Company		6,295	2,186
Non-controlling interests	11	84	64
		6,379	**2,250**
Earnings per share attributable to the equity holders of the Company			
Basic	7	45.15p	16.45p
Diluted	7	42.11p	15.05p

All amounts shown in the consolidated financial statements are derived from continuing operations of the Group.

The notes on pages 34 to 61 form part of these consolidated financial statements.

[1] Trading profit is used by the Board to evaluate the performance of the Group.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Goodwill	10	6,400	6,400
Other intangible assets	8	2,711	1,147
Property, plant and equipment	9	6,597	6,383
Right-of-use assets	2, 17	699	-
Investment in associates and joint ventures	11	2,825	2,775
Total non-current assets		**19,232**	**16,705**
Current assets			
Trading investments - long positions	12	199	286
Trade and other receivables	13	10,858	17,114
Inventory	2	15	26
Cash and cash equivalents	14	7,411	5,127
Total current assets		**18,483**	**22,553**
Total assets		**37,715**	**39,258**
Non-current liabilities			
Borrowings	15	5,979	6,364
Lease liabilities	2, 17	630	-
Total current liabilities		**6,609**	**6,364**
Current liabilities			
Trade and other payables	16	10,534	15,432
Tax payable	6	231	230
Borrowings	15	448	386
Lease liabilities	2, 17	281	-
Total current liabilities		**11,494**	**16,048**
Total liabilities		**18,103**	**22,412**
Net assets		**19,612**	**16,846**
Equity			
Called up share capital	19	140	140
Share premium account		11,291	10,918
Reserves		7,652	5,343
Capital and reserves attributable to equity holders of the Company		**19,083**	**16,401**
Non-controlling interests	11	529	445
Total equity		**19,612**	**16,846**

The consolidated financial statements were approved by the Board of Directors on 6 April 2020 and signed on its behalf by:

Brian O'Mahoney
Director

Rob Hutchinson
Director

The notes on pages 34 to 61 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Cash flows from operations			
Operating profit		6,455	2,234
Adjustments for:			
Depreciation and amortisation	8, 9, 17	762	281
Write-off of assets	8,9	59	73
Impairment of right-of-use assets	17	180	-
Lease liability payments	2, 17	(281)	-
Share based payment expense	20	63	2,680
Operating cash flows before movements in working capital		**7,238**	**5,267**
Decrease in trading investments		87	196
Decrease/(increase) in receivables		6,267	(3,388)
Decrease in inventories		11	-
(Decrease)/increase in payables		(4,898)	3,005
Cash generated by operations		**8,705**	**5,080**
Interest paid		(224)	(21)
Taxation paid	6	(241)	(145)
Net cash generated from operating activities		**8,240**	**4,914**
Cash flows from investing activities			
Acquisition of subsidiary	10	-	(3,000)
Acquisition of associate	11	-	(2,261)
Dividends received from associates	11	401	10
Acquisition of joint venture	11	-	(199)
Purchase of intangible assets	8	(1,742)	(776)
Purchase of property, plant and equipment	9	(941)	(5,860)
Disposals of property, plant and equipment	9	325	-
Net cash used in investing activities		**(1,957)**	**(12,086)**
Cash flows from financing activities			
Acquisition of own shares subsequently held in treasury	21	(1,072)	(750)
Award of own shares held in treasury and write-off of EBT loan	21	(323)	–
Proceeds from vesting of share options		373	624
(Repayment of)/proceeds from borrowings	15	(323)	6,750
Dividends paid		(2,654)	(2,392)
Net cash (outflow)/inflow from financing activities		**(3,999)**	**4,232**
Net increase/(decrease) in cash and cash equivalents		**2,284**	**(2,940)**
Cash and cash equivalents at the beginning of the year		**5,127**	**8,067**
Net cash and cash equivalents at the end of the year		**7,411**	**5,127**
Represented by:			
Cash and cash equivalents		7,411	5,127
Total cash and cash equivalents		**7,411**	**5,127**

The notes on pages 34 to 61 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Notes	Called up share capital £'000	Share premium account £'000	Reserves £'000	Total attributable to equity holders of the Company £'000	Non-Controlling Interests £'000	Total equity £'000
At 1 January 2018		**133**	**6,972**	**6,948**	**14,053**	**381**	**14,434**
Total comprehensive income for the year		-	-	2,186	2,186	64	2,250
Own shares purchased in the year	21	-	-	(750)	(750)	-	(750)
Own shares awarded in the year	21	-	-	845	845	-	845
Shares issued on vesting of share based payments schemes		7	3,322	(3,329)	-	-	-
Exercise of share options		-	624	-	624	-	624
Write-off of EBT loan directly to equity		-	-	(845)	(845)	-	(845)
Credit to equity for equity-settled share based payments	20	-	-	2,680	2,680	-	2,680
Dividends paid		-	-	(2,392)	(2,392)	-	(2,392)
At 31 December 2018		**140**	**10,918**	**5,343**	**16,401**	**445**	**16,846**
Total comprehensive income for the year		-	-	6,295	6,295	84	6,379
Own shares purchased in the year	21	-	-	(1,072)	(1,072)	-	(1,072)
Own shares awarded in the year	21	-	-	627	627	-	627
Exercise of share options		-	373	-	373	-	373
Write-off of EBT loan directly to equity		-	-	(950)	(950)	-	(950)
Credit to equity for equity-settled share based payments	20	-	-	63	63	-	63
Dividends paid		-	-	(2,654)	(2,654)	-	(2,654)
At 31 December 2019		**140**	**11,291**	**7,652**	**19,083**	**529**	**19,612**

The notes on pages 34 to 61 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. General information

Ravenscroft Holdings Limited and its subsidiaries (together the "Group") is an investment services business providing; advisory investment, execution only trading, market making, discretionary investment management, institutional fund management, corporate finance, cash management, property investment and precious metals dealing and storage, to private and institutional clients in Guernsey, Jersey and the UK.

Ravenscroft Holdings Limited was registered in Guernsey on 4 May 2016 and is listed on The International Stock Exchange ("TISE"). Prior to the Group reorganisation on 23 April 2018 Ravenscroft Limited ("RL") was the TISE listed holding company of the Group. The Company was dormant from its registration until the Group reorganisation on 23 April 2018.

2. Accounting policies

Basis of accounting

The consolidated financial statements of the Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company has prepared consolidated financial statements complying with Section 244 of The Companies (Guernsey) Law, 2008; as a result there is no requirement to prepare individual financial statements for the Company on a stand-alone basis.

These consolidated financial statements have been prepared on a historical cost basis except where stated otherwise below. The methods used to measure fair value are further disclosed in Note 24.

Accounting estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined later in these notes. In particular the fair value of the goodwill as outlined in Note 10 and share based payment option schemes as outlined in Note 20.

Going concern

After making enquiries and reviewing the Group's forecasts and projections, repayment and servicing of borrowings, and taking account of reasonably possible changes in and stress testing trading performance given the current global disruption caused by COVID-19 (see Note 25), the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Adoption of new and revised standards

Other than the first time adoption of IFRS 16 *Leases*, the accounting policies used in arriving at these consolidated financial statements are consistent with those followed in the preparation of the Group annual consolidated financial statements for the year ended 31 December 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries as disclosed in Note 11), investments in associates, joint ventures and employee benefit trusts (as disclosed in Note 21) which all have coterminous period ends (excluding MXC Capital (UK) Limited which has a 31 August year end and joint venture Tavira Ravenscroft SAM which has a 31 March year end). Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the investee entity so as to benefit as a result.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective point of acquisition or up to the effective date of disposal, as appropriate.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity respectively.

Segment reporting

In identifying its operating segments, the Board (as the chief operating decision maker) generally follows the Group's service lines, which represent the main services provided by the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Board (Note 3).

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in pounds sterling (£) (rounded to the nearest thousand). This is the currency of the countries where the Company and its subsidiaries are incorporated and predominantly trade and is therefore the Group's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the year on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the consolidated statement of comprehensive income.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Revenue comprises recurring revenue of custody fees, investment management fees, corporate finance advisory services fees and interest turns on deposits which are taken to the consolidated statement of comprehensive income when the services have been performed. Custody fees, investment management fees and interest turns on deposits are accounted for on an accruals basis based on agreed rates and the value of the assets under administration. Corporate finance advisory fees are accounted for in accordance with the contractual arrangements and obligations in place.

Revenue also comprises non-recurring revenue derived from commission income receivable in respect of stockbroking and corporate finance activities, which are accounted for at the trade date.

Taxation

The tax expense for the period comprises current and deferred tax. The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company and its Guernsey subsidiaries are taxed at the standard Guernsey rate of income tax of 0%. Guernsey income tax has been accrued for at 10% on the profits derived from the income from the provision of investment management services to individual clients. The Jersey branch is taxed in Jersey at the rate applicable to financial services companies of 10%. Vartan Ravenscroft is taxed at the standard rate of corporation tax in the UK being 19%. Further details of the tax charges recorded in the financial statements can be found in Note 6.

The Company and its Guernsey subsidiaries are required to deduct or account for tax at the difference between the tax suffered by the Company and the shareholders' individual rate of 20% in respect of dividends and pay that tax over to the Director of Income Tax in respect of Guernsey resident individual shareholders.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

2. Accounting policies continued

Deferred tax continued

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

(i) The Company as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A right-of-use asset and a corresponding lease liability is recognised with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, lease payments are recognised as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets are separately disclosed and current and non-current lease liabilities have been included in lease liabilities.

2. Accounting policies continued

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's consolidated financial statements following its adoption 1 January 2019.

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the lease accounting standard are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 of 7% was determined in consultation with market practice.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard: applying a single discount rate to a portfolio of leases with reasonably similar characteristics; relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there was one onerous contract as at 1 March 2019, see below; accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

	£000
Operating lease commitments discounted using the lessee's incremental borrowing rate	**1,119**
Lease liability recognised as at 1 January 2019	**1,119**
Interest accrued during the period	73
Lease liability payments	(281)
Lease liability as at 31 December 2019	**911**
Of which are:	
Current lease liabilities	281
Non-current lease liabilities	630
	911

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. An impairment to the right-of-use asset in relation to the lease of the Market Buildings, Fountain Street, St Peter Port was recognised on 1 March 2019. The impairment arose due to the Guernsey operations of the Group having moved to its new building 20 New Street, St Peter Port, Guernsey during the year (see Note 9) and the Market Buildings lease running until 30 May 2021. A sublease of the Market Buildings was signed on 23 September 2019, subletting the property until the lease break date in 2021.

	£000
Right of use assets recognised as at 1 January 2019	**1,119**
Impairment of right-of-use asset during the period	(180)
Depreciation of right-of-use assets during the period	(240)
Carrying amount of right of use assets as at 31 December 2019	**699**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

2. Accounting policies continued

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by £1,119k
- lease liabilities – increase by £1,119k

As the impairment of the right-of-use asset occurred on 1 March 2019, the net impact on retained earnings on 1 January 2019 was nil.

Investment in associates

Investments in associates are accounted for using the equity method of consolidation, after initially being recognised at cost in the consolidated statement of financial position, in accordance with IFRS 11.

Investment in joint venture

Investments in joint ventures are accounted for using the equity method of consolidation, after initially being recognised at cost in the consolidated statement of financial position, in accordance with IFRS 11.

Accounting for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. For the non-controlling interest in Vartan Ravenscroft, the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets.

Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Any impairment of assets are recognised in the statement of comprehensive income under administrative expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that have original maturities of three months or less which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group regularly reviews all outstanding balances including market and client receivables referred to in Note 23 and provides for amounts it considers irrecoverable. This is recognised as bad debts in the consolidated statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost or net realisable value. No allowance is made for obsolete and slow moving items as the inventory consists entirely of bullion from the internet trading business, Coinbox Limited, of BullionRock.

Investments and financial assets or liabilities

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and derecognised on the trade date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value net of transaction costs, except for those financial assets classified as fair value which are described below

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' ("FVTPL") 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.

2. Accounting policies continued

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets at fair value through profit or loss
Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

Trading investments pertain to investment securities and can comprise both long and short positions and are initially measured at fair value excluding transaction costs. Subsequently, and at each reporting date, these investments are measured at their fair values, with the resultant gains and losses arising from changes in fair value being taken to the consolidated statement of comprehensive income.

Financial assets are classified as financial assets at FVTPL where the Group acquires the instrument principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking, as well as all derivatives that are not designated and effective hedging instruments. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has not entered into any arrangements that meet the criteria for offsetting.

Property, plant and equipment
Property, plant and equipment are stated at historical cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Land and buildings	25 years
Fixtures and fittings	3 - 5 years
Office equipment	3 years
Communications equipment	3 years
Leasehold improvements	10 years

The carrying values and residual values of property, plant and equipment are subject to annual review and any impairment is charged to the consolidated statement of comprehensive income.

Intangible assets
Goodwill
Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill has an indefinite useful life and is not subject to amortisation but it is assessed for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Other intangible assets
Intangible assets are stated at cost less provisions for amortisation and impairments. Amortisation is provided at rates calculated to write off the cost, less the estimated residual value, of each asset evenly over its estimated useful life as follows:

Purchased software and software development	5 years
Software licences	Life of the licence

The carrying values of intangible assets are subject to annual review and any impairment is charged to the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

2. Accounting policies continued

An internally generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no intangible asset can be recognised, software development expenditure is recognised in the consolidated statement of comprehensive income as an expense in the period in which it is incurred.

The other intangible assets recorded in the consolidated statement of financial position relates mainly to the capitalised costs from the development and tailoring of a new operational and systems platform which is in the development phase. There were also additions to the existing system, which is modular in nature therefore, as and when each module of the system is fully developed and commissioned, the capitalised cost associated with that module will begin to be amortised.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Interest bearing loans and receivables are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance costs in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle a present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the notes to the consolidated financial statements.

Client money

The Group holds money on behalf of its clients in accordance with the client money rules of the GFSC and the JFSC through its wholly owned non-trading subsidiary, Huntress (CI) Nominees Limited. The client money of A Vartan Limited is held with its trading platform service provider in accordance with the client money rules of the FCA. Such money and the corresponding liabilities to clients are not shown on the face of the consolidated statement of financial position as neither the Company nor its subsidiaries have beneficial entitlement. The net return received by the Group on managing client money is included within revenue.

Broker settlement balances

The Group is involved, as principal, in the purchase and simultaneous commitment to sell securities between third parties. Such trades are only complete when both sides of the deal are settled, and so the Group is exposed to risk in the event that one side remains unmatched. The gross exposure to this risk is presented within the trade debtors and creditors as appropriate, though these would be expected to settle during the normal course of trading. Receivable amounts are classified as trade and other receivables held at amortised cost and payable amounts are classified as trade and other payables measured at amortised cost.

2. Accounting policies continued

Employee benefits

Liabilities for salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accrued expenses in the consolidated statement of financial position.

The Group operates share based compensation benefits via the Share Option Plan under which the Group receives services from employees as consideration for equity instruments (shares) of the Company. The fair value of the employee services received in exchange for the grant of the shares is expensed on a straight-line basis over the vesting period based on the Group's estimate of the value and amount of the shares that will eventually vest. Information relating to these schemes is set out in Note 20.

Equity instruments

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Where any Group company purchases the Company's equity instruments, for example as the result of a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Ravenscroft Employee Benefit Trust are disclosed as treasury shares and deducted from contributed equity.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity on or before the end of the reporting period but not distributed at the end of the reporting period.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the Group's existing employee benefit schemes. These calculations are set out in Note 7.

3. Segment information

The Board currently identifies the Group's reportable segments as follows:

- the Channel Islands broking segment provides private client and institutional stockbroking services along with market making services in Guernsey and Jersey;
- the United Kingdom broking segment provides private client and institutional broking services in the United Kingdom;
- the Investment Management segment provides private client investment management and institutional fund management services;
- the Corporate Finance segment provides corporate finance services in Guernsey;
- the Precious Metals segment provides dealing, secure custody and internet trading services in bullion; and
- the Cash Management segment provides discretionary cash management services.

Management monitors the operating results of business segments separately for the purpose of making decisions on resource allocation and assessing performance. Segment performance is evaluated based on trading profit or loss. Finance income, finance costs and income taxes are managed on a location basis.

Revenues, costs, assets and liabilities that are not directly attributable to the business activities of any operating segment are classified as unallocated. In the financial period under review, this applies to the Group's services company, Ravenscroft Services Limited, the Group's holding company (the Company), and the share of net profit from associates and joint ventures. Non-current assets for this purpose consist of intangible assets and property, plant and equipment. Any transactions between the segments have been eliminated as part of the consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

3. Segment information continued

Operating segment information for the period ended 31 December 2019:

	Broking - Channel Islands £'000	Investment Management £'000	Corporate Finance £'000	Precious Metals £'000	Cash Management £'000	Unallocated[1] £'000	Channel Islands Total £'000	Broking - United Kingdom £'000	Consolidated £'000
Revenue	8,051	5,504	7,718	550	3,472	–	25,295	2,557	27,852
Operating profit	**2,214**	**1,214**	**3,238**	**64**	**1,589**	**(2,312)**	**6,007**	**448**	**6,455**
Finance costs	–	–	–	–	–	(312)	(312)	–	(312)
Share of net profit of associates and joint ventures	–	–	–	–	–	450	450	–	450
Profit/(loss) before tax	**2,214**	**1,214**	**3,238**	**64**	**1,589**	**(2,174)**	**6,146**	**448**	**6,593**
Income tax expense	(90)	(4)	–	–	(41)	–	(135)	(79)	(214)
Profit/(loss) for the financial year	**2,124**	**1,210**	**3,238**	**64**	**1,548**	**(2,174)**	**6,010**	**369**	**6,379**
Segment assets	**9,986**	**2,123**	**1,753**	**767**	**1,422**	**18,842**	**34,893**	**2,822**	**37,715**
Segment liabilities	**(5,902)**	**(238)**	**(459)**	**(253)**	**(42)**	**(10,816)**	**(17,710)**	**(393)**	**(18,103)**

Operating segment information for the period ended 31 December 2018:

	Broking - Channel Islands £'000	Investment Management £'000	Corporate Finance £'000	Precious Metals £'000	Cash Management £'000	Unallocated[1] £'000	Channel Islands Total £'000	Broking - United Kingdom £'000	Consolidated £'000
Revenue	7,863	4,896	5,623	428	1,333	–	20,143	2,351	22,494
Operating profit	**2,037**	**653**	**1,228**	**(52)**	**703**	**(2,707)**	**1,862**	**371**	**2,234**
Finance costs	–	–	–	–	–	(21)	(21)	–	(21)
Share of net profit of associates and joint ventures	–	–	–	–	–	241	241	–	241
Profit/(loss) before tax	**2,037**	**653**	**1,228**	**(52)**	**703**	**(2,487)**	**2,082**	**371**	**2,453**
Income tax expense	(46)	(33)	–	–	(8)	–	(87)	(116)	(203)
Profit/(loss) for the financial year	**1,991**	**620**	**1,228**	**(52)**	**695**	**(2,487)**	**1,995**	**255**	**2,250**
Segment assets	**15,948**	**1,543**	**1,357**	**620**	**1,156**	**17,751**	**38,375**	**883**	**39,258**
Segment liabilities	**(10,588)**	**(159)**	**(441)**	**(240)**	**(225)**	**(10,388)**	**(22,041)**	**(371)**	**(22,412)**

[1] Unallocated operating profit includes share based payments expense. Unallocated assets and liabilities include goodwill, borrowings, and fixed assets and accrued expenses that are currently held centrally and as such are not allocated to the business segments.

4. Administrative expenses

	31 December 2019 £'000	31 December 2018 £'000
Personnel costs	12,622	9,414
Legal & professional fees	664	780
Premises	443	751
IT costs	845	749
Travel & entertainment	531	659
Marketing	578	582
Information research	333	315
Sundry expenses	790	793
Total administrative expenses	**16,806**	**14,043**

5. Auditor's remuneration

	31 December 2019 £'000	31 December 2018 £'000
Fees payable to the auditors for the audit of the Group's annual financial statements	77	69
Fees payable to the auditors for the audit of the Company's subsidiaries	65	66
Total audit fees	**142**	**135**
Other services:		
Half year review	20	22
Total non-audit fees	**20**	**22**
	162	**157**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

6. Taxation

Tax payable

	31 December 2019 £'000	31 December 2018 £'000
Income tax payable		
Guernsey charge	56	53
Jersey tax charge (based on Jersey branch profits)	62	58
UK corporation tax charge	113	119
Total income tax payable	**231**	**230**

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31 December 2019 £'000	31 December 2018 £'000
Guernsey income tax at 10% on profits from the provision of investment management individual client services	59	53
Jersey tax charge (based on Jersey branch profits)	76	34
UK corporation tax charge	79	116
Total income tax expense	**214**	**203**

Reconciliation of tax paid in the year

	31 December 2019 £'000	31 December 2018 £'000
Opening income tax payable	230	172
Vartan Ravenscroft tax finalisation post 2018 Group financial statements sign-off	28	–
Income tax expense	214	203
Closing income tax payable	(231)	(230)
Taxation paid	**241**	**145**

7. Earnings per share

	31 December 2019 £'000	31 December 2018 £'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (net profit attributable to equity holders of the parent)	6,295	2,186
Number of shares:	**No.**	**No.**
Weighted average number of shares for the purpose of basic earnings per share	13,940,736	13,288,227
Basic EPS (pence)	**45.15**	**16.45**
Effect of dilutive potential of ordinary shares	1,007,750	1,233,600
Weighted average number of shares for the purposes of diluted earnings per share	**14,948,486**	**14,521,827**
Diluted EPS (pence)	**42.11**	**15.05**

The dilution in both years is a reflection of the future potential exercise of share options. As at the year end date all outstanding share options have a dilutive effect as they were in the money, as the then price of the Company's shares exceeded the exercise prices (See Note 20).

8. Other intangible assets

	Purchased software and software development £'000	Software licences £'000	Total £'000
Cost:			
As at 1 January 2018	1,173	116	1,289
Additions	776	-	776
Disposals	(99)	-	(99)
At 31 December 2018	**1,850**	**116**	**1,966**
Additions	1,742	-	1,742
At 31 December 2019	**3,592**	**116**	**3,708**
Amortisation:			
As at 1 January 2018	(567)	(116)	(683)
Charge for the year	(165)	-	(165)
Disposals	29	-	29
At 31 December 2018	**(703)**	**(116)**	**(819)**
Charge for the year	(178)	-	(178)
At 31 December 2019	**(881)**	**(116)**	**(997)**
Carrying amount:			
At 31 December 2018	**1,147**	**-**	**1,147**
At 31 December 2019	**2,711**	**-**	**2,711**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

8. Other intangible assets continued

Included above are assets with a book cost of £532k which have been fully depreciated at the year end (2018: £442k) that are still in use.

Current year additions consist mainly of development and tailoring costs for the new operational and systems platform (£1,579k). Capitalisation of these costs commenced following the Board decision on 25 June 2018 to implement the project. All costs capitalised relate to system development costs, all previous project research costs were expensed.

9. Property, plant and equipment

	Land & Buildings £'000	Office equipment £'000	Fixtures and fittings £'000	Communications equipment £'000	Leasehold improvements £'000	Total £'000
Cost:						
As at 1 January 2018	-	529	220	9	432	1,190
Additions	5,677	35	112	33	3	5,860
Acquired in business combination	325	-	-	-	-	325
Disposals	-	(12)	(21)	-	-	(33)
As at 31 December 2018	**6,002**	**552**	**311**	**42**	**435**	**7,342**
Additions	494	103	240	104	-	941
Disposals	(325)	-	(19)	(21)	(309)	(674)
As at 31 December 2019	**6,171**	**655**	**532**	**125**	**126**	**7,609**
Depreciation:						
As at 1 January 2018	-	(465)	(177)	(7)	(223)	(872)
Charge for the year	-	(38)	(31)	(2)	(45)	(116)
Disposals	-	10	20	-	-	30
At 31 December 2018	**-**	**(493)**	**(188)**	**(9)**	**(268)**	**(958)**
Charge for the year	(139)	(43)	(102)	(33)	(27)	(344)
Disposals	-	-	19	21	250	290
At 31 December 2019	**(139)**	**(536)**	**(271)**	**(21)**	**(45)**	**(1,013)**
Net Book Value:						
At 31 December 2018	**6,002**	**59**	**123**	**33**	**167**	**6,383**
At 31 December 2019	**6,032**	**119**	**261**	**104**	**81**	**6,597**

Included above are assets with a book cost of £556k which have been fully depreciated at the year end (2018: £580k) that are still in use.

9. Property, plant and equipment continued

In March 2019, the Guernsey operations of the Group moved into its new building located at 20 New Street, St Peter Port, Guernsey. The fit-out was completed in February 2019 costing £494k which was capitalised in the year.

The building acquired in the purchase of Ravenscroft Cash Management Limited ("RCML") and Ravenscroft Custody Services Limited ("RCSL") in 2018 was successfully sold in the year, for its carrying value of £325k.

10. Goodwill

Reconciliation of Goodwill	31 December 2018 £'000	31 December 2017 £'000
Opening balance	6,400	3,888
Additions	-	2,512
Closing balance	**6,400**	**6,400**

The opening balance of Goodwill relates to the goodwill on acquisition of Vartan Ravenscroft on 20 March 2015, Ravenscroft Precious Metals Limited (trading as BullionRock) on 8 November 2017 and Ravenscroft Cash Management Limited and Ravenscroft Custody Services Limited on 31 October 2018. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

11. Interests in other entities

Subsidiaries

The Group has investments in the following principal subsidiary undertakings:

Name of entity	Country of registration	Principal activity	Ownership held by the Group 2019	Ownership held by the Group 2018	Ownership held by the NCI 2019	Ownership held by the NCI 2018
Huntress (CI) Nominees Limited	Guernsey	Nominee company	100%	100%	0%	0%
Ravenscroft Limited	Guernsey	Provision of investment services	100%	100%	0%	0%
Ravenscroft Investment Management Limited	Guernsey	Provision of investment services	100%	100%	0%	0%
Ravenscroft Services Limited	Guernsey	Services company	100%	100%	0%	0%
A Vartan Limited	England & Wales	Provision of investment services	75%	75%	25%	25%
Ravenscroft Precious Metals Limited (trading as BullionRock)	Guernsey	Provision of precious metal investment services	100%	100%	0%	0%
Ravenscroft Property Holdings Limited	Guernsey	Property holding company	100%	100%	0%	0%
Ravenscroft Cash Management Limited	Guernsey	Provision of discretionary cash management services	100%	100%	0%	0%
Ravenscroft Custody Services Limited	Guernsey	Provision of custody services	100%	100%	0%	0%
Ravenscroft Capital Limited [1]	Guernsey	Dormant	100%	0%	0%	0%
Ravenscroft Project Management Limited [1]	Guernsey	Dormant	100%	0%	0%	0%
Ravenscroft Specialist Fund Management Limited [1]	Guernsey	Dormant	100%	0%	0%	0%
Ravenscroft Consultancy and Listing Services Limited [1]	Guernsey	Dormant	100%	0%	0%	0%

These companies have been consolidated in the Group's consolidated financial statements. Unless otherwise stated the country of incorporation or registration is also their principal place of business.

[1] These companies were incorporated in the year and are dormant at year-end.

Associates

The Company has investments in the following associates:

Name of entity	Country of registration	Principal activity	Ownership held by the Group 2019	Ownership held by the Group 2018	Ownership held by other owners 2019	Ownership held by other owners 2018
D2 Real Estate Limited	Jersey	Provision of real estate management services	38%	50%	62%	50%
MXC Capital (UK) Limited	England & Wales	Provision of advisory services	25%	25%	75%	75%

The associates have been consolidated in the Group's consolidated financial statements using the equity method. During the period there was a reduction in the Company's ownership held in D2 Real Estate Limited.

11. Interests in other entities continued

Associates continued

Set out below is summarised financial information for D2 Real Estate Limited for the current and prior year. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position of D2 Real Estate Limited	31 December 2019 £'000	31 December 2018 £'000
Current assets	743	703
Current liabilities	(147)	(239)
Net current assets	**596**	**464**
Non-current assets	10	11
Net assets	**606**	**475**

Summarised statement of comprehensive income of D2 Real Estate Limited	31 December 2019 £'000	31 December 2018 £'000
Revenue	1,429	1,383
Operating expenses	(1,129)	(986)
Profit for the year	**300**	**397**

Investment in D2 Real Estate Limited	31 December 2019 £'000	31 December 2018 £'000
Opening cost of investment	273	84
Dividend received from associate	(71)	(10)
Proceeds from the reduction in ownership	(30)	-
Earn out payment to previous owners	18	-
Share of net profit of associate	114	199
Investment in associate	**304**	**273**

Set out below is summarised financial information for MXC Capital (UK) Limited for the current year and prior period since acquistion on 18 September 2018. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position of MXC Capital (UK) Limited	31 December 2019 £'000	31 December 2018 £'000
Current assets	2,869	1,281
Current liabilities	(702)	(453)
Net current assets	**2,167**	**828**
Non-current assets	6,074	6,120
Non-current liabilities	(31)	(52)
Net assets	**8,210**	**6,896**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

11. Interests in other entities continued

Associates continued

Summarised statement of comprehensive income of MXC Capital (UK) Limited	31 December 2019 £'000	31 December 2018 £'000
Revenue	3,691	716
Operating expenses	(2,195)	(459)
Profit for the period	**1,496**	**257**
Investment in MXC Capital (UK) Limited		
Opening cost of investment	2,325	2,261
Dividend received from associate	(190)	-
Share of performance fee paid from associate	(128)	-
Share of net profit of associate	464	64
Investment in associate	**2,471**	**2,325**

Joint ventures

The Company has investments in the following joint ventures:

Name of entity	Country of registration	Principal activity	Ownership held by the Group 2019	Ownership held by the Group 2018	Ownership held by other owners 2019	Ownership held by other owners 2018
Tavira Ravenscroft SAM	Monaco	Provision of investment services	50%	50%	50%	50%

The joint venture has been consolidated in the Group's consolidated financial statements using the equity method. On 1 February 2020, Tavira Ravenscroft SAM entered into liquidation procedures and as such the investment in the joint venture has been written down to net realisable value at year-end (see Note 25).

Set out below is the summarised financial information for Tavira Ravenscroft SAM for the current year and prior period since formation on 5 November 2018. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position of Tavira Ravenscroft SAM	31 December 2019 £'000	31 December 2018 £'000
Current assets	370	436
Current liabilities	(6)	(35)
Net current assets	**364**	**401**
Non-current assets	4	3
Net assets	**368**	**404**
Summarised statement of comprehensive income of Tavira Ravenscroft SAM		
Revenue	16	–
Operating expenses	(270)	(44)
Loss for the period	**(254)**	**(44)**
Investment in Tavira Ravenscroft SAM		
Opening cost of investment	177	199
Share of net loss of joint venture	(127)	(22)
Investment in joint venture	**50**	**177**

11. Interests in other entities continued

Non-controlling interests (NCI)

Set out below is summarised financial information for A Vartan Limited for the current year and prior year. The amounts disclosed are before inter-company eliminations.

Summarised statement of financial position of A Vartan Limited	31 December 2019 £'000	31 December 2018 £'000
Current assets	889	898
Current liabilities	(330)	(371)
Net current assets	**559**	**527**
Non-current assets	1,940	1,877
Net assets	**2,499**	**2,404**
Accumulated NCI	**529**	**445**

Summarised statement of comprehensive income of A Vartan Limited	31 December 2019 £'000	31 December 2018 £'000
Revenue	2,557	2,351
Profit for the year	**337**	**256**
Profit allocated to NCI	84	64
Dividends paid to NCI	**(83)**	**(105)**

12. Trading investments – long positions

	31 December 2019 £'000	31 December 2018 £'000
Long positions		
Trading investments – long positions	199	286

The fair values of these trading investments are based on quoted market prices. The risks resulting from these positions are set out in Note 24.

13. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year:		
Prepayments and accrued income	4,859	4,380
Market and client receivables	5,999	12,734
	10,858	**17,114**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

14. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**7,411**	**5,127**

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

15. Borrowings

	31 December 2019			31 December 2018		
	Current £'000	Non-Current £'000	Total £'000	Current £'000	Non-Current £'000	Total £'000
Capped rate facility	248	3,379	3,627	186	3,564	3,750
Variable rate facility	200	2,600	2,800	200	2,800	3,000
Total borrowings	**448**	**5,979**	**6,427**	**386**	**6,364**	**6,750**

The capped rate facility relates to a £3.75m loan from Royal Bank of Scotland International ("RBSI") at 3% per annum over LIBOR, obtained to finance the acquisition and refurbishment of the office building in Guernsey in 2018, which stands as security for the loan. The Company purchased an interest rate cap on the facility, limiting the effects of LIBOR increases to 2%. The final repayment date is five years from date of drawdown, being 30 June 2023.

The variable rate facility is a £3m floating rate facility with Investec Bank (Channel Islands) Limited at 3% per annum over Base Rate, obtained to finance the acquisition of the Cash Management business in 2018. The facility is cross-guaranteed by the Group companies. The final repayment date is five years from date of drawdown, being 31 October 2023.

16. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year:		
Accrued expenses	3,717	3,226
Deferred income	60	14
Market and client payables	6,757	12,192
	10,534	**15,432**

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

17. Leases

The Group has lease contracts for various office buildings used in the operations of the business. The amounts recognised in the financial statements in relation to leases are as follows:

Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets	31 December 2019 £'000	1 January 2019 £'000
Office buildings	699	1,119
Total right-of-use-assets	**699**	**1,119**
Lease liabilities		
Non-current	630	838
Current	281	281
Total lease liabilities	**911**	**1,119**

Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

Depreciation and impairment charge of right-of-use assets	2019 £'000	2018 £'000
Total depreciation charge of right-of-use-assets	240	-
Total impairment charge of right-of-use-assets	180	-
Interest expense	73	-
Expense relating to short-term leases	46	-
Future minimum lease payments as at 31 December 2019 are as follows:		
Not later than one year	281	-
Later than one year and not later than five years	754	-
Later than five years	9	-
Total gross payments	1,044	-
Impact of finance expenses	(133)	-
Carrying amount of liability	**911**	**-**

The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

Details on the impairment charge recognised are disclosed in Note 2.

The total cash outflow for leases in 2019 was £281k (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

18. Lease commitments

	Land and Buildings 31 December 2019 £'000	31 December 2018 £'000
Within one year	281	278
Within two to five years inclusive	754	710
Over five years	9	121
Total lease liabilities	**1,044**	**1,109**

In December 2010, Ravenscroft Services Limited ("RSL") signed a 17 year lease on offices at the Market Buildings, Fountain Street in St Peter Port, Guernsey. The lease is for 4,700 sq ft, costing £26 p sq. ft, and provides for a break date in 2021 which RSL intends to activate. The Guernsey Head Office moved to 20 New Street, St Peter Port, Guernsey on 1 March 2019. A sublease of the Market Buildings was signed on 23 September 2019, subletting the property until lease the break date in 2021.

Vartan Ravenscroft signed a lease on its premises at The Singing Men's Chambers, 19 Minster Precincts, Peterborough. The current rent is £22k per annum. There are five years left until the termination date.

RSL signed a 15 year lease on offices at Weighbridge House, Liberation Square in St. Helier, Jersey on 15 January 2016. The lease covers the first floor of the building and is for 3,275 sq. ft, costing £33 per sq. ft. RSL received a six month rent free period and there is a tenant only break date on 1 February 2025.

19. Called up share capital

	£'000	No.
Authorised:		
As at 1 January 2018	150	15,000,000
As at 31 December 2018	**150**	**15,000,000**
As at 31 December 2019	**150**	**15,000,000**
Allotted, issued and fully paid:		
As at 1 January 2018	133	13,278,450
Share issue on 19 November 2019	2	166,400
Share issue on 21 December 2019	5	541,809
As at 31 December 2018	**140**	**13,986,659**
As at 31 December 2019	**140**	**13,986,659**

20. Share based payments and other employee benefits

Share Option Plan ("SOP" or "Plan")

Following the approval of an employee share option plan by shareholders at an Extraordinary General Meeting held on 15 October 2015, RL granted a number of options to nominated employees; details of the options and the associated vesting dates are outlined below. The options are exercisable at a price in accordance with the rules of the Plan on the date of grant. If the options remain unexercised after the tenth anniversary of being granted, the options will expire. If the option holder ceases to be an employee or office holder within the Group, the options will lapse. As part of the Group reorganisation which completed on 23 April 2018, the Plan was amended to reflect that the options are over the Company's shares. 225,850 options were exercised during the period from tranche 1 and tranche 2 which have now vested.

Details of the share options outstanding at the year end in respect of the plan are as follows:

Number of share options:	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Outstanding at the beginning of the year	658,600	130,000	262,500	135,000	47,500	1,233,600
Exercised during the year	(163,350)	(62,500)	-	-	-	(225,850)
Outstanding at the end of the year	**495,250**	**67,500**	**262,500**	**135,000**	**47,500**	**1,007,750**

	Date of grant	Vesting date	Date of expiry	Remaining contractual life (months)	No. of Share Options	Estimated fair value £'000	Expensed through Profit or Loss 2019 £'000
Tranche 1	Nov-15	Nov-18	Nov-25	73	495,250	136	-
Tranche 2	Sep-16	Sep-19	Sep-26	81	67,500	21	10
Tranche 3	Feb-17	Feb-20	Feb-27	86	262,500	97	32
Tranche 4	Sep-17	Sep-20	Sep-27	93	135,000	46	15
Tranche 5	Nov-17	Nov-20	Nov-27	94	47,500	17	6

The fair value of the options is estimated using an appropriate valuation model.
£117k was expensed through profit or loss in 2018 for the Plan.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Exercise price	375p	375p	405p	425p	450p
Adjusted share price to reflect liquidity (20% discount)	292p	300p	328p	340p	360p
Expected volatility	13.2%	12.5%	12.8%	12.0%	12.3%
Expected share price growth	8.0%	8.0%	8.0%	8.0%	8.0%
Discount rate	0.9%	0.9%	0.7%	0.9%	0.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

21. Own shares

The Ravenscroft 2015 Employee Benefit Trust ("REBT 2015")

The Group established an employee benefit trust (the Ravenscroft 2015 Employee Benefit Trust) to handle the purchase, holding and sale of Company shares for the benefit of staff and to satisfy future share option obligations under the Group's share option schemes. As at 31 December 2019, REBT-2015 owned 69,645 (2018: nil) ordinary shares of £0.01 each. REBT-2015 has waived its rights to dividends.

	Number of shares	Cost £'000
At 1 January 2018	21,000	95
Acquired in the year	254,000	750
Awarded during the year	(275,000)	(845)
At 31 December 2018	**-**	**-**
Acquired in the year	169,185	1,072
Awarded during the year	(99,540)	(627)
At 31 December 2019	**69,645**	**445**

22. Controlling party and related party transactions

Controlling party

The Directors consider there to be no immediate or ultimate controlling party of the Company. Balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are as follows:

Balance of transactions as at: Due from / (due to)	Relationship	31 December 2019 £'000	31 December 2018 £'000
Ravenscroft Limited	Subsidiary	(125)	(2,144)
Ravenscroft Investment Management Limited	Subsidiary	(157)	-
Ravenscroft Services Limited	Subsidiary	(211)	(95)
Ravenscroft Custody Services Limited	Subsidiary	-	235

The Group acts as market maker for the long and short investment positions held within trading investments with a value of £199k (2018: £286k) and £Nil (2018: £Nil) respectively.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories in IAS 24 - 'Related Party Disclosure'

	31 December 2019 £'000	31 December 2018 £'000
Short-term employment benefits	3,767	2,099
Equity compensation benefits	40	1,751

The increase in short-term employment benefits in 2019 reflects an increase in performance related remuneration.

The decrease in equity compensation benefits is due to the 2016-SIS and tranche 1 of the SOP having fully vested in 2018, tranche 2 of the SOP vesting in September 2019 and the early closure of the Share Award Scheme in 2018.

For details on the Non-Executive Directors' remuneration paid during the year, please see the Directors' Report on page 18. As at 31 December 2019, £Nil (2018: £Nil) of the Directors' remuneration had been accrued but not paid.

22. Controlling party and related party transactions continued

Transactions with Directors

Directors' interests in ordinary shares of Ravenscroft Holdings Limited

For details on the Directors' interests in ordinary shares of the Company and options over ordinary shares in the Company as at 31 December 2019, please see the Directors' Report on page 17.

The current Directors received total dividends on ordinary shares held in the Company during the financial year ended 31 December 2019 of £1.1m (2018: £1.0m).

23. Financial instruments and risk management

The Directors are of the opinion that there have been no significant changes in the financial risks relating to the financial instruments since the prior year.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its market and client receivables. The amounts presented in the consolidated statement of financial position as net of allowances for expected credit losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure of the financial instruments to this risk approximates the consolidated statement of financial position values. There was no change in the value of loans and receivables in any period presented as a result of changes in credit risk.

Market and client receivables include £0.49m (2018: £0.47m) relating to unsettled trades that have gone past their due dates. Of this balance, £Nil (2018: £Nil) relates to trades awaiting settlement confirmation from unit trust managers and £Nil (2018: £Nil) relates to trades where the market is unable to deliver stock. As at 6 April 2020, none (2018: £Nil) of the year end market and client receivables balance that related to unsettled trades that had gone past their due dates remain unsettled. At the year end, the Group owed £0.87m to (2018: £3.2m owed from) bank accounts operated on behalf of clients in a nominee capacity. Of these totals, all balances were less than 30 days overdue at the year end other than £Nil (2018: £Nil) relating to unsettled trades.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £0.64m (2018: £1.68m) which, by their nature, are due for repayment immediately. For commercial reasons the Group may not necessarily seek immediate repayment of these balances, though none are considered impaired. Of the amounts overdrawn at the statement of financial position date these have substantially all been repaid since then. Collateral relating to these receivables exists covering 99% (2018: 99%) of the overdrawn accounts and is described in more detail below.

The remaining market and client receivables are neither past due nor impaired. These relate to trades entered into in an agent capacity on behalf of counterparties that have been subject to assessment of credit risk upon acceptance as a client. To date no losses have been incurred as a result of changes in credit quality and all these outstanding trade positions were settled in full after the statement of financial position date.

Collateral exists in relation to the Group's right to liquidate client assets under administration to make good funds owed to the Group by individual clients. For clients with assets under administration the fair value of the available assets would exceed any amounts owed. This collateral does not affect market side receivables or clients using cash against delivery services. The fair value of this collateral at the year end is £131.35m (2018: £53.86m). To date it has not been considered necessary to utilise such recourse. The collateral is over assets held in a nominee capacity and is therefore not otherwise recognised in the consolidated financial statements.

Credit risk relating to cash and cash equivalents and market exposures within market and client receivables is limited because the counterparties are institutions with high credit ratings assigned by international credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

23. Financial instruments and risk management continued

Liquidity risk

The Group is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Given the nature of the Group's business, other than borrowings, the Group does not run any significant liquidity mismatches, financial liabilities are on the whole short term and the Group has sufficient cash retained to cover all its non-client and market liabilities. The Group manages the liquidity risk on borrowings by continuously assessing the Groups cash flow, forecasting forward, and horizon scanning to ensure that the Group maintains enough cash flow to repay the interest and principal portions of the borrowings as they fall due.

Included in market and client payables are trades not yet due for settlement amounting to £5.67m (2018: £10.44m) that are expected to settle within a few days of the year end as these fall due for settlement. The corresponding counterparty/client receivables are presented within the market and client receivables balance. As at 6 April 2020, none (2018: £Nil) of the year end market and client payables trades that were not yet due for settlement remain unsettled.

Such obligations relating to transactions entered into as principal in a nominee capacity are done so through a subsidiary of the Company, Huntress (CI) Nominees Limited, which exists solely to act in this capacity. Funds held on behalf of clients are reconciled daily and on occasion RL may be required to advance funds to meet counterparty obligations. It is not considered that this represents a significant liquidity risk as the Group has the means to meet these obligations.

Liquidity risk table

The following tables detail the Group's remaining expected maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The tables also detail the Group's expected maturity for its non-derivative financial assets, and have been drawn up based on the undiscounted contractual maturities of the financial assets.

	Less than 1 month £'000	1-12 months £'000	1-5 years £'000	Total £'000
At 31 December 2019				
Trading investments - long positions	199	-	-	199
Trade and other receivables	10,858	-	-	10,858
Cash and cash equivalents	7,411	-	-	7,411
Trade and other payables	(10,534)	-	-	(10,534)
Tax payable	(231)	-	-	(231)
Borrowings	-	(448)	(5,979)	(6,427)
Lease liabilities	-	(281)	(763)	(1,044)
	7,702	**(729)**	**(6,742)**	**231**

	Less than 1 month £'000	1-12 months £'000	1-5 years £'000	Total £'000
At 31 December 2018				
Trading investments - long positions	286	-	-	286
Trade and other receivables	17,114	-	-	17,114
Cash and cash equivalents	5,127	-	-	5,127
Trade and other payables	(15,432)	-	-	(15,432)
Tax payable	(230)	-	-	(230)
Borrowings	-	(386)	(6,364)	(6,750)
	6,865	**(386)**	**(6,364)**	**115**

24. Financial instruments and risk management continued

Market risks

(i) Foreign exchange risk

The Group does not have any material exposure to transactional foreign currency risk and therefore no analysis of foreign exchange risk is provided.

(ii) Interest rate risk

The Group is exposed to the risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its debt positions. In 2018, the Company purchased an interest rate cap on the £3.75m RBSI facility, limiting the effects of LIBOR increases to 2%. The remaining facility of £3m is a floating rate facility linked to Base Rate. Management review current and forecast interest rates on a regular basis to consider the interest rate risk associated with this facility.

The interest rate profile of the financial assets and liabilities, as at the consolidated statement of financial position date is as follows:

	Variable rate financial liabilities £'000	Capped rate financial liabilities £'000
At 31 December 2019	(2,800)	(3,627)
At 31 December 2018	(3,000)	(3,750)

At 31 December 2019, if interest rates had moved by 1% with other variables remaining constant, the change in equity and profit or loss for the year would amount to approximately £64k (2018: £68k).

The variable rate financial liabilities relate solely to the loan with Investec (CI) Limited, and the capped rate financial liabilities relate solely to the loan with RBSI. As LIBOR is below the 2% cap rate, the interest rate cap agreement represents a zero value derivative financial asset at year-end.

(iii) Price risk

Minimal price risk is considered to exist in relation to the Group's role as an intermediary between buyers and sellers of financial instruments that give rise to the client and market payables and receivables. The exposure is limited to trade mismatches or error, or if one matched counterparty fails to fulfil its obligations. The Group applies monitors and controls to minimize the occurrence of such events. No significant gains or losses have been made to date in respect of such exposure.

(iv) Equity price sensitivity analysis

The Group is generally dependent on the health of the financial markets. The potential impact of poor economic conditions on our clients and markets has the potential to adversely influence the Group's overall financial performance and as such is monitored and reviewed on a forward-looking basis.

The Group's direct exposure to equity price risk is also closely managed. The Group has built a framework of overall and individual stock limits and these are actively monitored by the Group Managing Director on a daily basis. The Group's overall exposure to equity price risk is set by the Board.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 20% higher/lower:

- net profit for the year ended 31 December 2019 would have been £38k higher/lower (2018: £57k higher/lower) due to changes in the value of FVTPL held for trading investments.

Capital risk management

The Group's subsidiaries RL, RIML, RCML and RCSL are regulated by the GFSC under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. RL, through its Jersey branch, is regulated by the JFSC under the Financial Services (Jersey) Law, 1998. Vartan Ravenscroft is regulated by the FCA. These companies are therefore required to meet certain minimum capital requirements. Notwithstanding this the Directors maintain levels of equity, reserves and professional indemnity insurance cover that they consider sufficient to meet the commitments and withstand the risks to which each are subject. These companies have complied with these requirements during the period under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

24. Fair Value Measurement

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Trading investments - long positions	199	–	–	199

	31 December 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Trading investments - long positions	286	–	–	286

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.

Financial instruments measured at fair value on an ongoing basis include trading assets.

Determination of fair value

Fair values are determined as follows within the hierarchy:

(a) Quoted market price

Financial instruments with quoted bid prices for identical instruments in active markets.

(b) Valuation technique using observable inputs

Financial instruments with quoted bid prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Valuation technique with significant non-observable inputs

Financial instruments valued using financial models where one or more significant inputs are not observable.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

25. Events after reporting date

Dividend

The Directors declared a dividend of 5.50p per share, totalling £0.77m, which was approved by the Board on 6 April 2020, and will be paid on 17 April 2020.

Borrowings

On 4 February 2020 the Company committed to a further loan facility of £3.75m with Investec Bank (Channel Islands) Limited and has to date drawn £2m.

Post year end acquisition

On 17 February 2020 the Company subscribed for 60,806 additional shares in A Vartan Limited and a further 8,523 shares on 13 March 2020 which were all issued on 13 March 2020. This allowed Vartan Ravenscroft to successfully purchase the entire issued share capital of Tees Investment Management Ltd ("TIML") (a private limited company incorporated in England with company number 11927040) from Tees Financial Limited (company number 04342506). Following this investment, the Company has maintained its current 75% stake in Vartan Ravenscroft.

Tavira

On 1 February 2020 Tavira Ravenscroft SAM entered into liquidation procedures. Tavira and Ravenscroft, through the support of their clients, have both become fast-growing multi-jurisdictional investment businesses and having reviewed their growth strategies across all jurisdictions have agreed to end the joint venture.

COVID-19

Since the year end date the unfolding scale of the global disruption caused by COVID-19 has become ever more apparent. The situation continues to evolve and the sheer scale of the impact on the local and global economy, markets and businesses remains uncertain.

The amounts stated in these consolidated financial statements reflect conditions existing as at the consolidated statement of financial position date and COVID-19 has been assessed as a non-adjusting post balance sheet event.

Following rigorous review of the Group's forecasts and projections, which included management's assessment of the impact of COVID-19, and taking into consideration that the Group had a healthy cash position as at 31 December 2019, the Directors' view that the Group is a going concern remains unaltered at the date of signing these consolidated financial statements.

The Group has successfully enacted its Business Continuity Plan post year end and staff are working remotely as required by local Government advice in each of the jurisdictions that the Group's staff operate in and continue to service clients.

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