CHATHAM FINANCIAL EUROPE, LTD

Group Strategic Report,

Directors' Report and

Consolidated Financial Statements

for the Year Ended 31 December 2019

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Contents of the Consolidated Financial Statements
for the year ended 31 December 2019

Company Information
for the year ended 31 December 2019

Directors:	J A Macdonald B D Conly
Registered office:	New Derwent House 69-73 Theobalds Road London WC1X 8TA
Business address:	12 St James's Square London SW1Y 4LB
Registered number:	04223247 (England and Wales)
Auditors:	Haines Watts (City) LLP Statutory Auditor New Derwent House 69-73 Theobalds Road London WC1X 8TA

Group Strategic Report
for the year ended 31 December 2019

The directors present their Strategic Report of the Company and the Group for the year ended 31 December 2019.

The purpose of the Strategic Report is to inform shareholders and help them to assess how the directors have performed their duties to promote the success of Chatham Financial Europe, Ltd "the Company", with references made to "the Group" relating to the Company and its subsidiaries. The report, together with the further information in the Directors' Report, provides:

- A fair and balanced review of the Company's business including:
    i) The development and performance of the business during the year
    ii) The position of the Company at the end of the year

- A description of the principal risks and uncertainties facing the Group.

Review of business
The principal activity of the Company is to advise on, arrange and assist clients in multiple facets of corporate and structured finance, including identifying interest rate and currency risks and implementing strategies to mitigate those risks. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Since 2016, the Company's Polish branch has provided support services to other Chatham Financial Group entities.

The Company acquired a Polish subsidiary Chatham Financial Europe Sp.Z.o.o in 2018. The Polish subsidiary will support the services provided by the Company once fully operational. As such, at the date of signing this report steps are being taken to register with Komisja Nadzoru Finansowego (KNF) - the Polish Financial Supervision Authority.

In November 2019 the Company acquired Ensco 1240 Limited and its subsidiary companies. Details of this acquisition are given in the notes to the financial statements. JC Rathbone Associates Limited is the main trading company of the acquired group and this will result in a new income stream for the Chatham group that will fall under the same principal activity.

Key performance indicators (kpis)
The Group monitors the business performance through a number of key performance indicators (KPIS) including revenue growth and profit before taxation, as set out in the audited financial statements, summarised as follows:

	2019	2018
	£m	£m
Turnover	17.5	16.4
Profit before taxation	1.3	3.2
Shareholders' funds	34.5	8.1

As part of the success detailed within the Development and financial performance during the year section below, total customer numbers fell by 1% (2018: increase of 3%).

Given the straight forward nature of the business the directors are of the opinion that further analysis using non-financial KPIs is not necessary for the understanding of the development, performance or position of the business.

Section 172(1) statement
The directors of the Company, as those of all UK companies, must act in accordance with a set of general duties which are detailed in section 172 of the Companies Act 2006. The following paragraphs below summarise how the board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and in doing so have regard (amongst other matters) to:

- Risk management - Consideration of risks is an integral part of our operations which includes providing services to our clients in often highly regulated environment. See below for details of our principal risks and uncertainties
- Interests of our employees - being committed to being a responsible business in which our behaviour is aligned with the expectations of our people, clients, investors and society as whole.
- Fostering business relationships - strategy is to prioritise organic growth driven by providing services to both other group entities and our clients
- Impact of the Company's operations on the community and environment - our approach is to create a positive approach to the clients and communities in which we interact with
- Maintaining a reputation for high standards of business conduct - consideration of risks is an integral part of how the Company operates on a daily basis which are reviewed and issued at Group level under its Corporate Governance Policy's including whistleblowing.

Development and financial performance during the year
The Company is a FCA regulated firm which arranges over-the-counter interest rate and foreign currency derivatives for risk management purposes to its clients, which comprise of some of the largest financial and investment institutions in Europe.

As reported in the Group's income statement, gross revenues have risen by 7% to a record level of £17.5m, up from £16.4m, with the £1.1m increase coming as a result of a £0.4m rise in the Company's Polish branch providing services to other wider Chatham group entities, together with the additional income from Ensco 1240 Limited and its subsidiary companies post acquisition. The Company's UK revenue fell by 6% in 2019 from 2018. Real estate was up 7% year on year primarily driven by higher investment in European real estate as new funds came to market. The Company's PE and corporate business saw a fall of 17% year on year. This was primarily market driven with less client activity following a year of heavy growth in 2018.

The Group again invested in further expanding its Poland operations and employing skilled personal and, so, consequently, profit after tax improved less than proportionately to the rise in revenues for the Polish branch.

As a result of the acquisition of Ensco group during the period, the financial statements include the trading results for November and December 2019 which resulted in a loss of £0.5m.

The Group will operate out of the same London office, which in turn should reduce the overhead costs for the businesses and help with the growth of the companies moving forward in 2020.

The Company continued to focus on expanding the client pool and offering a broader service offering to current real estate clients outside of hedging alone.

Overall, the results for the year and the financial position at the year end were considered adequate by the directors, particularly given that 2019 also saw record revenue.

The financial position of the company at the year end
At the year end the Group had a post-tax profit for the year of £0.8m (2018: £2.5m profit) and, following a dividend of £1.9m (2018: £2.1m), shareholders' funds increased to £34.5m from £8.1m. The Group generated cash from operations of £2.5m (2018: £3.3m) in the current year and invested £0.4m (2018: £0.3m) in fixed assets following the move of the Polish branch into new business premises during the prior year. The Group had no external bank borrowings at the reporting date.

Future developments
The directors foresee the business continuing to grow in the forthcoming year and have continued to extensively explore further ways of developing and diversifying its income streams.

The directors expect steady increments in turnover and a stability of profit, but do not envisage any significant changes to structure or trade of the Company for the foreseeable future.

The creation and acquisition of the Polish subsidiary is in part in response to the risks and considerations described within the Brexit paragraph of this report, with the registration with the KNS ongoing at the date of signing this report. Registration is designed to enable the Group to continue various regulated activities with EU clients with minimal disruption following the UK leaving the EU.

There is also the ongoing issue due to the economic conditions resulting from the COVID-19 outbreak. The directors are actively monitoring the conditions on this and will make decision accordingly as this develops.

Description of principal risks and uncertainties
Management continually monitor the key risks facing the Group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principle risks and uncertainties facing the Company and the Group are as follows:

Financial Instruments
The Company operates in the financial services sector which is governed by regulators and monitored by the FCA

Financial instruments comprise of cash and working capital, i.e. the trade debtors and the trade creditors that arise during the course of the day to day business. This can result in a liquidity risk. The liquidity risk is controlled by maintaining a healthy balance between debtors and creditors. The debtor risk is controlled through a stringent credit control policy and regular monitoring of any outstanding amounts for both time and credit limits. Trade creditor liquidity risks are managed by ensuring that sufficient funds are available to meet amounts as and when they fall due and in accordance with agreed payment terms.

Turnover consists of commission receivable which is dependent on the customer entering into interest rate and foreign currency hedging products based on the work performed by the Company.

The Group has very limited exposure to financial instruments in respect of its own assets which comprise principally of cash in liquid resources, trade debtors and trade creditors that arise directly from its operations.

Business risk
Principal risk relates to the Company's ability to continue to generate fee income. The key income driver is Group's clients need for debt or foreign currency hedging, which, in turn, is materially impacted by clients access to financing and anticipated cash flows from non UK investments.

Reputation risk
Reputation risk relates to damage to an organisation through loss of its reputation or standing. This could include a variety of factors such as compliance failures, failure to properly oversee it employees and failure to provide appropriate risk oversight over the funds.

Operational risk
Operational risk relates to risks to the Company when running the business. This would include the Company's disaster recovery solutions and risks to the Company's technology infrastructure.

Liquidity risk
Liquidity risk relates to the amount of assets the Company holds in highly liquid, marketable forms that are available should unexpected cash flows lead to a liquidity problem.

Further details of how these risks are mitigated are continued in the attached unaudited Pillar 3 disclosures.

Brexit
A substantial amount of the Company's clients are based in, or conduct a significant part of their activity within the EU area. In light of the UK leaving the EU, management are aware of, and continue to consider its own activities and behaviours, and that of its client base.

Areas under consideration include potential political, regulatory, and exchange rate uncertainty which could impact the Group's overall business activity.

COVID19 - Pandemic

The directors acknowledge the current outbreak of COVID-19 which is causing economic disruption in most countries and its potentially adverse economic impact on the Company and Group. This is an additional risk factor which could impact the operations of the Company and Group after year end.

The directors are actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Company and Group.

On behalf of the board:

J macdonald

J A Macdonald - Director

4 May 2020

Directors' Report
for the year ended 31 December 2019

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2019.

Dividends
An interim dividend of £3.8174 per share was declared for the year ended 31 December 2019

The total distribution of dividends for the year ended 31 December 2019 was £1,908,700.

Directors
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

J A Macdonald
B D Conly

Political donations and expenditure
The Group made no donations of a political nature during the year.

Pillar 3
The Company is required by its regulator, The Financial Conduct Authority, to make its disclosure risk policy available in accordance with Pillar 3 of the capital requirement directive. The disclosure is attached as an appendix to these financial statements. This disclosure is un-audited.

Disclosure in the strategic report
As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on pages 2 to 5. These matters relate to Future Developments and Financial Instruments.

As permitted by the Companies (Miscellaneous Reporting) Regulations 2018' certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on pages 2 to 5. These matters relate to the Company's business relationships with suppliers, customers and others.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the board:

J macdonald

J A Macdonald - Director

4 May 2020

Opinion
We have audited the financial statements of Chatham Financial Europe, Ltd (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and of the Parent Company affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and wider economy. The directors' view on the impact of COVID-19 is disclosed in the strategic report and the going concern policy found in note 3 of the financial statements.

Other information
The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Directors' Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Jepson FCCA (Senior Statutory Auditor)
for and on behalf of Haines Watts (City) LLP
Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

4 May 2020

Consolidated Income Statement
for the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	4	17,504,898	16,430,553
Cost of sales		(5,850)	-
Gross profit		17,499,048	16,430,553
Administrative expenses		(15,993,149)	(13,271,216)
		1,505,899	3,159,337
Other operating income		2,382	-
Operating profit		1,508,281	3,159,337
Interest receivable and similar income		2,279	-
		1,510,560	3,159,337
Interest payable and similar expenses	7	(212,824)	-
Profit before taxation	8	1,297,736	3,159,337
Tax on profit	10	(492,037)	(678,670)
Profit for the financial year		805,699	2,480,667
Profit attributable to: Owners of the parent		805,699	2,480,667

The notes form part of these financial statements

Consolidated Other Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 £	2018 £
Profit for the year		**805,699**	2,480,667
Other comprehensive loss			
Translation reserve		**(93,619)**	(8,727)
Income tax relating to other comprehensive loss		**-**	-
Other comprehensive loss for the year, net of income tax		**(93,619)**	(8,727)
Total comprehensive income for the year		**712,080**	2,471,940
Total comprehensive income attributable to:			
Owners of the parent		**712,080**	2,471,940

The notes form part of these financial statements

CHATHAM FINANCIAL EUROPE, LTD (REGISTERED NUMBER: 04223247)

Consolidated Balance Sheet
31 December 2019

	Notes	£	2019 £	£	2018 £
Fixed assets					
Intangible assets	13		29,926,449		-
Tangible assets	14		2,007,041		801,078
Investments	15		42,960		-
			31,976,450		801,078
Current assets					
Debtors	16	7,957,049		4,473,079	
Cash at bank and in hand	17	4,186,865		5,114,013	
		12,143,914		9,587,092	
Creditors					
Amounts falling due within one year	18	5,611,483		2,225,704	
Net current assets			6,532,431		7,361,388
Total assets less current liabilities			38,508,881		8,162,466
Provisions for liabilities	21		(4,039,630)		(67,134)
Accruals and deferred income	22		-		(37,094)
Net assets			34,469,251		8,058,238
Capital and reserves					
Called up share capital	23		500,000		500,000
Other reserves	24		27,607,633		-
Retained earnings	24		6,361,618		7,558,238
Shareholders' funds			34,469,251		8,058,238

The financial statements were approved by the Board of Directors and authorised for issue on 4 May 2020 and were signed on its behalf by:

J macdonald

J A Macdonald - Director

The notes form part of these financial statements

CHATHAM FINANCIAL EUROPE, LTD (REGISTERED NUMBER: 04223247)

Company Balance Sheet
31 December 2019

	Notes		2019		2018
		£	£	£	£
Fixed assets					
Intangible assets	13		-		-
Tangible assets	14		652,646		801,078
Investments	15		35,677,412		829,397
			36,330,058		1,630,475
Current assets					
Debtors	16	4,072,742		4,476,221	
Cash at bank and in hand	17	2,425,229		4,273,118	
		6,497,971		8,749,339	
Creditors					
Amounts falling due within one year	18	3,269,171		2,225,746	
Net current assets			3,228,800		6,523,593
Total assets less current liabilities			39,558,858		8,154,068
Provisions for liabilities	21		(4,011,000)		(67,134)
Accruals and deferred income	22		-		(37,094)
Net assets			35,547,858		8,049,840
Capital and reserves					
Called up share capital	23		500,000		500,000
Other reserves	24		27,607,633		-
Retained earnings	24		7,440,225		7,549,840
Shareholders' funds			35,547,858		8,049,840
Company's profit for the financial year			1,854,321		2,480,752

The financial statements were approved by the Board of Directors and authorised for issue on 4 May 2020 and were signed on its behalf by:

J macdonald

J A Macdonald - Director

The notes form part of these financial statements

CHATHAM FINANCIAL EUROPE, LTD (REGISTERED NUMBER: 04223247)

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2018	500,000	7,198,838	-	7,698,838
Changes in equity				
Dividends	-	(2,112,540)	-	(2,112,540)
Total comprehensive income	-	2,471,940	-	2,471,940
Balance at 31 December 2018	500,000	7,558,238	-	8,058,238
Changes in equity				
Dividends	-	(1,908,700)	-	(1,908,700)
Total comprehensive income	-	712,080	-	712,080
Capital Contribution	-	-	27,607,633	27,607,633
Balance at 31 December 2019	500,000	6,361,618	27,607,633	34,469,251

The notes form part of these financial statements

Company Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 January 2018	500,000	7,198,838	-	7,698,838
Changes in equity				
Dividends	-	(2,112,540)	-	(2,112,540)
Total comprehensive income	-	2,463,542	-	2,463,542
Balance at 31 December 2018	500,000	7,549,840	-	8,049,840
Changes in equity				
Dividends	-	(1,908,700)	-	(1,908,700)
Total comprehensive income	-	1,799,085	-	1,799,085
Capital Contribution	-	-	27,607,633	27,607,633
Balance at 31 December 2019	500,000	7,440,225	27,607,633	35,547,858

The notes form part of these financial statements

Consolidated Cash Flow Statement
for the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	2,484,882	3,302,305
Tax paid		(375,625)	(621,311)
Overseas taxation- other adjustments		-	10,150
Net cash from operating activities		2,109,257	2,691,144
Cash flows from investing activities			
Purchase of tangible fixed assets		(373,669)	(303,846)
Sale of tangible fixed assets		12,014	-
Cash outflow for acquisition		(28,375,962)	-
Interest received		2,279	-
Net cash from investing activities		(28,735,338)	(303,846)
Cash flows from financing activities			
Capital contribution		27,607,633	-
Equity dividends paid		(1,908,700)	(2,112,540)
Net cash from financing activities		25,698,933	(2,112,540)
(Decrease)/increase in cash and cash equivalents		(927,148)	274,758
Cash and cash equivalents at beginning of year	2	5,114,013	4,839,255
Cash and cash equivalents at end of year	2	4,186,865	5,114,013

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the year ended 31 December 2019

1. **Reconciliation of profit before taxation to cash generated from operations**

	2019	2018
	£	£
Profit before taxation	1,297,736	3,159,337
Depreciation charges	756,518	247,235
Loss on disposal of fixed assets	55,995	1,522
Movement in non-tax provisions	(13,507)	8,400
Fixed assets transferred to in service	-	25,426
Translation differences	(72,070)	821
Finance costs	212,824	-
Finance income	(2,279)	-
	2,235,217	3,442,741
Increase in trade and other debtors	(3,037,156)	(438,041)
Increase in trade and other creditors	3,286,821	297,605
Cash generated from operations	2,484,882	3,302,305

2. **Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31/12/19	1/1/19
	£	£
Cash and cash equivalents	4,186,865	5,114,013

Year ended 31 December 2018

	31/12/18	1/1/18
	£	£
Cash and cash equivalents	5,114,013	4,839,255

3. **Analysis of changes in net funds**

	At 1/1/19	Cash flow	At 31/12/19
	£	£	£
Net cash			
Cash at bank and in hand	5,114,013	(927,148)	4,186,865
	5,114,013	(927,148)	4,186,865
Total	5,114,013	(927,148)	4,186,865

1. **Statutory information**

Chatham Financial Europe, Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

Amounts are rounded to the nearest £.

2. **Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. **Accounting policies**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The financial statements are prepared on a going concern basis.

Set out below is a summary of the principal accounting policies, all of which have been applied consistently (except as otherwise stated).

Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. The results of subsidiaries sold or acquired are included in the income statement up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. These financial statements incorporate the results of business combinations using the purchase method.

The acquisition of ENSCO 1240 Limited and its subsidiaries occured in November 2019 and these financial statements include there trading results for November and December 2019. In the balance sheet, the identifiable assets, liabilities and contingent liabilities are initialy recongnised at fair value at acquisition date.

3. **Accounting policies - continued**

Significant judgements and estimates
In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimated and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the Group's accounting policies
The critical judgement that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) Assessing indicators and impairment
In assessing whether there have been any indicators or impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

(ii) Share based payments
The Group's employees have been granted share options by the ultimate parent company, Chatham Financial Corporation.The expense charged to the income statement is an estimation based upon the fair values of the options spread over the vesting period.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Recoverability of receivables
The Group establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of individual or groups of customers.

(ii) Determining residual values and useful economic lives of property, plant and equipment
The Group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised in line with accrual accounting based on fees received for services provided during the year.

3. **Accounting policies - continued**

Goodwill
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration paid for a business exceeds the value of such net assets. Goodwill arising on acquisition, on consolidation, is capitalised and subject to impairment review, at the end of the first full financial year following acquisition and in other periods if there are indications that the carrying value may not be recoverable. Goodwill is amortised over its estimated useful life, which has been assessed as being 10 years.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Tangible fixed assets
Depreciation is provided for at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Land and building leasehold	- Over the term of the lease
Plant and machinery	- Straight line between 3 and 7 years
Fixtures and fittings	- Straight line between 4 and 7 years
Computer equipment	- Straight line between 3 and 5 years

Property, plant and equipment are initially recognised at costs which is the purchase price plus any directly attributable costs. Subsequently property plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are measured using the revaluation mode.

Impairment of assets
At each reporting date the Group reviews the carrying value of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Impairment losses are charged to the income statement in administration expenses.

3. **Accounting policies - continued**

Financial instruments
Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds financial instruments which comprise cash and cash equivalents, trade and other receivables, equity investments, trade and other payables, loans and borrowings. The Group has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

Financial assets and liabilities - classified as basic financial instruments

(i) Cash and cash equivalents
This includes cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables
Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost including the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Group assesses whether there is objective evidence that a receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the income statement.

(iii) Equity investments
Equity investments comprise ordinary shares. Any equity investments held are initially recognised at fair value, which is the transaction price excluding transaction costs and are subsequently measured at fair value through profit or loss.

(iv) Trade and other payables and loans and borrowings
Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted, and are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. Accounting policies - continued

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at that date the transaction took place. Where this is not possible to determine, income and expense items are translated using an average exchange rate for the period.

Monetary asset and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities are reported in the income statement.

The accounting records of the Polish branch and subsidiary are maintained in Polish Zloty, its functional currency, which is different to Pound Sterling, the functional and presentational currency of the Company. All assets and liabilities denominated in the Polish Zloty are translated into the presentation currency at the balance sheet date and are translated at the exchange rate ruling at that date. The revenues and expenses denominated in Polish Zloty are translated into the presentation currency at average exchange rates. Foreign exchange difference arising on translation from Polish Zloty to its presentation currency is recognised within the Other Comprehensive Income Statement on page 13.

Leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and regards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

The Group as a lessee

Assets held under finance lease arrangements are recognised as assets within property, plant and equipment at their fair value, or if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The assets are subsequently depreciated over the shorter of the lease terms and their useful life. The corresponding finance lease liability is recognised as a finance obligation, with lease payments being apportioned between finance charges and a reduction to the lease obligation so as to achieve a constant rate of interest on the remaining amount of the liability. Finance charges are recognised within the income statement.

Payments made under operating lease arrangements are charged to the income statement on a straight line basis over the lease term. Benefits receivable as operating lease incentives are recognised within the income statement on a straight line basis offer the lease term.

Pension costs and other post-retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Share-based payments

Through the ultimate parent company, Chatham Financial Corporation, the Company has issued share options and awards to certain directors and employees. These must be measured at fair value and recognised as an expense in the income statement. The fair value of the options was estimated at the date of grant. The fair value will be charged as an expense in the income statement over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

3. Accounting policies - continued

Going concern

The financial statements have been prepared on a going concern basis.

The directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the Covid-19 pandemic, the directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of Covid-19, alongside the measures that they can take to mitigate the impact.

Based on assessment, the directors consider that the Group maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations and external debt liabilities.

In addition, the Group's assets are assessed for recoverability on a regular basis, and the directors consider that the Group is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The Group also have the continued support from its ultimate parent Company, who have the financial resources available to financially support the group for the foreseeable future if required.

Based on these assessments and continued support form the parent Company, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the directors have concluded that they can continue to adopt the going concern basis in preparing the financial statements.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, 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 end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

Equity

Equity instruments are classified in accordance with the substance of contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

4. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Group.

An analysis of turnover by class of business is given below:

	2019	2018
	£	£
Principal activity	**13,130,329**	13,894,812
Chatham Group consultancy	**4,374,569**	2,535,741
	17,504,898	16,430,553

5. **Employees and directors**

	2019	2018
	£	£
Wages and salaries	7,475,781	7,296,037
Social security costs	949,708	910,956
Other pension costs	260,569	243,673
	8,686,058	8,450,666

The average number of employees during the year was as follows:

	2019	2018
Operation and marketing	141	77
Administration	8	8
	149	85

The average number of employees by undertakings that were proportionately consolidated during the year was 55 (2018 - NIL).

All figures above are inclusive of the directors of the Company.

6. **Directors' emoluments**

	2019	2018
	£	£
Directors' remuneration	886,053	1,054,320
Directors' pension contributions to money purchase schemes	20,000	20,000

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	2

Two directors exercised share options during the year (2018 - two directors).

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	729,999	769,702
Pension contributions to money purchase schemes	10,000	10,000

7. **Interest payable and similar expenses**

	2019	2018
	£	£
Interest payable	212,824	-

8. Profit before taxation

The profit is stated after charging/(crediting):

	2019	2018
	£	£
Other operating leases	556,414	305,231
Depreciation - owned assets	371,498	247,235
Loss on disposal of fixed assets	55,995	1,522
Goodwill amortisation	871,241	-
Foreign exchange differences	(589,246)	(139,174)
Share based payments	311,287	980,565

9. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	24,348	16,000
Total audit fees	24,348	16,000
Taxation compliance services	4,650	4,000
Other non- audit services	22,872	13,500
Total non-audit fees	27,522	17,500
Total fees payable	51,870	33,500

10. Taxation

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

	2019	2018
	£	£
Current tax:		
UK corporation tax	420,530	547,281
Overseas taxation	54,053	65,902
Corporation tax - prior year	-	2,891
Total current tax	474,583	616,074
Deferred tax:		
Origination and reversal of timing differences	25,457	(21,163)
Overseas taxation	(8,003)	83,759
Total deferred tax	17,454	62,596
Tax on profit	492,037	678,670

10. **Taxation - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Profit before tax	1,297,736	3,159,337
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	246,570	600,274
Effects of:		
Expenses not deductible for tax purposes	48,955	4,711
Income not taxable for tax purposes	-	16
Capital allowances in excess of depreciation	(27,430)	(3,320)
Adjustments to tax charge in respect of previous periods	-	2,891
Share based payment adjustment	(12,832)	15,760
Losses in subsidiaries not utilised	155,618	-
UK deferred tax movement	25,457	(21,163)
Loss on disposal of fixed assets	10,639	289
Overseas deferred tax movement	8,003	83,759
Overseas corporation tax	52,177	65,902
Double taxation relief	(15,120)	(70,449)
Total tax charge	492,037	678,670

Tax effects relating to effects of other comprehensive income

			2019
	Gross	Tax	Net
	£	£	£
Translation reserve	(93,619)	-	(93,619)

			2018
	Gross	Tax	Net
	£	£	£
Translation reserve	(8,727)	-	(8,727)

11. **Individual income statement**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

12. **Dividends**

	2019	2018
	£	£
Ordinary shares of £1 each		
Interim	1,908,700	2,112,540

13. Intangible fixed assets

Group

	Goodwill £
Cost	
Additions	30,419,466
Disposals	(12,103,171)
Group transfer	12,103,171
At 31 December 2019	30,419,466
Amortisation	
Amortisation for year	871,241
Eliminated on disposal	(3,530,092)
Group transfer	3,151,868
At 31 December 2019	493,017
Net book value	
At 31 December 2019	29,926,449

13. **Intangible fixed assets - continued**

Group

Business Combinations

On 8 November 2019, Chatham Financial Europe, Ltd acquired control of Ensco 1240 Limited through the purchase of 100% of the share capital for a total consideration of £34,848,015.

As 100% of the share capital was acquired during the period, there are no non-controlling interests.

Ensco 1240 Limited is a holding company of a group and its subsidiaries are listed in note 15 of the financial statements. The main trading company of this group is J C Rathbone Associates Ltd, who provide services as the same principal activity as the existing group. As a result of the acquisition, the Group expects to increase its turnover by having an increased market share.

On acquisition, goodwill was generated based on the excess of total consideration over the net assets of the Company.

The assets acquired of Ensco 1240 Limited were professionally valued by an independent third party and the director's are of the opinion that no adjustment to the fair value was required therefore the book value and fair value are the same. This is in agreement with the professional valuation undertaken.

The fair value of assets are listed below:

	Fair Value £000's
Fixed assets	
Tangible	1,411
Current assets	
Debtors	4,210
Cash at bank and in hand	2,506
Total assets	8,127
Creditors	
Due within one year	3,265
Due greater than one year	433
Total creditors	3,698
Net assets	**4,429**

13. **Intangible fixed assets - continued**

Group

Purchase consideration

On acquisition directly attributable costs of £1,047,632 were capitalised and are included in the total consideration listed below:

Consideration	£000's
Cash	25,884
Directly attributed costs	1,048
Deferred considerations	4,011
Rollover securities	3,905
Total consideration	**34,848**

Cash flow disclosure

The below table is a summary of the cash movements on acquisition.

	£000's
Cash consideration	25,884
Directly attributed costs	1,048
Rollover securities	3,905
Subtotal	**30,837**
Less cash acquired	(2,461)
Net cash outflow	**£28,376**

Goodwill

Goodwill arising on acquisition being the excess of the total consideration above the net assets is therefore £30,419,466.

The useful economic life of goodwill has been estimated to be 10 years.

Part of the purchase consideration relates to £4,011,000 of deferred consideration payable in three annual instalments on the anniversary date of acquisition. The fair value of this has been calculated using a 'Monte-Carlo analysis' in order to incorporate market specific risks. The deferred consideration is based on achieving a turnover target and the directors will conduct an impairment review each year.

14. Tangible fixed assets

Group

	Land and buildings leasehold	Improvements to property	Plant and machinery
	£	£	£
Cost			
At 1 January 2019	227,029	159,099	150,137
Additions	-	4,388	-
Disposals	(97,412)	-	-
Exchange differences	(5,947)	-	(5,950)
Reclassification/transfer	-	(155,219)	-
At 31 December 2019	123,670	8,268	144,187
Depreciation			
At 1 January 2019	87,418	-	62,991
Charge for year	30,424	-	22,767
Eliminated on disposal	(80,114)	2,589	-
Exchange differences	(921)	-	(1,970)
Reclassification/transfer	-	-	-
At 31 December 2019	36,807	2,589	83,788
Net book value			
At 31 December 2019	86,863	5,679	60,399
At 31 December 2018	139,611	159,099	87,146

	Fixtures and fittings	Computer equipment	Totals
	£	£	£
Cost			
At 1 January 2019	159,569	867,075	1,562,909
Additions	16,914	352,367	373,669
Disposals	(5,689)	(131,329)	(234,430)
Exchange differences	(4,187)	(15,437)	(31,521)
Reclassification/transfer	2,308,984	-	2,153,765
At 31 December 2019	2,475,591	1,072,676	3,824,392
Depreciation			
At 1 January 2019	81,870	529,552	761,831
Charge for year	123,385	194,922	371,498
Eliminated on disposal	(5,689)	(83,207)	(166,421)
Exchange differences	(620)	(6,596)	(10,107)
Reclassification/transfer	860,550	-	860,550
At 31 December 2019	1,059,496	634,671	1,817,351
Net book value			
At 31 December 2019	1,416,095	438,005	2,007,041
At 31 December 2018	77,699	337,523	801,078

14. Tangible fixed assets - continued

Company

	Land and buildings leasehold £	Improvements to property £	Plant and machinery £
Cost			
At 1 January 2019	227,029	159,099	150,137
Additions	-	4,388	-
Disposals	(97,412)	-	-
Exchange differences	(5,947)	-	(5,950)
Reclassification/transfer	-	(155,219)	-
At 31 December 2019	123,670	8,268	144,187
Depreciation			
At 1 January 2019	87,418	-	62,991
Charge for year	30,424	-	22,767
Eliminated on disposal	(80,114)	2,589	-
Exchange differences	(921)	-	(1,970)
At 31 December 2019	36,807	2,589	83,788
Net book value			
At 31 December 2019	86,863	5,679	60,399
At 31 December 2018	139,611	159,099	87,146

	Fixtures and fittings £	Computer equipment £	Totals £
Cost			
At 1 January 2019	159,569	867,075	1,562,909
Additions	-	352,367	356,755
Disposals	(5,688)	(131,329)	(234,429)
Exchange differences	(4,187)	(15,437)	(31,521)
Reclassification/transfer	-	-	(155,219)
At 31 December 2019	149,694	1,072,676	1,498,495
Depreciation			
At 1 January 2019	81,870	529,552	761,831
Charge for year	12,433	194,922	260,546
Eliminated on disposal	(5,689)	(83,207)	(166,421)
Exchange differences	(620)	(6,596)	(10,107)
At 31 December 2019	87,994	634,671	845,849
Net book value			
At 31 December 2019	61,700	438,005	652,646
At 31 December 2018	77,699	337,523	801,078

15. **Fixed asset investments**

Group

	Unlisted investments £
Cost or valuation	
Revaluations	(2,265)
Reclassification/transfer	45,225
At 31 December 2019	42,960
Net book value	
At 31 December 2019	42,960

Cost or valuation at 31 December 2019 is represented by:

	Unlisted investments £
Cost	42,960

Company

	Shares in group undertakings £
Cost	
At 1 January 2019	829,397
Additions	34,848,015
At 31 December 2019	35,677,412
Net book value	
At 31 December 2019	35,677,412
At 31 December 2018	829,397

The Group or the Company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Chatham Financial Europe Sp.Z.o.o
Registered office: Ul. Kotlarska nr 11, Krakow, 31-539, Poland
Nature of business: Investment advisory services

Class of shares:	% holding
Ordinary	100.00

	2019 £	2018 £
Aggregate capital and reserves	846,277	837,880
Profit for the year	25,906	8,397

15. **Fixed asset investments - continued**

Ensco 1240 Limited
Registered office: 12 St James Square, London, SW1Y 4LB
Nature of business: Financial advisory service

	%		
Class of shares:	holding		
Ordinary	100.00		
		2019	**2018**
		£	**£**
Aggregate capital and reserves		**(3,050,370)**	(820,570)
Loss for the year		**(2,229,800)**	(919,828)

During the year the Company acquired 10,715,043 ordinary shares of Ensco 1240 Limited representing 100% of total share capital.

15. **Fixed asset investments - continued**

The undertakings in which the company holds more than 25% of share capital are listed below

Name	Country of incorporation	Registered address	Class of shares held	Percentage of shares held	Nature of business
Chatham Financial Europe Limited	Poland	Ul. Kotlarska nr 11, Krakow, 31-539,Poland	Ordinary	100%	Consultancy services
ENSCO 1240 Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Intermediate holding company
ENSCO 1149 Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Intermediate holding company
JCRA Group Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Intermediate holding company
J. C Rathbone Holdings Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Consultancy services and financial advice
J. C. Rathbone Associates Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Consultancy services and financial advice
JC Rathbone USA Holdings Inc.	United states of America	47 Maple St, Suite L-12 Summit, NJ 07901	Ordinary	100%	Intermediate holding company
JCRA Financial LLC	United states of America	47 Maple St, Suite L-12 Summit, NJ 07901	Ordinary	100%	Consultancy services
JCRA Canada Corp	Canada	35 A Hazelton Avenue, Unit 3, Toronto, ON M5R 2E3	Ordinary	100%	Consultancy services
J. C. Rathbone Associated Energy Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Dormant
J. C Rathebone Associates Structured finance Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Dormant
JC Rathbone Trustees Limited	England and Wales	12 St James Square, London, SW1Y 4LB	Ordinary	100%	Corporate trustee

16. Debtors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	4,914,546	3,842,358	3,121,974	3,842,358
Amounts owed by group undertakings	194,267	172,716	197,265	175,858
Other debtors	271,084	137,262	224,020	137,262
Deferred tax asset	446,814	-	1,701	-
Prepayments and accrued income	2,130,338	320,743	527,782	320,743
	7,957,049	4,473,079	4,072,742	4,476,221

Deferred tax asset

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accelerated capital allowances	(47,981)	-	(47,981)	-
Other timing differences	49,682	-	49,682	-
Deferred tax	445,113	-	-	-
	446,814	-	1,701	-

17. Cash at bank and in hand

Cash at bank and in hand includes balances with the following institutions who exert securities over the Company:

<u>Security held by HSBC</u>
Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating charge over all assets and undertaking both present and future.

18. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	280,279	51,808	37,182	51,808
Amounts owed to group undertakings	440,234	457,541	440,234	457,541
Tax - UK	470,109	362,281	489,501	362,281
Overseas taxation	-	8,870	-	8,870
Social security and other taxes	601,378	1,935	9,168	1,935
VAT	170,425	123,146	33,091	123,188
Other creditors	22,012	21,075	-	21,075
Accruals and deferred income	3,627,046	1,199,048	2,259,995	1,199,048
	5,611,483	2,225,704	3,269,171	2,225,746

19. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	601,679	420,450
Between one and five years	1,533,490	647,440
	2,135,169	1,067,890

20. Financial instruments

The Group has the following financial instruments:

	2019	2018
Debtors	£	£
Financial assets that are debt instruments measured at amortised cost:		
- Cash at bank and in hand	4,186,865	5,114,013
- Trade debtors	4,914,546	3,842,358
- Amounts owed by group undertakings	194,267	172,716
- Other debtors	271,084	137,259
- Deferred tax asset	446,814	-
- Accrued income & work in progress	1,241,365	84,552
	11,254,941	9,350,898

	2019	2018
Creditors	£	£
Financial liabilities measured at amortised cost:		
- Trade creditors	280,277	51,808
- Amounts owed to group undertakings	440,234	457,541
- Accruals	3,627,047	426,122
- Dilapidations provisions	28,630	41,867
	4,376,188	977,338

The Company has the following financial instruments:

	2019	2018
Debtors	£	£
Financial assets that are debt instruments measured at amortised cost:		
- Cash at bank and in hand	2,425,229	4,273,118
- Trade debtors	3,121,974	3,842,358
- Amounts owed by group undertakings	197,265	175,858
- Other debtors	224,020	137,259
- Deferred tax asset	1,701	-
- Accrued income	228,036	84,552
	6,198,224	8,513,145

Creditors	**2019** £	**2018** £
Financial liabilities measured at amortised cost:		
- Trade creditors	**37,182**	51,808
- Amounts owed to group undertakings	**440,234**	457,541
- Accruals	**2,259,995**	426,122
- Dilapidations provisions	**-**	41,867
	2,737,411	977,338

21. Provisions for liabilities

	Group		Company	
	2019 £	**2018** £	**2019** £	**2018** £
Deferred tax				
Accelerated capital allowances	**-**	78,113	**-**	78,113
Other timing differences	**-**	(52,846)	**-**	(52,846)
	-	25,267	**-**	25,267
Other provisions				
Dilapidations provision	**28,630**	41,867	-	41,867
Deferred consideration	**4,011,000**	-	4,011,000	-
	4,039,630	41,867	4,011,000	41,867
Aggregate amounts	**4,039,630**	67,134	**4,011,000**	67,134

Group

	Deferred tax £	**Other provisions** £
Balance at 1 January 2019	**25,267**	**41,867**
Credit to Income Statement during year	**(17,522)**	**(13,237)**
Tax asset of group	**(445,113)**	**-**
Overseas deferred tax adjusted	**(9,446)**	**-**
Balance at 31 December 2019	**(446,814)**	**28,630**

Company

	Deferred tax £	**Other provisions** £
Balance at 1 January 2019	**25,267**	**41,867**
Credit to Income Statement during year	**(17,522)**	**(41,867)**
Dilapidations provision		
Overseas deferred tax adjusted	**(9,446)**	**-**
Balance at 31 December 2019	**(1,701)**	**-**

22. Accruals and deferred income

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Deferred rent	-	37,094	-	37,094

23. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
500,000	Ordinary	£1	500,000	500,000

24. Reserves

Group

	Retained earnings £	Other reserves £	Totals £
At 1 January 2019	7,558,238	-	7,558,238
Profit for the year	805,699		805,699
Dividends	(1,908,700)		(1,908,700)
Translation reserve	(93,619)	-	(93,619)
Capital Contribution	-	27,607,633	27,607,633
At 31 December 2019	6,361,618	27,607,633	33,969,251

Company

	Retained earnings £	Other reserves £	Totals £
At 1 January 2019	7,549,840	-	7,549,840
Profit for the year	1,854,321		1,854,321
Dividends	(1,908,700)		(1,908,700)
Translation reserve	(55,236)	-	(55,236)
Capital Contribution	-	27,607,633	27,607,633
At 31 December 2019	7,440,225	27,607,633	35,047,858

During the period the parent company made a capital contribution of £27,607,633 to the company.

25. Pension commitments

Defined contribution

	2019 £	2018 £
Contributions payable by the company for the year	251,858	243,673
Contributions payable to the fund at the year-end and included in creditors	-	-

26. **Ultimate parent company**

The ultimate parent company is Chatham Financial Corporation, a company registered in the state of Pennsylvania, USA.

27. **Related party disclosures**

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Chatham Financial Corporation group.

Transactions between Group entities which have been eliminated on consolidation are not disclosed within the financial statements.

No compensation was paid to key management personnel during the year. However during the year ended 31 December 2018 a total of key management personnel compensation of £691,000 was paid.

This amount is included within wages and salaries in note 5 of the financial statements.

28. **Ultimate controlling party**

There is no ultimate controlling party.

29. Share-based payment transactions

The annual bonus award is a combination of cash and equity awards in the parent company in accordance with the group's bonus policy. Chatham Financial Europe, Ltd (CFE) does not issue its equity to employees for compensation, but employees of CFE are eligible for equity based compensation from the parent company. The non-vested shares are amortised and allocated to CFE as they vest, and the related compensation is expensed as the shares are earned and paid out to the CFE employees.

Further details of the share based payments are as follows:

Time Vested Restricted Stock Program

	Number of shares 2019	Weighted average price 2019 $	Number of shares 2018	Weighted average price 2018 $
At beginning of the year	17,845	48.71	4,891	45.19
Granted / employees transferred to CFE	-	-	14,768	50.29
Forfeited	-	-	-	-
Exercised	(6,824)	(42.49)	(1,814)	(39.89)
Outstanding at end of the year	11,021	48.58	17,845	48.71

The vesting schedules vary among the grants, generally vesting over a period of 1 - 4 years or based on performance.

The vesting conditions provide that the employees complete the required years of service as stipulated in the particular grant.

A charge for the year of £154,250 (2018: £177,641) has been made in relation to these awards.

Share option awards

	Number of options 2019	Weighted average price 2019 $	Number of options 2018	Weighted average price 2018 $
At beginning of the year	-	-	64,939	4.14
Granted / employees transferred to CFE	-	-	-	-
Forfeited / transferred to group affiliate	-	-	-	-
Exercised / released	-	-	64,939	4.14
Outstanding at end of the year	-	-	-	-

All options are issued at the stock price effective at the time of grant.

At 31 December 2019 the weighted average exercise price was $nil (2018: $nil).

The weighted average remaining contractual life is 17 years.

A charge for the year of £nil (2018: £nil) has been made in relation to these awards.

Leveraged Restricted Stock Equity Program

The Leveraged Restricted Stock Equity Program (or LREP) is a performance based stock grant program. It consists of (i) a distribution reinvestment/discounted purchase program and (ii) performance based restricted stock grants. The performance trigger is a formula based upon the amount of our annual distributions. The grantee initially purchases 5% of the total available program shares at the price in effect at the grant date. 50% of distributions on those shares are held back and mandatorily reinvested in a discount purchase program where the grantee continues to purchase at the original grant price. Additionally, the grantee vests into restricted stock based upon the annual distribution/vesting formula. As stock vests the 50% reinvestment requirement applies to both purchased and vested shares. So, the amount of the 50% the grantee receives grows, but also the 50% for purchasing more shares. The grantee pays taxes on the full distribution on the owned/vested shares, and owes taxes as vesting occurs.

The table below provides detail of movements in these shares during the period.

	Number of options 2019	Total value 2019 $	Number of options 2018	Total value 2018 $
At beginning of the year	2,215	68,732	2,898	89,925
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised / other movements	(573)	(13,394)	(683)	(21,193)
Outstanding at end of the year	1,642	55,338	2,215	68,732

A charge for the year of £3,734 (2018: £5,301) has been made in relation to these awards.

2019 Stock Bonus

CFE employees were awarded a total of 975 shares with a value of $72.24 per share during the year which all vested immediately.

A charge for the year of £53,106 (2018: £42,532) has been made in relation to these awards.

The following pages do not form part of the statutory Financial Statements and are unaudited

Disclosure under Pillar 3 of Capital Requirements Directive

The Capital Requirements Directive ('The Directive') of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.
In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investments Firms ("BIPRU").

The FCA framework consists of three "Pillars"

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk capital requirement.
- Pillar 2 requires firms to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to.
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position, and remuneration policy and amounts to encourage market discipline.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by Chatham Financial Europe, Ltd ("The Firm") in accordance with the requirements of BIPRU 11 and is verified by the senior management. Unless otherwise stated, all figures are as at the financial year end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published with the annual accounts.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential in our view. Proprietary information is that which, if it were shared would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Limited Licence Firm by the FCA for capital purposes.

It is a risk/investment management firm and as such has no trading book exposures.

Risk management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Senior Management team takes overall responsibility for this process and the fundamental risk appetite of the Firm. The team has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior Management meets on a regular basis to discuss current projections for profitability, cash flow, business planning, and risk management. Senior Management engage in the Firm's risk management through a framework of policy and procedures having regard to the relevant laws, standards, principles and rules, (including FCA principles and rules) with the arm to operate a defined and transparent risk management framework. These policies are updated as required.

The Senior Management team has identified that business, operational, market, reputation, liquidity and credit are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

Management accounts demonstrate continued adequacy of the Firm's regulatory capital, which is reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

<u>Business risk</u>

Business risk relates to being able to generate fee income and control costs on an on-going basis in-line with business plans. The key income driver is the Firm's clients' need for debt or foreign currency hedging, which, in turn, is materially impacted by the Firm's clients' access to financing and anticipated cash flows from non UK investments.

The Firm strives to continue developing a diversified stream of stable advisory fees in able to mitigate these risks.

<u>Operational risk</u>

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks to manage. This would include the Firm's Disaster Recovery solutions and risks to the Firm's technology infrastructure.

To mitigate risk the Firm maintains offsite storage of key documents and electronic back up of data and e-mails.

<u>Reputational risk</u>

Reputational risk relates to damage to an organisation through loss of its reputation or standing. This could include a variety of factors such as compliance failures, failure to properly oversee it employees and failure to provide appropriate risk oversight over the funds.

The Firm operates with a flat organisational structure where the most senior personnel are the "doers" and are intimately involved in all the Firm's activities to help mitigate risk in this area.

<u>Credit risk</u>

The Firm is exposed to credit risk in respect of its debtors, investment management and performance fees billed and cash held on deposit.

The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.55 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

<u>Market risk</u>

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Since the Firm takes no trading book positions, the primary market risk relates to fluctuations in the value of its revenues due to movements in currency rates. The Firm maintains multi-currency bank accounts.

The Firm calculates its foreign exchange risk by reference to the rules of BIPRU 7.51 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds.

Regulatory capital

The firm is a Limited Company and the main features of its capital resources for regulatory purposes as reported to the FCA in its most recent filings are as follows:

	31 December 2019 £'000
Tier 1 capital	29,936
Tier 2 capital	NIL
Tier 3 capital	NIL
Deductions from Tiers 1 and 2	26,829
Total capital resources	**3,107**

Our firm is small with simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

Limited Licence – The Firm is subject to the Fixed Overhead Requirement ("FOR") and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the Firm is a limited licence firm and as such its Pillar 1 capital requirement is the higher of;

- €50,000
- The sum of the market & credit risk requirements
- Its FOR