Ravenscroft

Annual Report & Consolidated Financial Statements

2018

Ravenscroft

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Guernsey: +44 (0)1481 729100 / Jersey: +44 (0)1534 722051

Peterborough: +44 (0)1733 315155 / London: +44 (0)2034 571420

Monaco: +377 97 77 40 50

BUSINESS AND FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2018

Revenue increased by 12% to

£22.49m

(31 December 2017: £20.00m)

Total Assets Under Administration ("AUA") up 44% to

£6.41b

(31 December 2017: £4.44b)

Recurring revenues increased by 28% to

£14.64m

(31 December 2017: £11.45m)

Non-recurring revenues decreased by 8% to

£7.85m

(31 December 2017: £8.55m)

Trading profit[1] was

£4.91m

(31 December 2017: £4.75m) an increase of 3%

Trading basic earnings per share[2] of

36.97p

(2017: 35.78p)

Statutory profit before taxation was

£2.45m

(31 December 2017: £4.05m) a decrease of 40%

Statutory basic earnings per share of

16.45p (2017: 28.07p)

Group reorganisation completed on 23 April 2018 whereby Ravenscroft Holdings Limited ("the Company") became the new Group holding company. As there were no changes to the underlying business operations of the Group, all pre-Group reorganisation current and comparative figures disclosed in these consolidated financial statements are those of the RL Group.

Completed the acquisitions of:

100% Ravenscroft Cash Management Limited (formerly Royal London Asset Management C.I. Limited) and Ravenscroft Custody Services Limited (formerly Royal London Custody Services C.I. Limited), together ("Cash Management") on 31 October 2018; and

25% of MXC Capital (UK) Limited on 13 September 2018

Tavira Ravenscroft SAM was incorporated on 5 November 2018 with shared ownership between the Company and Tavira Monaco SAM

The Board declares a dividend of **13p per share** (2017 final dividend: 12p per share). Resulting in a total annual dividend of 18.25p per share for the year, a 7% increase (2017: 17p per share)

Ravenscroft

Financial Calendar

2019

29 March 2019	Dividend declaration date and publication of the 2018 Annual Report
04 April 2019	Ex-dividend date
08 April 2019	Dividend record date
18 April 2019	Dividend payment date

[1] This represents operating profit before share based payments expense. Refer to the business and financial review on page 7 for the calculation of trading profit. Trading profit is used by the Board to evaluate the day to day performance of the Group.

[2] Trading basic earnings per share is calculated using trading profit instead of total comprehensive income for the year.

COMPANY INFORMATION
YEAR ENDED 31 DECEMBER 2018

RAVENSCROFT HOLDINGS LIMITED (THE "COMPANY")

DIRECTORS

CURRENT DIRECTORS

S P Lansdown CBE
(Non-Executive Chairman)

D C Jones
(Non-Executive Director)

C D Barling
(Non-Executive Director)
(appointed 1 September 2018)

R A Hutchinson
(Non-Executive Director)
(appointed 1 November 2018)

J R Ravenscroft
(Group Chief Executive Officer)

M L C Bousfield
(Group Managing Director)

B M O'Mahoney
(Group Finance Director and Head of Corporate Finance)

FORMER DIRECTORS

S A Farnon
(Non-Executive Director & Senior Independent Director)
(resigned 25 June 2018)

COMPANY SECRETARY

J Cook
(Group Company Secretary)

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

(appointed 20 April 2018)
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 2018

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 Committee.

Dominic Jones

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

Non-Executive Director

Chris holds a first class honours degree in computer science from Brunel University and over 40 years' IT industry experience. For eight years he was a Non-Executive director of FTSE 100 Hargreaves Lansdown plc, latterly as Senior Independent Director and Chairman of the Remuneration Committee. He was the co-founder of Actinic Software Limited, the 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.

Robert (Rob) Hutchinson

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.

Jon Ravenscroft

Group Chief Executive Officer

Jon founded Ravenscroft Limited in 2005 and was appointed Chief Executive Officer. He has more than 30 years' experience in stockbroking. Jon started his career in broking 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 broking 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 Chartered Fellow of the CISI, having completed the CISI Diploma and he is also a Chartered Wealth Manager. As well as his role as the Managing Director for the Ravenscroft group, Mark is also the Managing Director of Ravenscroft Investment Management Limited (100% owned subsidiary of Ravenscroft Holdings Limited).

Brian O'Mahoney

Group Finance Director and Head of Corporate Finance

Brian joined Ravenscroft as Chief Operating Officer & Group Finance Director in July 2015 having previously worked at Legis Group where he performed a similar role. In March 2017, Brian stepped down as Chief Operating Officer and was appointed Head of Corporate Finance. At Legis Group, he was instrumental in steering the initial management buyout and subsequent industry sales. Prior to working at 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 2018

I AM VERY PLEASED TO PRESENT MY SECOND CHAIRMAN'S STATEMENT FOLLOWING ANOTHER EXCITING YEAR FOR THE BUSINESS AND ANOTHER YEAR OF GROWTH – NOT ONLY IN FINANCIAL TERMS BUT ALSO IN RELATION TO OUR BUSINESS OPERATIONS.

The Guernsey-based team has now reunited in the new offices in New Street at the start of March. It is testament to the growth in the business over recent years that such a large space was needed. The team responsible have done a sterling job, delivering a building that provides a great environment for staff and clients alike. We would welcome any clients that would like to come and visit us in our new home.

Although less visible, we are now well under way with the implementation of the transformational system and operational platform, which represents a substantial investment. We believe that this investment will differentiate our client offering and benefit our existing client base, as well as making us more attractive to new clients and improving our scalability.

During the period, the Ravenscroft Group acquired the Channel Islands cash management business of Royal London, which brought £2b of additional assets to the Group. In September, we also purchased 25% of MXC Capital (UK) Limited – a business that we have close links with – which provides us with consultancy services to assist us with the investment management of the Guernsey Investment Fund PCC, technology cell.

Towards the end of the year, we entered into a joint venture arrangement in Monaco, "Tavira Ravenscroft". Two long serving staff from Guernsey relocated to Monaco to lead the push there. This deal cements Ravenscroft as a multi-service, multi-jurisdictional business and provides us with a robust platform for potential expansion both inside and outside of the Channel Islands.

We completed a restructuring of the Group in April; following which the new holding company – Ravenscroft Holdings Limited – became the listed entity. 2018 also saw a number of changes to the main Board and I am delighted to welcome Chris Barling and Rob Hutchinson to the Board following the departure of the long-serving Susie Farnon in June. I have previously worked alongside Chris at Hargreaves Lansdown for many years and always valued his input and insight. Rob joins following a long and distinguished career at KPMG and we look forward to benefitting from his wide ranging experience.

The costs of adhering to an increased regulatory burden (which we warned of last year), an increase in staff and significant investment into the new systems, have been offset by the revenue generated from the growth in assets administered by the Group – we ended the year with £6.41b of assets, up 44% from the 2017 year end (£4.44b). The assets grew mainly by acquisition (previously mentioned) but also pleasingly organically, which mostly offset the effects of stock market declines in the year (the FTSE 100 was down 12.5% over the year).

I would like to thank all the staff and my fellow board members who have worked tirelessly throughout a difficult year for investment markets. Their dedication to clients and the firm cannot be commended highly enough.

Your Board is delighted to declare a dividend of 13p per share, which will result in a total dividend of 18.25p for 2018 (2017: 17p); an increase of 7%. The dividend will be paid on the 18th April to shareholders present on the register as at 8th April 2019.

BUSINESS AND FINANCIAL REVIEW

YEAR ENDED 31 DECEMBER 2018

Jon Ravenscroft

Group Chief Executive Officer

GROUP BUSINESS REVIEW

	31 December 2018 £'000	31 December 2017 £'000	Year on Year Change
Revenue			
recurring revenue	14,643	11,451	28%
non-recurring revenue	7,851	8,550	-8%
Total revenue	22,494	20,001	12%
Gross profit	19,236	17,206	12%
Operating expenses (excluding share based payments expense)			
Administrative expenses	(14,043)	(12,170)	15%
Depreciation and amortisation	(280)	(285)	-2%
Trading profit	4,913	4,751	3%
Trading basic earnings per share	36.97p	35.78p	3%
Assets under administration (£m)	6,411	4,442	44%

On a day to day basis, the Board evaluates the performance of the Group using the 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 ("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 delighted to report that 2018 saw a robust performance from the Group. This performance was only possible with the trust and loyalty of our clients and shareholders and the dedication of our staff.

As a growing business we have continued to invest in people and infrastructure. We continue to make good progress in our operating model upgrade and are excited that our clients will shortly benefit from much improved online access. This will ensure that our clients and staff benefit from the most up to date technology and systems. Recently we have completed our move into our new headquarters in New Street, reuniting the entire Guernsey business under one roof.

I would like to thank everyone involved with Ravenscroft for making this possible.

Revenue

We are proud to present revenues which have increased by 12% from 2017 to surpass £22m for 2018. A 28% increase in recurring revenues to £14.64m (2017: £11.45m) reflects the long-term sustainability of the majority of the Group's revenue. Most areas of the business contributed to this increase, but of particular note were Corporate Finance £1.16m, Investment Management £582k and CI Broking £610k.

Revenue continued

These increases are reflective of the hard work undertaken over a number of years to attract assets to our business and to ensure we manage and invest them effectively. The Cash Management business produced £296k of recurring revenue in 2018 since acquisition.

Non-recurring revenue decreased by 8% compared to 2017 mainly due to reduced corporate finance transactional revenue (2017 was a strong year for transactions), and lower dealing levels in our UK broking segment due mainly to nervous stock markets.

Trading profit

Trading profit increased 3% on 2017 to £4.91m from £4.75m. A £2.50m increase in revenue was offset by a £1.87m increase in administrative expenses in the year as we continue to grow the Group.

The increase in administrative expenses can be attributed mainly to the effect of annualised 2017 staff hires and the effect of current year hires.

Statement of financial position and cash flows

At the 2018 year end, the Group had net assets of £16.85m (2017: £14.43m), including cash balances of £5.13m (2017:£8.07m).

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 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. During the year the Group entered into two long-term loan facility agreements; a £3.75m loan from Royal Bank of Scotland International ("RBSI") to finance the acquisition and refurbishment of its new building, and a £3m loan from Investec Bank (Channel Islands) Limited to finance the acquisition of the Cash Management business. The Board carried out extensive cashflow forecasting before entering into these loans.

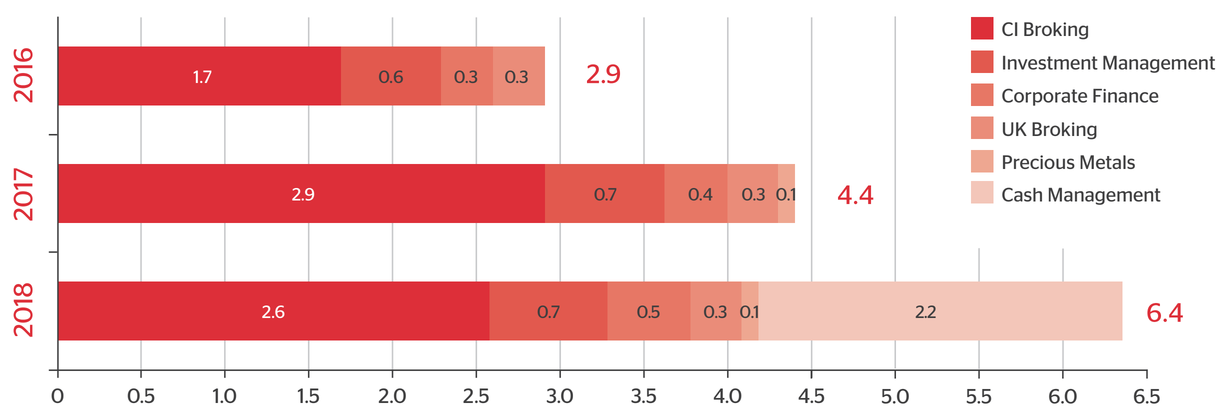
Five of the Group's subsidiaries, Ravenscroft Limited ("RL"), Ravenscroft Investment Management Limited ("RIML"), A Vartan Limited (trading as Vartan Ravenscroft), Ravenscroft Cash Management Limited ("RCML") and Ravenscroft Custody Services Limited ("RCSL") are required to maintain minimum financial 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")

Total AUA for the Group has risen by 44% to £6.41b (2017: £4.44b). Excluding the acquisition of the Cash Management business on 31 October 2018 – which brought in £2.0b of AUA – the existing AUA of the Group grew organically during the year by £157m, offset by negative market movements of £204m.

Group AUA (£ billions)



Earnings per share

Basic earnings per share of 16.45p and diluted earnings per share of 15.05p have decreased by 11.62p and 10.22p respectively from 2017 (2017: basic earnings per share of 28.07p and diluted earnings per share of 25.27p). This decrease is due mainly to the increased share based payments expense in 2018.

The dilution results from the potential exercise of staff share options. As at the year end date all outstanding share options had a dilutive effect, as they were in the money given that the then share price of £6.35 exceeded the exercise price of the options.

Share based payments expense

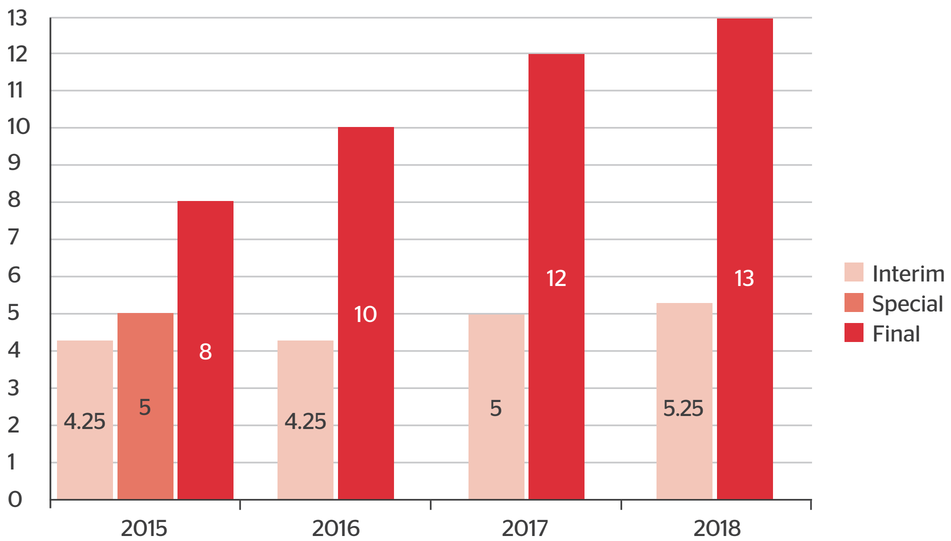
Share based payments expense in 2018 of £2.68m (2017: £0.69m) reflects the effect of the increase in the Company's share price during the year. The 2016 Share Incentive Scheme vested during the year and the Share Award Scheme closed early (see note 19).

The share based payments schemes represent a non-cash expense to the business and a staff incentive which aligns staff efforts to those of the strategy of the business.

Dividend

The Board declares a dividend of 13p per share (2017 final dividend: 12p per share) to be paid on 18 April 2019. This results in a total annual dividend for 2018 of 18.25p (interim dividend of 5.25p per share) an increase of 7% from the prior year total of 17p. The Board is comfortable to declare this dividend due to the increased trading profits in 2018.

Dividend declared (pence per share)

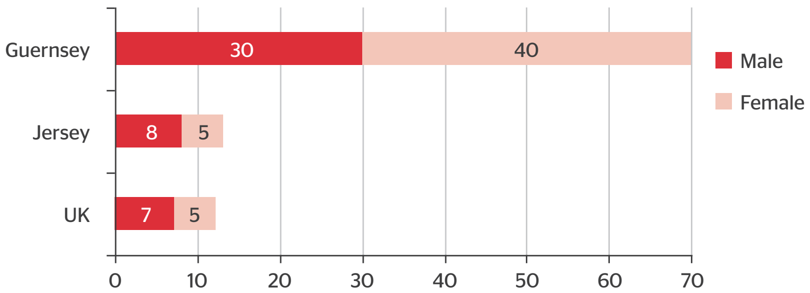


People

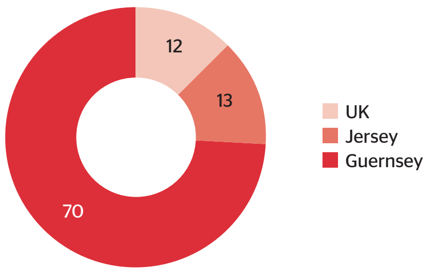
We recognise that our staff are a key resource of the business and that quality of leadership is vital to the success of the Group. The Board continually strives to improve the engagement and motivation of our people in order to improve business performance, and we ensure heads of department understand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

As at 31 December 2018, the Group employed a total of 95 (2017: 91) permanent staff across the three offices, a net increase of 4 staff on the 2017 year end. The 2018 numbers include 5 staff from the acquisition of the Cash Management business.

Group Demographics 2018



Group Headcount 2018



Staff demographics have remained very similar to the previous year.

Principal risks and uncertainties

The principal risks and uncertainties currently faced by the Group are detailed below. The risks outlined are those that the Group believes have the potential to have a significant detrimental impact on its 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 take-on 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 a 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 have annual appraisals with semi-annual reviews that include an assessment of whether the employee conforms to both regulatory and Ravenscroft required standards. Performance-based payments would be adjusted downwards should the employee be considered lacking in this important area.

Regulatory risk

Regulatory changes arising in any of the Group's current jurisdictions, which could potentially impair the Group's ability to provide stockbroking or investment management services, may 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 is introducing a new AML Handbook on 31 March 2019 with a National Risk Assessment due in the summer, whilst Jersey commenced its National Risk Assessment in 2018 with further requests for information due shortly and the Senior Managers regime coming in 2019 in the UK. We have formed working parties to ensure we proactively embrace the changes and meet the new requirements. In addition, we are learning, understanding and complying with regulations in each new jurisdiction we enter.

Business continuity risk

There is a risk that any incident that we are affected by, directly or indirectly, such as disruption to utilities and services, office closures or pandemic occurrences, could cause possible damage to the Group's infrastructure or affect key employees, which in turn could cause financial loss. Business continuity planning is in place across the business in order to sustain operations with a minimum of disruption through a combination of business continuity planning, duplicated infrastructure and remote facilities. Regular testing of the business continuity plan is undertaken.

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 (market leading IT security company), 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 secure data centre in Guernsey with full redundancy and a minimum of daily offsite backups. The network is protected with industry standard firewalls and anti-virus measures and all server patching is maintained to appropriate levels.

Strategic risk

The Group's business strategy is to deliver the same core services centrally from Guernsey to existing and new jurisdictions, for example the new Monaco office. A requirement of substantial and geographically diverse growth is the ability to scale our operations efficiently and effectively. The appointment of a Non-Executive Director who is experienced in systems reflects the importance we attach to this area. We are well under way with the implementation of a transformational systems and operations platform which is a substantial investment and carries significant risk. The risk has been mitigated by having the project led by an experienced project manager reporting directly to the Group Chief Operating Officer and Head of Risk and the Board. We have also made sure there are sufficiently experienced and qualified staff available to support the project whilst ensuring business as usual 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 from external events. Compliance personnel and senior management ensure that significant operational risks, mitigations and 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 long-term 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 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.

Economic conditions

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 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. The Group has a business model that seeks to minimise any resulting impact of such scenarios by continually reviewing its cost base and more importantly by having a flexible remuneration structure which is predominantly geared to financial performance.

Market risk exposure

The Group is exposed to market risk predominantly through its position in trading investments. We monitor and apply appropriate controls in order to minimise this risk on a daily basis.

Client asset custody

There exists off-balance sheet risk to the Group of client asset custody at Ravenscroft Precious Metals Limited (trading as BullionRock). The Group implements various controls around the segregation of duties and the movement of bullion and coins in order to mitigate this risk.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The Directors present their report on the consolidated financial statements of the Group for the year ended 31 December 2018. Ravenscroft Holdings Limited was registered in Guernsey on 4 May 2016 with company number 61986 and is listed on The International Stock Exchange ("TISE"). Prior to the Group reorganisation in April 2018, as described in note 2, Ravenscroft Limited ("RL") was the TISE listed holding company of the Group.

Principal activity

Ravenscroft Holdings Limited and its subsidiaries (together the "Group") provide private client and institutional broking services in Guernsey, Jersey and the UK, along with market making, private client investment management, institutional fund management, corporate finance, treasury, property investment and precious metals dealing and storage. The Company was dormant from its initial registration until the completion of the Group reorganisation on 23 April 2018.

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 (appointed 1 September 2018)
R A Hutchinson (appointed 1 November 2018)
J R Ravenscroft
M L C Bousfield
B M O'Mahoney

Former Directors

S A Farnon (resigned 25 June 2018)

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 2018		31 December 2017	
	No. of shares	Interest	No. of shares	Interest
S P Lansdown CBE [1]	3,700,000	26.45%	3,700,000	27.86%
D C Jones [2]	75,000	0.54%	75,000	0.56%
R A Hutchinson	11,350	0.08%	-	0%
J R Ravenscroft [3]	1,616,067	11.55%	1,450,000	10.92%
M L C Bousfield [4]	478,517	3.42%	423,000	3.19%
B M O'Mahoney [5]	200,063	1.43%	117,200	0.88%

[1] These are held by Pula Investments Limited, an investment company where the beneficial owners are Mr S and Mrs M Lansdown.
[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 TEMK Investments Limited, an investment company where the beneficial owners are Mr J and Mrs J Ravenscroft.
[4] 25,000 of these shares are held by the Trustees of the Bozz RATS where the beneficial owner is Mr M Bousfield with the remaining 453,517 being held directly by Mr M Bousfield.
[5] 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.

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:

	31 December 2018	31 December 2017	Exercise price	Grant date	First possible exercise date	Expiry date
Name of Director						
J R Ravenscroft	150,000	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 all are entitled to receive annual remuneration of £40k each 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 was in the form of fees and did not include any performance-related compensation.

Dividend

The Directors declare a dividend of 13p per ordinary share in respect of the year ended 31 December 2018 (2017: 12p), to be paid on 18 April 2019.

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 trading performance, 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 financial statements. The Group therefore continues to adopt the going concern basis in preparing these 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 Auditor, PricewaterhouseCoopers CI LLP, has indicated their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to reappoint them as Auditor of the Group.

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 or she ought to have taken as a Director in order to make himself or herself 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 29 March 2019 and signed on its behalf by:

Brian O'Mahoney
Director

Rob Hutchinson
Director

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2018

Introduction

The Company is not subject to the Finance Sector Code of Corporate Governance 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 2018 the Company has complied fully with the principles set out in the Finance Sector Code of Corporate Governance. On 23 April 2018 the Group was restructured when Ravenscroft Holdings Limited acquired the entire share capital of Ravenscroft Limited ("RL").

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 and will consider any matters of significance to the Group including but not limited to corporate activity.

The Board has established 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

Following the restructure in April 2018, the Board consisted of three Executive and four Non-Executive Directors who each contribute a range of complementary skills, 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 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 & Head of Corporate Finance

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.

Jon is supported in his role by Mark Bousfield as Group Managing Director and Brian O'Mahoney as Group Finance Director & Head of Corporate Finance. 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 2018. The Non-Executive Directors bring independent judgement, knowledge and relevant experience to the Board with the balance of the Board being with the Non-Executive Directors.

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 an actual conflict of interest and whether they act in the best interests of the Company.

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

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 25 June 2018 the following appointments were made by the Shareholders:

- Stephen Lansdown CBE was elected as a Non-Executive Director of the Company having been appointed to the Board on 15 March 2018
- Dominic Jones was elected as a Non-Executive Director of the Company having been appointed to the Board on 15 March 2018
- Brian O'Mahoney was elected as an Executive Director of the Company further to his appointment to the Board on 15 March 2018
- Mark Bousfield was elected as an Executive Director of the Company further to his appointment to the Board on 15 March 2018
- Jon Ravenscroft was appointed to the Board on 4 May 2016 and is due to retire at the AGM scheduled to take place in June 2019 when he is intending to stand for re-election
- Sally-Ann ("Susie") Farnon retired as a Non-Executive Director of the Company having been appointed on 15 March 2018

At the Company's AGM due to be held on 24 June 2019 the following matters are to be considered by the Shareholders:

- Christopher Barling was appointed as a Director by the Board on 1 September 2018 and therefore he will stand for election at the forthcoming AGM upon the recommendation of the Directors.
- Rob Hutchinson was appointed as a Director by the Board on 1 November 2018 and therefore he will stand for election at the forthcoming AGM upon the recommendation of the Directors.

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 contact with the Non-Executive Directors regarding ongoing developments on a regular basis 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 address situations where conflicts of interest may arise.

As part of this process, the Directors prepare a list of other positions held within the industry and all other relevant situations that may need notification or authorisation, either in relation to the Director concerned or any connected persons, which must be reported to the Company Secretary. This register is reviewed by the Board at each scheduled Board meeting.

Attendance at scheduled RL and Company Board meetings (together the "Group Meetings")

	RL Board Meetings (pre-restructure to April 2018)	Company Board Meetings (post-restructure from April 2018)
Total number of meetings in the year	**1**	**3**
J R Ravenscroft	1	3
S A Farnon (resigned 25 June 2018)	1	N/A
D C Jones	1	3
B M O'Mahoney	1	3
S P Lansdown CBE	1	3
M L C Bousfield	1	3
C D Barling (appointed 1 September 2018)	N/A	2
R A Hutchinson (appointed 1 November 2018)	N/A	1

Attendance at scheduled Committee meetings

	Audit Committee	Nomination Committee	Remuneration Committee
Total number of meetings in the year	**3**	**4**	**3**
S A Farnon (resigned 25 June 2018)	1	1	2
D C Jones	3	4	3
S P Lansdown CBE (resigned 11 December 2018 from the Audit Committee)	3	4	3
C D Barling (appointed 1 September 2018)	2	2	1
R A Hutchinson (appointed 1 November 2018)	1	–	–

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 are followed.

Board evaluation

The Board evaluation seeks to identify whether the Board demonstrated sufficient collective skills, expertise and independence. Each Director demonstrated the commitment required for the Company to achieve its objectives.

Board committees

The Board has a supporting committee structure in line with the Finance Sector Code of Corporate Governance. The Board has three committees; namely the Audit Committee, the Remuneration Committee and the Nomination Committee, as described below. Copies of each Committee's Terms of Reference, which are regularly reviewed by the Board and clearly define each committee's responsibilities and duties, are available from the Company Secretary upon request or may be downloaded from the Group's website ravenscroftgroup.com.

Audit Committee

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

The Audit Committee has the following responsibilities:

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance;
- to review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated by the external Auditor;
- to review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy;
- to challenge the external Auditor and to ensure the appropriateness and transparency in the application of accounting reporting principles;
- to review and monitor the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant local and UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external Auditor, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- to make recommendations to the Board, for the appointment, re-appointment and removal of the external Auditor and the approval of the remuneration and terms of engagement of the external Auditor to be put to the Shareholders for their consideration and approval at an AGM and;
- to monitor and review the effectiveness of the Company's internal audit function, or, where there is no such function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board.

The Audit Committee reports to the Board on all these matters, identifying any areas where it considers that action or improvement is required, and making recommendations accordingly.

In discharging its duties during the year, the main areas of activity for the Audit Committee have been:

- reviewing the Group's annual and interim reports and financial statements and the announcements thereof. In both cases the Audit Committee received reports from the Auditor identifying any accounting or judgemental issues requiring attention therein;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing and approving the audit planning for the following financial year, including a review of the appropriateness of the proposed materiality levels;
- approving the letter of engagement with the external Auditor;
- reviewing the scope, results, cost effectiveness and objectivity of the external Auditor;
- reviewing and recommending to the Board for approval the audit, audit-related and non-audit fees payable to the external Auditor and the terms of its engagement;
- reviewing the risk management process operated by the Company, which is designed to identify the key risks and details how those risks are being managed;
- reviewing the adequacy of the internal control systems;
- reviewing the Group's whistleblowing policy;
- undertaking a self-evaluation of the Audit Committee's performance; and
- reviewing and considering the ongoing appropriateness of the Audit Committee's terms of reference.

There is an Internal Control Unit established which reviews processes, risks and controls (prioritised by criticality) and makes recommendations to the Business Risk Committee on improvements.

External Auditor

The Audit Committee 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 Company's external Auditor on 11 October 2013. There are currently no plans to re-tender. The Audit Committee receives and reviews audit plans and reports from the external Auditor. It is standard practice for the external Auditor to meet with the Audit Committee in private, without the Executive Directors present.

In assessing the effectiveness of the external audit process, the Audit Committee 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. The decision to recommend the re-appointment of the external Auditor was based on the Audit Committee'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 Committee on its independence three times a year at the annual audit, the interim review and the audit planning stages. The Audit Committee 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 Committee 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 be appropriate for sound commercial and practical reasons, including confidentiality. Examples of work that would fall into this category include regulatory advice, taxation services, and financial due diligence work. The Audit Committee 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 2018:

	£'000
Audit fees	
Group audit fees	135
Non-audit services fees	
Half year review	22
Total	**157**

Financial reporting and significant financial issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether the management team has made appropriate estimates and judgements. The Audit Committee reviews reports from the external Auditor that highlight any issues in respect of the work undertaken on the audit, 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 Committee 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 Committee 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 along with reviewing the effectiveness of these systems throughout the year.

The Board reviews its Risk Appetite Statement annually and has appointed the Risk Committee chaired by the Group Chief Operating Officer who is also Head of Risk, to manage risk. The Risk Committee meets quarterly and reports via the Audit Committee to the Board. A dynamic tool is used to manage risk: the Risk Management Framework identifies risks and assesses the effectiveness of their controls. The Risk Committee 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 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 Committee and the Risk Committee, regularly reviews the effectiveness of the system of internal controls. The Audit Committee 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 Committee 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 2018 and up to the approval date of these financial statements, there had been an on-going process of identifying, evaluating and managing significant risks faced by the Group.

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

The main duties of the Remuneration Committee are:

- to determine and agree with the Board the framework or policy for the remuneration of the Executive Directors of the Company or such other members of the senior management as necessary;
- within the terms of the agreed policy, to determine the total individual remuneration package of each Executive Director including, where appropriate, basic salaries, annual performance awards, share and option-based incentives;
- to review the remuneration packages of the senior management;
- to consider remuneration schemes to attract and retain employees and where appropriate determine the terms and allocations for any performance related share or option schemes operated by the Company; and
- to review the ongoing appropriateness and relevance of the remuneration policy

The Group has a policy to attract and retain individuals of the highest calibre and reward them such that they are motivated to grow the value of the business and 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 the rewards of Executive Directors 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 large 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.

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

The Nomination Committee 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.

Management Committees
To assist the Executive Directors and senior management in the discharge of their duties, the Company has two management committees:

Executive Committee
The Executive Committee, which is chaired by the Group Managing Director, is responsible for overseeing the effective and efficient running of the Group's businesses. The Executive Committee meets on a quarterly basis and its quorum is three. Members are as follows:

- Group Managing Director
- Group Finance Director & Head of Corporate Finance
- Group Chief Operating Officer & Head of Risk
- Chief Executive Officer of A Vartan Limited
- Managing Director of the Jersey branch
- Innovations and Strategy Manager

Risk Committee
The Committee is chaired by the Group Chief Operating Officer & Head of Risk and meets on a quarterly basis to monitor and review the risk management and regulatory compliance of the business. Its overall purpose is to assist the Executive Directors and the Group Chief Operating Officer and Head of Risk in the discharge of their responsibilities for the management of risk and regulatory compliance. Operational risks are assessed 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 and Data Protection Officer
- Group Financial Controller
- Group Information Systems Manager
- Director level representative from each of the core services:
  - Discretionary investment management
  - Specialist funds
  - Advisory broking
  - Execution Only trading
  - Cash Management
  - Precious metals

Shareholder relations

The Company places a great deal of importance on communicating with its shareholders and providing them with adequate information so as to assist the shareholders with making informed decisions. As such all shareholders are encouraged to attend the AGM and exercise their voting rights. Shareholders are also able to contact the Company directly through its dedicated email address (IR@ravenscroftgroup.com), or by correspondence addressed to the Company Secretary. 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 Board as a whole.

Corporate Social Responsibility

The Group is passionate about being a socially responsible and sustainable business and believes wholeheartedly in doing what it can to benefit the economy and society, and to minimise any negative impact on the jurisdictions in which it operates. There are recycling policies in place in the offices to ensure as much as possible of the waste produced is directed away from landfill, and the staff have all been provided with reusable coffee cups and shopping bags.

We are proud of the extensive financial support we give to charities, sport, voluntary organisations, schools and historic and cultural projects which benefit thousands of people each year. In 2018, nearly 200 recipients benefited from Ravenscroft's help with support, ranging from hampers for raffles through to annual sponsorship.

Whilst we continue to sponsor the SuperLeague Triathlon in Jersey, our involvement in sport is generally aimed at grass roots level so that we can help develop the potential of young people. We sponsor cricket, football, hockey, rugby, dance and also provide financial support to 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. We sponsored the Angel of the Year category at both the Pride of Jersey and Pride of Guernsey Awards as well as the Cycle Safe initiative in both islands. Recognising the difference that the Island FM Christmas Toy Appeal has made to underprivileged children in Guernsey, we helped establish and sponsor the Channel 103 Christmas Toy Appeal in Jersey.

Our weekly dress-down days raised funds for a dozen different charities, chosen by staff, with Ravenscroft matching funds raised in each case. Culturally, we have continued our long-standing support of the Priaulx Library, St James Concert and Assembly Hall and the Ladies' College and in 2018 also became a sponsor of Jersey Heritage's Patrons' Scheme. And, of course, we continue to support our own employees in their sporting challenges with Ravenscroft taking part in the Race for Life, Rock to Rocque, Dragon Boat Racing, the round-island walk and swimming to Herm.

This report was approved by the Board of Directors on 29 March 2019 and signed on its behalf by:

Brian O'Mahoney	**Rob Hutchinson**
Director	**Director**

The new Ravenscroft Holdings Limited Guernsey office



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

YEAR ENDED 31 DECEMBER 2018

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 2018, 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 2018;
- 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 £122,650 (2017: £202,700) which represents 5% of group profit before tax.

Audit scope

- The Group consists of 13 components, 7 of which are considered financially significant for the year ended 31 December 2018; 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.
- The Group's primary locations of operation are in Guernsey, in Jersey via Ravenscroft Limited and in the United Kingdom via the subsidiary A Vartan Limited. The Group's financial statements are a consolidation of the parent company and underlying subsidiaries which provide stockbroking, corporate finance and investment management services.
- We conducted audit procedures appropriate to BullionRock as a significant component and all other insignificant 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
- Capital reorganisation

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	£122,650 (2017: £202,700)
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 £5,500, 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 judgement, 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.

Key audit matters (continued)

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 are also share incentive schemes in place for management with performance conditions ultimately driven by the revenue of the Group, as revenue performance is expected to impact the share price on which most of these schemes are based. 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 the key controls to test that these controls are appropriately designed;
- Performed controls testing 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.

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 the revenue recognition.

CAPITAL REORGANISATION (refer to the Group reorganisation section of note 1)

The capital reorganisation undertaken by the Group during the current year has been determined to be outside the normal course of business for the Group and we have paid significant focus to this transaction during our audit, more specifically:

- The capital reorganisation involved the insertion of a new ultimate parent entity for the Group with Ravenscroft Holdings Limited being incorporated and replacing Ravenscroft Limited as the ultimate Group parent and becoming the exchange listed parent on The International Stock Exchange ("TISE");
- There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control; and
- This risk is increased in listed companies due to market pressure to deliver results in line with market expectations.

How our audit addressed the Key audit matter

CAPITAL REORGANISATION

- We have discussed with management and inspected board meeting minutes to understand the rationale for the capital reorganisation as well as the relevant shareholder approval;
- We have reviewed the articles of incorporation for Ravenscroft Holdings Limited to confirm the incorporation of the Company and inspected the Guernsey Registry for existence of the Company;
- We have reviewed correspondence with the Guernsey Financial Services Commission ("GFSC") and TISE for any regulatory and listing requirements;
- We have tested that the disclosure of the change appropriately reflects the intentions and results of the transaction; and
- Based on management's intention, the reorganisation fact pattern and appropriate practice in industry given the lack of guidance as per IFRS, we have determined that the Group has appropriately accounted for and disclosed the capital reorganisation in the consolidated financial statements.

From our procedures performed, we have not identified any presentation and/or disclosure errors relating to the capital reorganisation.

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 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 relating 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group and the wider economy.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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.

This report, including the opinion, 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 this opinion, 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.

Roland Mills

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

29 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 £'000	31 December 2017 £'000
Revenue	2	**22,494**	**20,001**
Cost of sales		(3,258)	(2,795)
Gross profit		**19,236**	**17,206**
Administrative expenses	4	(14,043)	(12,170)
Depreciation and amortisation	8, 9	(280)	(285)
Trading profit[1]		**4,913**	**4,751**
Share based payments expense	19	(2,680)	(690)
Operating profit		**2,233**	**4,061**
Finance costs		(21)	(20)
Share of net profit of associates accounted for using the equity method	11	263	13
Share of net loss of joint venture accounted for using the equity method	11	(22)	–
Profit before taxation		**2,453**	**4,054**
Income tax expense	2, 6	(203)	(175)
Profit for the financial year		**2,250**	**3,879**
Other comprehensive income			
Exchange differences on translation of subsidiary	2	–	(15)
Other comprehensive income for the year		**–**	**(15)**
Total comprehensive income for the year		**2,250**	**3,864**
Attributable to:			
Equity holders of the Company		2,186	3,727
Non-controlling interests	11	64	137
		2,250	**3,864**

Earnings per share attributable to the equity holders of the Company			
Basic	7	16.45p	28.07p
Diluted	7	15.05p	25.27p

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

The notes on pages 34 to 63 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Goodwill	10	6,400	3,888
Other intangible assets	8	1,147	606
Property, plant and equipment	9	6,383	318
Investment in associates	11	2,598	84
Investment in joint venture	11	177	–
Total non-current assets		**16,705**	**4,896**
Current assets			
Trading investments - long positions	12	286	483
Trade and other receivables	13	17,114	13,578
Inventory	2	26	8
Cash and cash equivalents	14	5,127	8,067
Total current assets		**22,553**	**22,136**
Total assets		**39,258**	**27,032**
Non-current liabilities			
Borrowings	15	6,364	–
Current liabilities			
Trade and other payables	16	15,432	12,426
Tax payable	6	230	172
Borrowings	15	386	–
Total current liabilities		**16,048**	**12,598**
Total liabilities		**22,412**	**12,598**
Net assets		**16,846**	**14,434**
Equity			
Called up share capital	18	140	133
Share premium account		10,918	6,972
Reserves		5,343	6,948
Capital and reserves attributable to equity holders of the Company		**16,401**	**14,053**
Non-controlling interests	11	445	381
Total equity		**16,846**	**14,434**

The consolidated financial statements were approved by the Board of Directors on 29 March 2019 and signed on its behalf by:

Brian O'Mahoney
Director

Rob Hutchinson
Director

The notes on pages 34 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 £'000	31 December 2017 £'000
Cash flows from operations			
Operating profit		2,233	4,061
Adjustments for:			
Depreciation of property, plant and equipment	9	116	106
Amortisation of intangible assets	8	165	179
Write-off of property, plant and equipment	9	3	–
Write-off of other intangible assets	8	70	–
Share based payment expense	19	2,680	690
Operating cash flows before movements in working capital		**5,267**	**5,036**
Decrease in trading investments		196	73
(Increase)/decrease in receivables		(3,388)	46,410
Increase/(decrease) in payables		3,005	(43,665)
Cash generated by operations		**5,080**	**7,854**
Interest paid		(21)	(20)
Taxation paid	6	(145)	(154)
Net cash generated from operating activities		**4,914**	**7,680**
Cash flows from investing activities			
Acquisition of subsidiary	10	(3,000)	(786)
Acquisition of associate	11	(2,261)	(71)
Dividend received from associate	11	10	–
Acquisition of joint venture	11	(199)	–
Purchase of intangible assets	8	(776)	(305)
Purchase of property, plant and equipment	9	(5,860)	(79)
Net cash used in investing activities		**(12,086)**	**(1,241)**
Cash flows from financing activities			
Acquisition of own shares subsequently held in treasury	20	(750)	(95)
Award of own shares held in treasury and write-off of EBT loan	20	–	115
Proceeds from borrowings		6,750	–
Proceeds from vesting of share options		624	–
Dividends paid		(2,392)	(2,100)
Net cash generated from/(used in) financing activities		**4,232**	**(2,080)**
Net (decrease)/increase in cash and cash equivalents		**(2,940)**	**4,359**
Cash and cash equivalents at the beginning of the year		**8,067**	**3,708**
Net cash and cash equivalents at the end of the year		**5,127**	**8,067**
Represented by:			
Cash and cash equivalents		5,127	8,067
Total cash and cash equivalents		**5,127**	**8,067**

The notes on pages 34 to 63 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	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 2017		**133**	**6,972**	**4,611**	**11,716**	**244**	**11,960**
Total comprehensive income for the year		–	–	3,727	3,727	137	3,864
Own shares purchased in the year	20	–	–	(95)	(95)	–	(95)
Own shares awarded in the year	20	–	–	115	115	–	115
Credit to equity for equity-settled share based payments	19	–	–	690	690	–	690
Dividends paid		–	–	(2,100)	(2,100)	–	(2,100)
At 31 December 2017		**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	20	–	–	(750)	(750)	–	(750)
Own shares awarded in the year	20	–	–	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	19	–	–	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**

The notes on pages 34 to 63 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. General information

Ravenscroft Holdings Limited and its subsidiaries (together the "Group") provides private client and institutional broking services in Guernsey, Jersey and the UK along with market making, private client investment management, institutional fund management, corporate finance, treasury, property and precious metals dealing and storage.

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 ("RL Group"). The Company was dormant from registration until Group reorganisation on 23 April 2018.

Group reorganisation

The Group reorganisation was completed on 23 April 2018 thereby achieving the two objectives:

- to amend the Group structure by the addition of the Company as the new ultimate parent company of the Group. The new parent company acts as a holding company, with all business and regulatory operations being conducted within its subsidiaries; and
- to rationalise the structure of the Group at the operational subsidiary level.

In order for the Company to become the new parent company of the Group, it was necessary for the Company to conduct an acquisition of the entire issued share capital of RL. On 23 March 2018 the Company made a general offer to the RL shareholders to acquire all of their RL shares in exchange for the issue of new shares in the Company, on the basis of one share in the Company for each RL share (the "Offer").

When the Offer became unconditional in all respects, an application was made by RL to TISE for the cancellation of the listing of its shares on the Official List of TISE.

On completion of the Group reorganisation on 23 April 2018, the Company became the Group holding company. The Group followed the predecessor accounting method for a common control business combination, as there was a one-for-one share swap between RL and the Company. The predecessor accounting method involves accounting for the assets and liabilities of the acquired business using existing carrying values. IFRS 3, 'Business Combinations', specifically states that a combination of entities or businesses under common control is excluded from the scope of IFRS 3. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control.

In developing a policy for capital reorganisation transactions, the Company considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards. The predecessor accounting method is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. No goodwill arises in applying the predecessor accounting method.

As there were no changes to the underlying business operations of the Group all pre-Group reorganisation current and comparative figures disclosed in these consolidated financial statements are those of the RL Group for the year ended 31 December 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 23.

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 19.

2. Accounting policies continued

Basis of accounting continued

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 trading performance, 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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 – Financial Instruments, and
- IFRS 15 – Revenue from Contracts with Customers.

The adoption of these standards and amendments are not expected to have any significant impact on the recognition and measurement of financial assets and liabilities of the Group nor on the recognition of the revenue profile of the Group.

New standards not yet adopted

Certain new accounting standards have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards is set out below.

Title of standard	*Amendments to IFRS 3, Business Combinations*
Nature of change	The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties.
Impact	Following the effective date 1 January 2020, management will assess any future business acquisitions on this basis.
Date of adoption by Group	The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

2. Accounting policies continued

Basis of accounting continued

New standards not yet adopted continued

Title of standard	*IFRS 16 Leases*
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position for lessees, as the distinction between operating leases and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £1.11m, see Note 17. Of these commitments, approximately £42k relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately £881k on 1 January 2019 and lease liabilities of £881k. Overall net assets will remain the same on initial recognition, and net current assets will be £250k lower due to the presentation of a portion of the lease liability as a current liability. The Group expects that net profit after tax will decrease by approximately £22k for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately £250k as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.
Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Accounting policies continued

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 20) which all have coterminous period ends (excluding BullionRock which has a 30 June year end, 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 changes in equity and consolidated statement of financial position respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

2. Accounting policies continued

Foreign currency translation

Functional and presentation currency

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

On review of the operations of the 100% owned subsidiary, Ravenscroft Precious Metals Limited (trading as BullionRock), with reference to the indicators of functional currency per IAS 21 The Effects of Changes in Foreign Exchange Rates management have determined that the functional currency is Sterling pounds. This represents a change in judgement, as the functional currency was determined to be USD in the prior year. In the prior year the consolidation of the at acquisition reserves in USD and conversion into Sterling pounds resulted in a foreign currency translation reserve. This exchange difference was captured to other comprehensive income in the consolidated statement of comprehensive income and to reserves in the consolidated statement of changes in equity. This will remain in reserves as an undistributable reserve going forward following the change in assessment of functional 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%. From 1 January 2018 Guernsey income tax has been accrued for at 10% on 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.

2. Accounting policies continued

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.

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.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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 interests in Vartan Ravenscroft, the Group elected to recognise the non-controlling interests 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 3 months or less which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. IFRS 9 requires impairment based on expected credit losses, short term receivables are exempt from such measurement. All receivables are currently short term in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

2. Accounting policies continued

Trade and other receivables continued

The Group regularly reviews all outstanding balances including market and client receivables referred to in Note 22 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.

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	Twenty five years
Fixtures and fittings	Three - Five years
Office equipment	Three years
Communications equipment	Three years
Leasehold improvements	Ten years

2. Accounting policies continued

Property, plant and equipment continued

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 estimated residual value, of each asset evenly over its estimated useful life as follows:

Purchased software and software development	Five 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

2. Accounting policies continued

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, the Jersey Financial Services Commission ("JFSC") and the Financial Conduct Authority ("FCA") through its wholly owned non-trading subsidiary, Huntress (CI) Nominees Limited. 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.

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, the 2016 Share Incentive Scheme and the Share Award Scheme, 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 19.

2. Accounting policies continued

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 broking 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 and Jersey;
- 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 about resources to be allocated and of 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 2018

3. Segment information continued

Operating segment information for the period ended 31 December 2018:

	Broking - Channel Islands[1] £'000	Investment Management £'000	Corporate Finance £'000	Precious Metals £'000	Cash Management[2] £'000	Unallocated[3] £'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**	**2,233**
Finance costs	–	–	–	–	–	(21)	(21)	–	(21)
Share of net profit of Associates	–	–	–	–	–	263	263	–	263
Share of net loss of Joint Venture	–	–	–	–	–	(22)	(22)	–	(22)
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 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)**

Operating segment information for the period ended 31 December 2017:

	Broking - Channel Islands £'000	Investment Management £'000	Corporate Finance £'000	Precious Metals £'000	Cash Management £'000	Unallocated £'000	Channel Islands Total £'000	Broking - United Kingdom £'000	Consolidated £'000
Revenue	7,294	4,386	5,730	69	–	–	17,479	2,522	20,001
Operating profit	**1,927**	**889**	**1,232**	**8**	**-**	**(690)**	**3,366**	**695**	**4,061**
Finance costs	–	–	–	–	–	(20)	(20)	–	(20)
Share of net profit of Associates	–	–	–	–	–	13	13	–	13
Share of net loss of Joint Venture	–	–	–	–	–	–	–	–	–
Profit/(loss) before tax	**1,927**	**889**	**1,232**	**8**	**-**	**(697)**	**3,359**	**695**	**4,054**
Income tax expense	(31)	–	–	–	–	–	(31)	(144)	(175)
Profit/(loss) for financial year	**1,896**	**889**	**1,232**	**8**	**-**	**(697)**	**3,328**	**551**	**3,879**
Segment assets	**17,950**	**1,629**	**2,414**	**265**	**-**	**1,785**	**24,043**	**2,989**	**27,032**
Segment liabilities	**(10,052)**	**(296)**	**(1,006)**	**(45)**	**-**	**(851)**	**(12,250)**	**(348)**	**(12,598)**

1 In prior year, the revenue from treasury services was split across the operating segments based on each segment's contribution of cash. In the current year this is shown in Cash Management.

2 This consists of the results of Ravenscroft Cash Management Limited and Ravenscroft Custody Services Limited from date of acquisition, on 31 October 2018; and the results of the treasury services.

3 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 2018 £'000	31 December 2017 £'000
Personnel costs	9,414	7,612
Legal & professional fees	780	1,327
Premises	751	713
IT costs	749	659
Travel & entertaining	659	603
Marketing	582	290
Sponsorships	223	209
Information research	315	266
Auditor's remuneration (Note 5)	157	150
Communications	149	134
Recruitment & training	75	133
Bank charges	53	46
Sundry expenses	136	28
Total administrative expenses	**14,043**	**12,170**

5. Auditor's remuneration

	31 December 2018 £'000	31 December 2017 £'000
Fees payable to the auditors for the audit of the Group's annual financial statements	69	54
Fees payable to the auditors for the audit of the Company's subsidiaries	66	54
Total audit fees	**135**	**108**
Other services:		
Half year review	22	18
US IRS Qualified Intermediary support	–	12
Subsidiary acquisition procedure	–	12
Total non-audit fees	**22**	**42**
	157	**150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

6. Taxation

Tax payable

	31 December 2018 £'000	31 December 2017 £'000
Income tax payable		
Guernsey charge	53	–
Jersey tax charge (based on Jersey branch profits)	58	24
UK corporation tax charge	119	148
Total income tax payable	**230**	**172**

Analysis of the tax charge

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

	31 December 2018 £'000	31 December 2017 £'000
Guernsey income tax at 10% on profits from sub custodian fees earned	–	3
Guernsey income tax at 10% on profits from the provision of investment management individual client services	53	–
Jersey tax charge (based on Jersey branch profits)	34	28
UK corporation tax charge	116	144
Total income tax expense	**203**	**175**

Reconciliation of tax paid in the year

	31 December 2018 £'000	31 December 2017 £'000
Opening income tax payable	172	125
Vartan Ravenscroft tax finalisation post 2016 Group financial statements sign-off	–	26
Income tax expense	203	175
Closing income tax payable	(230)	(172)
Taxation paid	**145**	**154**

7. Earnings per share

	31 December 2018 £'000	31 December 2017 £'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (net profit attributable to equity holders of the parent)	2,186	3,727
Number of shares:	**No.**	**No.**
Weighted average number of shares for the purpose of basic earnings per share	13,288,227	13,278,450
Basic EPS (pence)	**16.45**	**28.07**
Effect of dilutive potential of ordinary shares	1,233,600	1,470,000
Weighted average number of shares for the purposes of diluted earnings per share	**14,521,827**	**14,748,450**
Diluted EPS (pence)	**15.05**	**25.27**

The dilution in both years is a result 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 price (see Note 19).

8. Other intangible assets

	Purchased software and software development £'000	Software licences £'000	Total £'000
Cost:			
As at 1 January 2017	868	116	984
Additions	305	–	305
At 31 December 2017	**1,173**	**116**	**1,289**
Additions	776	–	776
Disposals	(99)	–	(99)
At 31 December 2018	**1,850**	**116**	**1,966**
Amortisation:			
As at 1 January 2017	(396)	(108)	(504)
Charge for the year	(171)	(8)	(179)
At 31 December 2017	**(567)**	**(116)**	**(683)**
Charge for the year	(165)	–	(165)
Disposals	29	–	29
At 31 December 2018	**(703)**	**(116)**	**(819)**
Carrying amount:			
At 31 December 2017	**606**	**-**	**606**
At 31 December 2018	**1,147**	**-**	**1,147**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

8. Other intangible assets continued

Included in other intangible assets are assets with a book cost of £442k which have been fully depreciated at the year end (2017: £307k) that are still in use.

Current year additions of other intangible assets consists mainly of the development and tailoring costs for a new operational and systems platform (£567k). 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 2017	–	472	194	9	432	1,107
Additions	–	55	24	–	–	79
Acquired in business combination	–	2	2	–	–	4
As at 31 December 2017	**-**	**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**
Depreciation:						
As at 1 January 2017	–	(432)	(148)	(5)	(181)	(766)
Charge for the year	–	(33)	(29)	(2)	(42)	(106)
At 31 December 2017	**-**	**(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)**
Net Book Value:						
At 31 December 2017	**-**	**64**	**43**	**2**	**209**	**318**
At 31 December 2018	**6,002**	**59**	**123**	**33**	**167**	**6,383**

Included in property, plant and equipment are assets with a book cost of £580k which have been fully depreciated at the year end (2017: £535k) that are still in use.

9. Property, plant and equipment continued

On 28 June 2018, the Group acquired Eastbourne House Holdings Limited (since renamed to Ravenscroft Property Holdings Limited), a property holding company which owns the building Eastbourne House situated in St. Peter Port, Guernsey. There was £253k of transaction costs incurred which were capitalised to the cost of the building on consolidation. During the year £1.90m has been capitalised as development costs of the new building, included therein is £80k of capitalised borrowing costs on the loan. Ravenscroft Services Limited ("RSL") entered into a £3.75m secured loan facility agreement from the Royal Bank of Scotland International ("RBSI") for this acquisition. The development and refurbishment was completed at the end of February 2019.

The land and buildings were acquired in the acquisition of 100% of the share capital Ravenscroft Cash Management Limited ("RCML") and Ravenscroft Custody Services Limited ("RCSL") in the year.

10. Goodwill

Summary of acquisition of Ravenscroft Cash Management Limited and Ravenscroft Custody Services Limited

On 31 October 2018, the Company acquired 100% of the issued share capital and voting rights of Ravenscroft Cash Management Limited (formerly Royal London Asset Management C.I. Limited) and Ravenscroft Custody Services Limited (formerly Royal London Custody Services C.I. Limited) together ("Cash Management"), companies based in Guernsey that provide discretionary cash management services.

The cash management business was purchased for an initial consideration of £3m funded entirely by a loan from Investec Bank (CI) Limited.

The details of the business combination are as follows:

Fair value of purchase consideration for RCML & RCSL	£'000
Initial consideration	3,000
Total purchase consideration	**3,000**

Identifiable net assets of RCML & RCSL upon acquisition	Fair value £'000
Property, plant and equipment	325
Prepayments	9
Trade and other receivables	144
Cash	217
Total assets	**695**
Accruals	(207)
Total liabilities	**(207)**
Total identifiable net assets	**488**
Goodwill on acquisition	2,512
Net assets acquired	**3,000**

Reconciliation of Goodwill	31 December 2018 £'000	31 December 2017 £'000
Opening balance	3,888	3,115
Additions	2,512	773
Closing balance	**6,400**	**3,888**

The opening balance of Goodwill relates to the goodwill on acquisition of Vartan Ravenscroft on 20 March 2015 and Ravenscroft Precious Metals Limited (trading as BullionRock) on 8 November 2017. The additions relate to the acquisition of RCML and RCSL 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 2018

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 2018	Ownership held by the Group 2017	Ownership held by the NCI 2018	Ownership held by the NCI 2017
Huntress (CI) Nominees Limited	Guernsey	Nominee company	100%	100%	0%	0%
Ravenscroft Limited [1]	Guernsey	Provision of investment services	100%	0%	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[2]	Guernsey	Property holding company	100%	0%	0%	0%
Ravenscroft Cash Management Limited	Guernsey	Provision of discretionary cash management services	100%	0%	0%	0%
Ravenscroft Custody Services Limited	Guernsey	Provision of custody services	100%	0%	0%	0%

[1] On 23 April 2018, the Company became the parent company of the Group through the acquisition of the entire issued share capital of Ravenscroft Limited ("RL"). See Note 2 on Group reorganisation.

[2] On 28 June 2018, the Group acquired Eastbourne House Holdings Limited (since renamed to Ravenscroft Property Holdings Limited on 31 July 2018), a property holding company which owns the building Eastbourne House situated in St. Peter Port, Guernsey.

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. On 31 October 2018 the Company acquired 100% of the share capital of Ravenscroft Cash Management Limited and Ravenscroft Custody Services Limited.

Associates

The Company has investments in the following associates:

Name of entity	Country of registration	Principal activity	Ownership held by the Group 2018	Ownership held by the Group 2017	Ownership held by other owners 2018	Ownership held by other owners 2017
D2 Real Estate Limited	Jersey	Provision of real estate management services	50%	50%	50%	50%
MXC Capital (UK) Limited	England & Wales	Provision of advisory services	25%	0%	75%	100%

The associates have been consolidated in the Group's consolidated financial statements on the equity method. The investment in MXC Capital (UK) Limited completed on 13 September 2018.

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

11. Interests in other entities continued

Associates continued

Summarised statement of financial position of D2 Real Estate Limited	31 December 2018 £'000	31 December 2017 £'000
Current assets	703	161
Current liabilities	(239)	(86)
Net current assets	**464**	**75**
Non-current assets	11	13
Net assets	**475**	**88**

Summarised statement of comprehensive income of D2 Real Estate Limited	31 December 2018 £'000	31 December 2017 £'000
Revenue	1,383	913
Operating expenses	(986)	(783)
Profit for the year	**397**	**130**

Investment in D2 Real Estate Limited	31 December 2018 £'000	31 December 2017 £'000
Opening cost of investment	84	71
Dividend received from associate	(10)	–
Share of net profit of associate	199	13
Investment in associate	**273**	**84**

Set out below is summarised financial information for MXC Capital (UK) Limited for the current year since acquisition. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position of MXC Capital (UK) Limited	31 December 2018 £'000
Current assets	1,281
Current liabilities	(453)
Current net assets	**828**
Non-current assets	6,120
Non-current liabilities	(52)
Net assets	**6,896**

Summarised statement of comprehensive income of MXC Capital (UK) Limited	
Revenue	716
Operating expenses	(459)
Profit for the period	**257**

Investment in MXC Capital (UK) Limited	
Cost of investment	2,261
Share of net profit of associate	64
Investment in associate	**2,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

11. Interests in other entities continued

Joint ventures

The Company has investments in the following joint ventures:

Name of entity	Country of registration	Principal activity	Ownership held by the Group 2018	Ownership held by the Group 2017	Ownership held by other owners 2018	Ownership held by other owners 2017
Tavira Ravenscroft SAM	Monaco	Provision of investment services	50%	0%	50%	0%

The joint venture has been consolidated in the Group's consolidated financial statements on the equity method. Tavira Ravenscroft SAM was incorporated on 5 November 2018 with shared ownership between the Company and Tavira Monaco SAM.

Set out below is summarised financial information for Tavira Ravenscroft SAM for the current year since formation. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position of Tavira Ravenscroft SAM	31 December 2018 £'000
Current assets	436
Current liabilities	(35)
Current net assets	**401**
Non-current assets	3
Net assets	**404**

Summarised statement of comprehensive income of Tavira Ravenscroft SAM	
Revenue	–
Operating expenses	(44)
Loss for the period	**(44)**

Investment in Tavira Ravenscroft SAM	
Cost of investment	199
Share of net loss of joint venture	(22)
Investment in joint venture	**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 2018 £'000	31 December 2017 £'000
Current assets	898	1,102
Current liabilities	(371)	(348)
Net current assets	**527**	**754**
Non-current assets	1,877	1,887
Net assets	**2,404**	**2,641**
Accumulated NCI	**445**	**381**

Summarised statement of comprehensive income of A Vartan Limited	31 December 2018 £'000	31 December 2017 £'000
Revenue	2,351	2,522
Profit for the year	**256**	**550**
Profit allocated to NCI	64	137
Dividends paid to NCI	**(105)**	**(113)**

12. Trading investments – long positions

	31 December 2018 £'000	31 December 2017 £'000
Long positions		
Trading investments – long positions	286	483

The fair values of these trading investments are based on quoted market prices. The risks resulting from these positions are set out in Note 23.

13. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year:		
Prepayments and accrued income	4,380	5,074
Market and client receivables	12,734	8,504
	17,114	**13,578**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. IFRS 9 requires impairment based on expected credit losses, all receivables though are short term in nature so exempt from this impairment model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

14. Cash and cash equivalents

	31 December 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	**5,127**	**8,067**

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

15. Borrowings

	31 December 2018			31 December 2017		
	Current £'000	Non-Current £'000	Total £'000	Current £'000	Non-Current £'000	Total £'000
Capped rate facility	186	3,564	3,750	–	–	–
Variable rate facility	200	2,800	3,000	–	–	–
Total borrowings	**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, to finance the acquisition and refurbishment of the new building in Guernsey (see Note 9), which stands as security for the loan. The Company purchased an interest rate cap against the facility, limiting the effects of LIBOR increases to 2%. Final repayment date is 5 years from date of drawdown, being 30 June 2023.

The variable rate facility relates to a loan with Investec Bank (Channel Islands) Limited, a £3m floating rate facility at 3% per annum over LIBOR, to finance the acquisition of the Cash Management business (see Note 10). The facility is guaranteed by the Group companies. Final repayment date is 5 years from date of drawdown, being 31 October 2023.

16. Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year:		
Accrued expenses	3,226	1,979
Deferred income	14	27
Market and client payables	12,192	10,295
Deferred consideration	–	125
	15,432	**12,426**

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

17. Commitments

	Land and Buildings	
	31 December 2018 £'000	31 December 2017 £'000
Within one year	278	375
Within two to five years inclusive	710	821
Over five years	121	250
	1,109	1,446

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, being the Group's head office. The lease covers the fifth floor of the building and is for 4,700 sq ft, costing £26 p sq. ft. The lease provides for a break date in 2021 and the Group received a rent free period at the start of the lease. The Guernsey operations moved to 20 New Street on 1 March 2019.

Vartan Ravenscroft holds a lease on its premises at The Singing Men's Chambers, 19 Minster Precincts, Peterborough. The current rent is £22k per annum. There are 6 years left to 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 p sq. ft. RSL received a 6 month rent free period and there is a tenant only break date on 1 February 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

18. Called up share capital

	£'000	No.
Authorised:		
As at 1 January 2017	150	15,000,000
As at 31 December 2017	**150**	**15,000,000**
As at 31 December 2018	**150**	**15,000,000**
Allotted, issued and fully paid:		
As at 1 January 2017	133	13,278,450
As at 31 December 2017	**133**	**13,278,450**
Share issue on 19 November 2018	2	166,400
Share issue on 21 December 2018	5	541,809
As at 31 December 2018	**140**	**13,986,659**

The share issues in 2018 were to satisfy awards made to employees in accordance with employee share schemes.

19. Share based payments and other employee benefits

2016 Share Incentive Scheme ("2016-SIS" or "Scheme")

At an Extraordinary General Meeting held on 7 December 2015, the Shareholders approved a Share Incentive Scheme. In December 2018, the Scheme awarded shares to recipients in the form of an equity settled bonus based on the Company's shares having achieved a quoted mid-market price that exceeds the granted hurdle rate. As part of the Group reorganisation which completed on 23 April 2018, the Scheme was amended to reflect that the equity settled bonus would be based on the Company's shares. Prior to reorganisation it was based on RL shares.

This equity-settled scheme was revalued at each period end and on vesting date, as there is no upfront grant date for the purposes of establishing fair value as the awards were only made to employees on the vesting date. As employees had begun providing services an estimate was made over 2016 and 2017 for the future grant date fair value at each period end for the purpose of recognising the expense until the vesting date. On vesting date, 21 December 2018, the fair value was measured and the calculated charge settled in shares based on the market price of the Company's shares.

	Approval date	Vesting date	Remaining contractual life (months)	Final fair value £'000	Expensed through Profit or Loss 2018 £'000
	Dec-15	Dec-18	–	2,589	1,718

Expensed through profit or loss for 2017: £584k.

19. Share based payments and other employee benefits continued

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

Following approval of an employee Share Option Plan by Shareholders at an Extraordinary General Meeting held on 15 October 2015, the Company 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. Prior to reorganisation it was based on RL shares. During the year the vesting date of tranche 1 was reached and 166,400 options were exercised.

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	877,500	135,000	275,000	135,000	47,500	1,470,000
Granted during the year	–	–	–	–	–	–
Lapsed during the year	(52,500)	(5,000)	(12,500)	–	–	(70,000)
Exercised during the year	(166,400)	–	–	–	–	(166,400)
Outstanding at the end of the year	**658,600**	**130,000**	**262,500**	**135,000**	**47,500**	**1,233,600**

	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 2018 £'000
Tranche 1	Nov-15	Nov-18	Nov-25	85	658,600	182	52
Tranche 2	Sep-16	Sep-19	Sep-26	93	130,000	40	13
Tranche 3	Feb-17	Feb-20	Feb-27	98	262,500	97	31
Tranche 4	Sep-17	Sep-20	Sep-27	105	135,000	46	15
Tranche 5	Nov-17	Nov-20	Nov-27	106	47,500	17	6

Expensed through profit or loss for 2017: £106k.
The fair value of the options is estimated using an appropriate valuation model.

	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%

Share Award Scheme

The Group operated a Share Award Scheme based on performance which vested on 21 December 2018. This equity-settled scheme was revalued at each period end and on vesting date for non-market conditions using an appropriate valuation model. This value is amortised over the service period and recognised as an expense. For the year £845k (2017: Nil) was expensed through profit or loss and represents the total scheme cost. The scheme closed early during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

20. Own shares

The Ravenscroft 2015 Employee Benefit Trust ("REBT 15")

The Group established an Employee Benefit Trust (the Ravenscroft 2015 Employee Benefit Trust ("REBT-2015") 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 2018, REBT-2015 owned nil (2017: 21,000) ordinary shares of £0.01 each. REBT-2015 has waived its rights to dividends.

	Number of shares	Cost £'000
At 1 January 2017	31,000	115
Acquired in the year	21,000	95
Awarded during the year	(31,000)	(115)
At 31 December 2017	**21,000**	**95**
Acquired in the year	254,000	750
Awarded during the year	(275,000)	(845)
At 31 December 2018	**-**	**-**

21. 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 2018 £'000**	**31 December 2017 £'000**
Ravenscroft Limited	Subsidiary	(2,144)	-
Ravenscroft Services Limited	Subsidiary	(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 £286K (2017: £483K) and £Nil (2017: £Nil) respectively.

21. Controlling party and related party transactions (continued)

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 2018 £'000	31 December 2017 £'000
Short-term employment benefits	2,099	2,869
Equity compensation benefits	1,751	615

The decrease in short-term employment benefits in 2018 reflects a decrease in performance related remuneration. The increase in equity compensation benefits reflects the increase in the value of the 2016-SIS and SOP share based payments schemes due to the increase in the Company share price.

For details on the Non-Executive Directors' remuneration paid during the year, please see the Directors' Report on page 13. As at 31 December 2018, £Nil (2017: £Nil) of the Directors' remuneration had been accrued but not paid.

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 2018, please see the Directors' Report on page 12 and 13.

The current Directors received total dividends on ordinary shares held in the Company during the financial year ended 31 December 2018 of £1.0m (2017: £0.89m).

On 28 June 2018 Ravenscroft Services Limited ("RSL"), a 100% owned subsidiary of the Company, purchased the entire issued share capital of Eastbourne House Holdings Limited ("Holding Company") for a total consideration of £3.45m.

Eastbourne House ("the Property") was legally owned by the Holding Company, a special purpose vehicle incorporated for the purpose of owning the Property, which was wholly owned by Pula Investments Limited ("Pula")(50%) and TEMK Investments Limited ("TEMK") (50%). The transaction took effect by way of the purchase by RSL of 100% of the share capital of the Holding Company. Following completion of the transaction, Pula and TEMK had no further interest in the Holding Company or the Property.

Pula is ultimately owned by Stephen Lansdown and his wife, Margaret Lansdown. Mr Lansdown is the Non-Executive Chairman of the Company and Pula indirectly owns 26.45% of the issued share capital of the Company. TEMK is ultimately owned by Jon Ravenscroft and his wife, Jacqueline Ravenscroft. Mr Ravenscroft is the Group Chief Executive Officer of the Company and TEMK indirectly owns 11.55% of the issued share capital of the Company. Accordingly, Mr Lansdown, Mrs Lansdown (being an associate of Mr Lansdown), Mr Ravenscroft and Mrs Ravenscroft (being an associate of Mr Ravenscroft) are connected persons in relation to the Company and so a transaction between RSL, Pula and TEMK was a connected persons transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

22. 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 are net of allowances for doubtful receivables. 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 £0.47m (2017: £0.62m) relating to unsettled trades that have gone past their due dates. Of this balance, £Nil (2017: £Nil) relates to trades awaiting settlement confirmation from unit trust managers and £Nil (2017: £0.29m) relates to trades where the market is unable to deliver stock. As at 29 March 2019, none (2017: £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 was owed £3.2m from (2017: £0.05m owed to) 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 (2017: £0.80m) relating to unsettled trades.

Also within the market and client receivables are receivable amounts in respect of overdrawn client accounts of £1.68m (2017: £1.01m) 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% (2017: 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 management to make good funds owed to the Group by individual clients. For clients with assets under management 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 £53.86m (2017: £26.50m). 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.

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 £10.44m (2017: £8.72m) 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 29 March 2019, £Nil (2017: £0.06m) 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 the Company 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.

22. Financial instruments and risk management continued

Liquidity risk table

The following tables detail the Group's remaining contractual 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 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**

	Less than 1 month £'000	1-12 months £'000	1-5 years £'000	Total £'000
At 31 December 2017				
Trading investments - long positions	483	–	–	483
Trade and other receivables	13,578	–	–	13,578
Cash and cash equivalents	8,067	–	–	8,067
Trade and other payables	(12,426)	–	–	(12,426)
Tax payable	(172)	–	–	(172)
	9,530	**-**	**-**	**9,530**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2018

22. 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. 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 LIBOR. 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 2018	(3,000)	(3,750)
At 31 December 2017	–	–

At 31 December 2018, 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 £68k (2017: £Nil).

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 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 2018 would have been £57k higher/lower (2017: £43k higher/lower) due to changes in the value of FVTPL held for trading investments.

The Group's exposure to equity price risk is 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.

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.

23. 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 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Trading investments - long positions	286	–	–	286

	31 December 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Trading investments - long positions	483	–	–	483

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.

24. Events after reporting date

The Directors have declared a dividend of 13p per share, totalling £1.82m, which was approved by the Board on 14 March 2019, and will be paid on 18 April 2019.

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