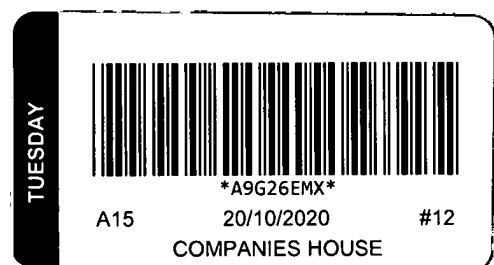


Dolfin Financial (UK) Ltd  
Directors' Report and  
Audited Financial Statements

For the year ended 31 December 2019

Company Registration No. 07431519 (England and Wales)



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## Company Information

Company name	Dolfin Financial (UK) Ltd
Company registration number	07431519
Directors	Sanjay Maraj (Executive Director) Amir M Nabi (Executive Director) Rodney Baker-Bates (Non-Executive Director) Stephen M Kingsley (Non-Executive Director)
Auditor	MHA MacIntyre Hudson 2 London Wall Place London EC2Y 5AU
Principal bankers	Lloyds Bank PLC 39 Threadneedle Street London EC2R 8AU
Business address	50 Berkeley Street London W1J 8HA
Registered office	50 Berkeley Street London W1J 8HA



## Strategic report

### For the year ended 31 December 2019

The Directors present their strategic report for Dolfin Financial (UK) Ltd, ("the Company") for the year ended 31 December 2019.

#### Principal activity

The principal activity of the Company in the year to 31 December 2019 was the provision of wealth management services; mainly investment management (both discretionary and advisory), custody and execution-only trading to private clients, their financial advisers, and institutional investors.

#### Review of the business and future developments

Client assets held and/or managed or advised increased from £1.3 billion at 31 December 2018 to £3.4 billion at 31 December 2019. Employee numbers have remained at about the same level as last year: 84 in 2019 and 80 in 2018. The Company has made significant investment in a new operating model which should come into use in the fourth quarter of 2020, providing an enhanced technology platform and digital solutions to clients. Expenditure on improvements to the platform and other one-off costs has meant that costs were higher than expected. Management is taking measures to control these and to bring costs back into line with revenues. The full effect of these actions will be reflected in the 2021 results.

In February 2019, the Company broadened its client base and increased its assets under control by more than £600m with the acquisition of a UK wealth management business. The acquisition brought around 300 new clients to the business that can access Dolfin's enhanced infrastructure. The strategy for 2020 is to develop these and existing relationships so that clients can make the most of Dolfin's diverse range of wealth management solutions, with a focus on discretionary investment management services.

From 19 December 2019 the Company voluntarily agreed to a request from its regulator, the Financial Conduct Authority (FCA), to certain restrictions on its activities. The Company agree not to on-board new Tier 1 UK Investor Visa clients, except those investing in the Company's Tier 1 Investor Visa discretionary managed portfolios, and not to trade in securities where there are identifiable or potential risks of a conflict of interests. The Company also agreed not to undertake acquisitions or materially grow its business without obtaining the prior consent of the FCA. These voluntary restrictions do not have a significant impact on Dolfin's strategy of focussing on existing clients and relationships.

The Company has responded to this supervisory action by making significant changes to its management and governance, as well as to certain of its processes. The Company will continue to make improvements in these areas with a view to the eventual removal of the restrictions on its ability to grow its business. In 2019, the Directors invested significant resources in strengthening the Company's governance, through the hiring staff in areas such as compliance and risk management. The Company has also established additional Board committees to enhance its corporate governance framework and is implementing initiatives in 2020 to upgrade its systems and controls and further improve the culture and conduct within the Company to ensure high standards of business conduct.

#### Results and dividends

The loss for the year to 31 December 2019, after taxation, was £1,393,996 (2018 profit: £350,552). Revenue increased by 5% to £14,170,451 (2018: £13,521,039). The increase in revenue was attributable to an increase in clients and client assets which has resulted in the Company receiving a higher level of recurring income. This was evidenced by increases of 118% in discretionary fee income and a 179% increase in custody fee income. The increase in reoccurring income has more than offset a decrease in transactional income in the prior year. In comparison, expenses have increased by 21% to £16,740,902 (2018: £13,867,803). The increase in expenses is a direct result of an increase in assets and the costs related to client trading. The Company also invested in its future growth, resulting in an



## Strategic report

### For the year ended 31 December 2019

increase of 24% in staff costs, a 24% increase in IT infrastructure costs and a 90% increase in professional fees.

The overall results are in line with the Directors' strategy of growing revenue while continuing to invest in the future development of the Company. The Directors are taking measures to align the Company's investment expenditure with its revenue projections which should see it return to profitability in 2021.

The Directors do not propose a dividend for the year ended 31 December 2019 (2018: £nil).

### Key performance indicators (KPIs)

The volume of client assets held and/or managed is a KPI of the Company.

	At 31 December 2019	At 31 December 2018
	£'000	£'000
Client assets with Company as custodian	2,330,880	1,013,926
Client assets with other custodians	1,072,118	284,448
<b>Total client assets</b>	<b>3,402,998</b>	<b>1,298,374</b>

Financial measures used are primarily the level of revenues generated and the level of expenses, compared to budgets and forecasts. Non-financial measures include the number of new client relationships established, client service levels and compliance with the Company's internal controls and procedures.

### Risk management

The key business risks and uncertainties affecting the Company relate to the performance of the client assets and products upon which the Company has advised. The Company also has regulatory risk and must ensure that it is operating within the regulatory framework set by its regulator, the FCA. Effective risk management is essential to delivering the Company's strategic objectives and risks are monitored through the Company's risk management framework and reviewed by the Directors through its Audit and Risk Management Committee.

The Company has no significant exposure to market risk (price, interest rate or foreign currency risk), credit risk or liquidity risk.

### Section 172 (1) statement

Section 172 of the Companies Act 2006 requires a director of an entity to act in the way he or she considers, in good faith, would be most likely to promote the success of the entity for the benefit of its shareholders and other stakeholders as a whole. As part of their deliberations and decision-making process, the Directors take in to account the following:

- (i) the desirability of the entity maintaining a reputation for high standards of business conduct and the need to comply with the rules of the Company's regulator, the FCA.
- (ii) likely long-term consequences of decisions made;
- (iii) the interests of the Company's employees;
- (iv) the need to foster the Company's business relationships with suppliers and clients and other



## Strategic report

For the year ended 31 December 2019

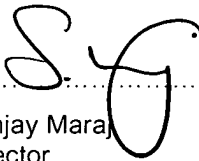
(v) the impact of the Company's operations on the community and the environment;

Over the period, the Directors have been in active dialogue with the Company's stakeholders - including the FCA, its shareholders and employees - in order to build strong relationships which will help deliver the Company's strategy in line with its values. The Directors have been particularly focused on assessing the adequacy of its systems and processes in light of the rapid growth of the business in 2019. As such, they have invested in growing its compliance framework, adding governance controls and encouraging a culture of strict adherence to regulation – all of which should strengthen the relationships with the Company's stakeholders and prepare the Company for growth in the longer-term.

The Directors require management to ensure that all stakeholder interests are considered in the Company's day to day management and operations and seek to understand the relative interests and priorities of the various stakeholders and to have regard to these in decision making. The Directors acknowledge, however, that not every decision will necessarily result in a positive outcome for all stakeholders.

As a result of these activities, the Directors believe that they have demonstrated compliance with their legal duty under s.172 of the Companies Act 2006.

For and on behalf of the board



Sanjay Maraj  
Director

31 July 2020



## Directors' Report

### For the year ended 31 December 2019

The Directors present their report and the audited financial statements of Dolphin Financial (UK) Ltd ("the Company") for the year ended 31 December 2019.

Future developments are discussed in the Strategic report.

### Going concern

The Directors have carefully considered the adoption of the going concern concept in preparing the financial statements, particularly in light of the effects of the Covid-19 pandemic in the period since the statement of financial position date. Their assessment reflects the following:

- (i) the Company has ongoing arrangements with clients for the provision of wealth management services and expects these to continue. Client assets held and/or managed or advised have not changed significantly in the period since the statement of financial position date;
- (ii) the Company has successfully implemented business continuity plans with staff working remotely;
- (iii) the Company has sufficient liquid funds and surplus regulatory capital, and the ability to draw on loan facilities as set out in note 19 to the financial statements.

The Directors conclude that the Company has sufficient liquid resources and prospects of future positive cashflows to enable the Company to meet its liabilities as they fall due for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements.

Accordingly, the going concern basis has been adopted in preparing the financial statements.

### Directors

The Directors serving during the year under review and to the date of approval of this report were as follows:

- Sanjay Maraj (Executive Director)
- Amir M Nabi (Executive Director)
- Denis A Nagy (Executive Director - resigned 30 April 2020)
- Rodney Baker-Bates (Non-Executive Director - appointed 29 May 2020)
- Stephen M Kingsley (Non-Executive Director - appointed 19 May 2020)

### Statement as to disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information (as required by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.



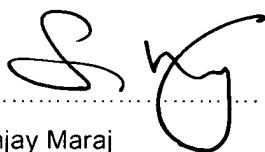
## Directors' Report

For the year ended 31 December 2019

### Auditor

MHA MacIntyre Hudson has indicated a willingness to continue in office. A resolution concerning their reappointment will be put to the members at the members' meeting approving these financial statements.

For and on behalf of the board



Sanjay Maraj

Director

31 July 2020



## Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 at the year end and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 Company will continue in business.

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



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## Independent Auditor's Report to the Members of Dolfin Financial (UK) Limited

### Opinion

We have audited the financial statements of Dolfin Financial (UK) Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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



## Independent Auditor's Report to the Members of Dolfin Financial (UK) Limited (continued)

### Matters on which we are required to report by exception

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

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

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

### Responsibilities of the directors

As explained more fully in the directors' responsibilities statement as set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

### Use of our report

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

Deborah Weston (Senior Statutory Auditor)  
For and on behalf of MHA MacIntyre Hudson, Statutory Auditor  
6<sup>th</sup> Floor  
2 London Wall Place  
London  
EC2Y 5AU

31 July 2020

## Statement of Comprehensive Income

For the year ended 31 December 2019

		Year ended 31 December 2019	Year ended 31 December 2018
	Notes	£	£
Revenue	4	14,170,451	13,521,039
Administrative expenses	5	(16,740,902)	(13,867,803)
Operating (loss)	8	<u>(2,570,451)</u>	<u>(346,764)</u>
Interest received		1,155,486	718,285
(Loss)/Profit on ordinary activities before taxation		<u>(1,414,965)</u>	<u>371,521</u>
Taxation	9	20,969	(20,969)
(Loss)/Profit for the year		<u><u>(1,393,996)</u></u>	<u><u>350,552</u></u>

All amounts are in respect of continuing activities.

There is no other comprehensive income for 2019 or 2018 other than the profit for the year.

The notes on pages 15 to 27 form part of these accounts

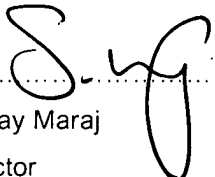


## Statement of Financial Position

For the year ended 31 December 2019

		2019	2018
	Notes	£	£
<b>Fixed assets</b>			
Tangible fixed assets	10	841,803	843,948
Intangible assets	11	5,557,287	218,690
		<u>6,399,090</u>	<u>1,062,638</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	10,753,437	9,930,293
Cash at bank		3,831,264	4,302,450
		<u>14,584,701</u>	<u>14,232,743</u>
Creditors: amounts falling due within one year	13	(7,062,432)	(4,997,829)
<b>Net current assets</b>		<u>7,522,269</u>	<u>9,234,914</u>
Creditors: amounts falling due in more than one year	13	(17,803)	-
<b>Net assets</b>		<u>13,903,556</u>	<u>10,297,552</u>
<b>Capital and reserves</b>			
Called up share capital	14	15,390,001	10,390,001
Share premium		51,999	51,999
Retained earnings		(1,538,444)	(144,448)
<b>Total equity</b>		<u>13,903,556</u>	<u>10,297,552</u>

These financial statements were approved and authorised for issue by the Board of Directors on 31 July 2020 and are signed on their behalf by:

  
 .....  
 Sanjay Maraj  
 Director

The notes on pages 15 to 27 form part of these financial statements.



## Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	7,390,001	51,999	(495,000)	6,947,000
Comprehensive income for the year				
Profit for the year	-	-	350,552	350,552
Total comprehensive income for the year	-	-	350,552	350,552
Contributions by and distributions to owners				
Shares issued during the year	3,000,000	-	-	3,000,000
Total transactions with owners	3,000,000	-	-	3,000,000
At 31 December 2018	10,390,001	51,999	(144,448)	10,297,552
Comprehensive income for the year				
Loss for the year	-	-	(1,393,996)	(1,393,996)
Total comprehensive income for the year	-	-	(1,393,996)	(1,393,996)
Contributions by and distributions to owners				
Shares issued during the year	5,000,000	-	-	5,000,000
Total transactions with owners	5,000,000	-	-	5,000,000
At 31 December 2019	15,390,001	51,999	(1,538,444)	13,903,556

The notes on pages 15 to 27 form part of these financial statements.



## Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flow from operating activities			
(Loss) / Profit for the year		(1,393,996)	350,552
Adjustments for:			
Tax (repayment) / charge		(20,969)	20,969
Depreciation of fixed assets		228,612	124,087
Amortisation of intangible assets		589,714	122,505
Interest receivable		(1,155,486)	(718,285)
(Increase) / Decrease in debtors		(823,144)	7,685,987
Increase / (Decrease) in creditors		2,124,344	(9,873,194)
Tax paid		(20,969)	(4,796)
Net cash used in operating activities		<u>(471,894)</u>	<u>(2,292,175)</u>
Cash flow from investing activities			
Interest received		1,155,486	718,285
Purchase of tangible fixed assets		(226,467)	(362,441)
Purchase of intangible fixed assets		(5,928,311)	-
Net cash used in investing activities		<u>(4,999,292)</u>	<u>355,844</u>
Cash flow from financing activities			
Issue of ordinary share capital		5,000,000	3,000,000
Net cash generated from financing activities		<u>5,000,000</u>	<u>3,000,000</u>
Net increase in cash and cash equivalents		(471,186)	1,063,669
Cash and cash equivalents at 1 January		<u>4,302,450</u>	<u>3,238,781</u>
Cash and cash equivalents at 31 December		<u>3,831,264</u>	<u>4,302,450</u>
Cash and cash equivalents comprise:			
Cash at bank	16	<u>3,831,264</u>	<u>4,302,450</u>

The notes on pages 15 to 27 form part of these financial statements.



# Notes to the financial statements

For the year ended 31 December 2019

## 1. Company information

Dolfin Financial (UK) Ltd is a limited liability company incorporated and domiciled in England and Wales. The address of the registered office and place of business is 50 Berkeley Street, London, W1J 8HA.

## 2. Accounting policies

### Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The Company has a 100% equity interest in three companies registered in England and Wales; Greenshoots-SIG Ltd, Structured Investment Capital Ltd and Dolfin Financial (Nominees) Ltd. These subsidiary companies are dormant having had no activities since they were incorporated. There are no plans for them to become active.

The financial position of Greenshoots-SIG Ltd and Structured Investment Capital Ltd is comprised of £1,000 of unpaid issued share capital. The financial position of Dolfin Financial (Nominees) Ltd is comprised of £1 of unpaid issued share capital. The Company has not recorded the £2,001 investment in these subsidiaries, nor the corresponding £2,001 due to them in respect of the unpaid share capital. The Company has not prepared consolidated accounts which include these companies as subsidiaries. The omission of the investments from the Company's Statement of Financial Position is not material and the consolidation of the subsidiary companies would have no impact on the Statement of Financial Position.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### Revenue

Revenue is recognised on the accruals basis to the extent that it is probable that economic benefits will flow to the Company. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the Company will receive the consideration due under the contract.

### Expenses

Expenses incurred are recognised on an accruals basis.



## Notes to the financial statements

For the year ended 31 December 2019

### 2. Accounting policies (continued)

#### Taxation

Provision is made for current corporation tax on the excess of taxable income over allowable expenses and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provision is made for deferred tax in respect of all timing differences that have originated but not reversed by the date of the Statement of Financial Position other than those differences regarded as permanent. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Any deferred tax assets and liabilities recognised are provided at the rate of tax expected to apply when the asset or liability crystallises and are not discounted.

#### Tangible fixed assets

Tangible assets are stated under the cost model at historic cost less accumulated depreciation and any accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment based on estimated recoverable amount. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range are as follows:

Leasehold improvements	-	Duration of the lease
Computer equipment	-	3 years
Furniture and Fittings	-	5 years

#### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual value over their estimated useful lives, using the straight line method. The intangible assets are amortised over the following useful economic lives:

Website domain name	-	10 years
Goodwill	-	7 years
Operating system	-	5 years

#### Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is British Pound Sterling.



## Notes to the financial statements

For the year ended 31 December 2019

### 2. Accounting policies (continued)

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income within administrative expenses.

#### Operating leases

Operating leases are those leases where the Company has use of an asset but where the significant risks and rewards of ownership remain with the lessor and the lease term is not expected to be a significant portion of the useful life of the asset.

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

#### Financial instruments

##### Financial assets

The Company's financial assets comprise financial instruments, being debtors and cash balances.

Cash is represented by cash deposits with financial institutions repayable without penalty on notice of no more than 24 hours.

Debtors are measured initially at transaction price and thereafter at the amount of cash or other consideration expected to be received. Any impairment loss is recognised in the Statement of Comprehensive Income.

An impairment loss is measured as the difference between an asset's carrying amount and the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets are derecognised when contractual rights to the cash flows from the financial asset expire or are settled, or when substantially all the risks and rewards of ownership have been transferred.

##### Financial liabilities

The Company's financial liabilities comprise creditors. These are measured initially at transaction price and thereafter at the amount of cash or other consideration expected to be paid.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.



## Notes to the financial statements

For the year ended 31 December 2019

### 2. Accounting policies (continued)

#### Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Pensions

In terms of the Pensions Act 2008, the Company has automatically enrolled its employees into a defined contribution workplace pension plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are included as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenue and expenses during the period.

The Directors have carefully considered the adoption of the going concern concept in preparing the financial statements, particularly in light of the effects of the Covid-19 pandemic in the period since the statement of financial position date. Their assessment reflects the following:

- (i) the Company has ongoing arrangements with clients for the provision of wealth management services and expects these to continue. Client assets held and/or managed or advised have not changed significantly in the period since the statement of financial position date;
- (ii) the Company has successfully implemented business continuity plans with staff working remotely;
- (iii) the Company has sufficient liquid funds and surplus regulatory capital and the ability to draw on capital facilities as set out in note 19.

The Directors conclude that the Company has sufficient liquid resources and prospects of future positive cashflows to enable the Company to meet its liabilities as they fall due for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements.

From 19 December 2019 the Company voluntarily agreed to requests from its regulator, the Financial Conduct Authority (FCA), to certain restrictions on its activities. The Company agreed not to on-board new Tier 1 Investor Visa clients, except those investing in the Company's Tier 1 Investor Visa discretionary managed portfolios, and not to trade in securities where there are identifiable or potential risks of a conflict of interests. The Company also agreed not to undertake acquisitions or materially grow its business without obtaining the prior consent from the FCA. The Directors do not consider that these restrictions will impact on the Company's ability to continue as a going concern and the Company will continue to make improvements to its governance, systems and controls with a view to the eventual removal of the restrictions on its ability to grow its business.

Accordingly, the going concern basis has been adopted in preparing the financial statements.

No other significant judgements were required in the process of applying the accounting policies.



## Notes to the financial statements

For the year ended 31 December 2019

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are addressed below.

#### (a) Useful economic lives and residual value of non-financial assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Note 10 contains details of the carrying amount of the non-financial assets and note 2 shows estimated useful lives.

#### (b) Useful economic lives and residual value of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Note 11 contains details of the carrying amount of the intangible assets and note 2 shows estimated useful lives.

#### (c) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Note 12 contains details of the net carrying amount of the debtors.

### 4. Revenue

Revenue represents fees receivable from the provision in the UK of wealth management services.

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
United Kingdom	3,273,198	2,916,610
EMEA	3,120,958	2,305,420
Rest of the world	7,776,295	8,299,009
	<u>14,170,451</u>	<u>13,521,039</u>

### 5. Administrative expenses

Administrative expenses include staff costs and directors' remuneration, rent, IT expenses, bank and custody charges, office expenses, service charges, foreign exchange gains/losses and legal and professional fees.



## Notes to the financial statements

For the year ended 31 December 2019

### 6. Directors

The average number of Directors during the year was 3 (2018: 3).

Amounts payable for Directors' services to the Company during the year to 31 December 2019 amounted to £358,890 (2018: £287,601). Executive Directors are Members of a partnership which provides services to the Company (see note 17) from which they are entitled to discretionary profit allocations.

Remuneration of the highest paid director for the year ended 31 December 2019 amounted to £138,868 (2018: £103,629).

### 7. Staff costs

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Wages and salaries, including directors	7,025,614	5,524,790
Social security costs	836,196	662,405
Pension costs	198,460	126,402
	<u>8,060,270</u>	<u>6,313,597</u>

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Average number of employees, including Directors:		
Administration	55	55
Investment professionals	29	25
	<u>84</u>	<u>80</u>



## Notes to the financial statements

For the year ended 31 December 2019

### 8. Operating profit

The operating profit is stated after charging.

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Auditor's remuneration – audit services	22,500	13,000
Other fees paid to auditor	-	8,000
Operating lease rentals – land and buildings	1,216,340	1,290,511
Depreciation	228,612	124,087
Amortisation	589,714	122,505
Foreign exchange gain/(loss)	(1,605)	18,193
	<u>                    </u>	<u>                    </u>

### 9. Taxation

#### Analysis of charge in the year

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
UK Corporation tax charge		
Current tax for the year	28,604	(20,969)
Adjustment in relation to prior year	(7,635)	-
Deferred tax		
Deferred tax for the year	-	-
Total tax credit /-(charge)	<u>                    </u> <u>20,969</u>	<u>                    </u> <u>(20,969)</u>

#### Factors affecting current tax charge for the year

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (19.00%). The differences are explained below:



## Notes to the financial statements

For the year ended 31 December 2019

### 9. Taxation (continued)

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
(Loss) / Profit on ordinary activities before taxation	(1,414,965)	371,521
Theoretical tax at UK Corporation tax rate of 19.00% (2018: 19.00%)	(268,843)	70,589
Effect of:		
Capital allowances in excess of depreciation	97,901	(7,282)
Expenses not deductible for tax purposes	13,855	12,857
Adjustment in relation to prior year	7,635	-
Current year tax losses carried back to prior year	(28,604)	-
Current year tax losses carried forward to future years	157,087	-
Tax losses utilised	-	(55,195)
Tax (credit) / charge	(20,969)	20,969

### Factors that may affect future tax charges

Unprovided deferred taxation	Deferred tax liability	Deferred tax asset	Net
	£	£	£
At 1 January 2019	57,885	(5,325)	52,560
Arising in the year	(15,890)	(109,634)	(125,524)
As at 31 December 2019	41,995	(114,959)	(72,964)

The deferred tax liability of £41,995 (2018: £57,885) has not been recognised as the Company's forecast fixed asset additions and associated available capital allowances indicate that the timing difference will not reverse for the foreseeable future.

The deferred tax asset of £114,959 (2018: £5,325) has not been recognised as the Directors cannot be certain of the transfer of future economic benefits from the asset.

The deferred tax asset arises from:

	2019	2018
	£	£
Accelerated capital allowances	41,995	57,885
Trading losses	(114,959)	(5,325)
	(72,964)	52,560



## Notes to the financial statements

For the year ended 31 December 2019

### 10. Fixed assets

	Computer Equipment £	Furniture and Fittings £	Leasehold Improvements £	Total £
<b>Cost</b>				
At 1 January 2019	230,964	485,775	308,381	1,025,120
Additions	72,414	154,053	-	226,467
At 31 December 2019	<u>303,378</u>	<u>639,828</u>	<u>308,381</u>	<u>1,251,587</u>
<b>Depreciation</b>				
At 1 January 2019	89,542	23,213	68,417	181,172
Charge for the year	79,134	105,882	43,596	228,612
At 31 December 2019	<u>168,676</u>	<u>129,095</u>	<u>112,013</u>	<u>409,784</u>
<b>Net Book Value</b>				
At 31 December 2018	141,422	462,562	239,964	843,948
At 31 December 2019	<u>134,702</u>	<u>510,733</u>	<u>196,368</u>	<u>841,403</u>

### 11. Intangible assets

	Website domain Name £	Goodwill £	Operating Systems £	Total £
<b>Cost</b>				
At 1 January 2019	33,888	-	389,515	423,403
Additions	-	5,000,000	928,311	5,928,311
At 31 December 2019	<u>33,888</u>	<u>5,000,000</u>	<u>1,317,826</u>	<u>6,351,714</u>
<b>Amortisation</b>				
At 1 January 2019	-	-	204,713	204,713
Charge for the year	11,797	453,834	124,083	589,714
At 31 December 2019	<u>11,797</u>	<u>453,834</u>	<u>328,796</u>	<u>794,427</u>
<b>Net Book Value</b>				
At 31 December 2018	33,888	-	184,802	218,690
At 31 December 2019	<u>22,091</u>	<u>4,546,166</u>	<u>989,030</u>	<u>5,557,287</u>



## Notes to the financial statements

For the year ended 31 December 2019

### 11. Intangible assets (continued)

In prior years the Operating system was classified as a tangible fixed asset. The Directors have determined that it is more appropriately classified as an intangible asset and the appropriate reclassification is reflected in notes 10 and 11.

In the prior year the Directors determined that as the residual value of the website domain name would be greater than cost amortisation was not appropriate. They have revisited this accounting treatment and in accordance with FRS 102 will amortise this asset prospectively over the remainder of its estimated life.

Goodwill represents the cost of acquisition of customer contracts relating to wealth management services under an agreement dated 14 February 2019.

### 12. Debtors

#### Amounts falling due within one year

	2019	2018
	£	£
Trade debtors	850,702	3,239,098
Amounts due from market counterparties	1,593,087	-
Amount due from related parties (note 17)	624,696	4,348
Amount due from group entities	194,349	1,395,367
VAT recoverable	304,979	127,819
Prepayments and accrued income	4,302,285	2,210,888
Other debtors	2,883,339	2,952,773
	<u>10,753,437</u>	<u>9,930,293</u>

Included in Other debtors is a rental deposit of £2,500,000 (2018: £2,508,850) that is repayable on 16 July 2024.

Not included in debtors are client cash balances of £135,642,754 (2018: £89,256,916) representing cash held in client bank accounts and held in trust under FCA rules on behalf of the Company's clients.



## Notes to the financial statements

For the year ended 31 December 2019

### 13. Creditors

#### Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	237,885	60,874
Amounts due to market counterparties	1,590,824	-
Amount due to related parties (note 17)	2,884	498,501
Amount due to group entities	3,000,000	3,000,000
Loan payable	500,000	500,000
Accruals	1,085,636	276,162
Corporation tax	(20,969)	20,969
Pension contributions	73,378	20,849
Other tax and social security	260,978	204,598
Other creditors	331,816	415,876
	<u>7,062,432</u>	<u>4,997,829</u>

On 22 July 2015 a loan of £500,000 was made to the Company. The loan is repayable on demand and is non-interest bearing.

Not included in creditors are client cash balances of £135,642,754 (2018: £89,256,916) representing cash held in client bank accounts and held in trust under FCA rules on behalf of the Company's clients.

#### Amounts falling due in more than one year

	2019	2018
	£	£
Hire purchase creditors	17,803	-
	<u>17,803</u>	<u>-</u>

### 14. Called up share capital

	2019	2018
	£	£
Allotted, authorised, called up and fully paid:		
15,390,001 / 10,390,001 Ordinary shares of £1 each	<u>15,390,001</u>	<u>10,390,001</u>

During the year ended 31 December 2019 5,000,000 (2018: 3,000,000) Ordinary shares of £1 were issued at par to fund the acquisition of customer contracts relating to wealth management services under an agreement dated 14 February 2019 (2018: to provide additional working capital).



## Notes to the financial statements

For the year ended 31 December 2019

### 15. Other financial commitments

At 31 December 2019 the Company had future minimum lease obligations under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	1,216,000	1,216,000
Later than 1 year and not later than 5 years	4,360,083	4,866,400
Later than five years	-	709,683
	<u>5,576,083</u>	<u>6,792,083</u>

Under the non-cancellable operating lease the Company is committed to paying service charges until the end of the lease term on 16 July 2024. The service charge is variable and is calculated each year by the landlord. During the year ended 31 December 2019 service charges amounted to £153,947 (2018: 149,082).

At 31 December 2019 the Company had future minimum hire purchase obligations under non-cancellable finance leases as follows:

	2019	2018
	£	£
Not later than 1 year	23,748	-
Later than 1 year and not later than 5 years	17,803	-
	<u>41,551</u>	<u>-</u>

### 16. Analysis of changes in net debt

	At 1 January 2019	Cash flows	At 31 December 2019
	£	£	£
Cash at bank and in hand	4,302,450	(471,186)	3,831,264
Loan	(3,500,000)	(41,551)	(3,541,551)
Total	<u>802,450</u>	<u>(512,737)</u>	<u>289,713</u>



## Notes to the financial statements

For the year ended 31 December 2019

### 17. Related party transactions

During the year ended 31 December 2019 a partnership whose members include the Directors of the Company, provided support services to the Company and invoiced the Company £540,000 (2018: £540,000) in respect of those services.

The Company and partnership have a working capital funding arrangement. At 31 December 2018 £498,501 was due from the Company to the partnership. As a result of net payments by the Company to the partnership during the year ended 31 December 2019 the balance at that date was £625,696 due from the partnership to the Company.

During the year ended 31 December 2019 the Company provided support services amounting to £13,731 (2018: £13) to a company which has members of key management in common with the Company. At 31 December 2019 £2,884 was due to the Company by the related company (2018: £4,348).

Key management are considered to be the Directors of the Company. See note 6 for disclosure of Directors' remuneration.

### 18. Immediate and ultimate controlling party

During the period to 31 December 2019 and since that date, the Company's immediate parent undertaking has been Dolphin Group (UK) Ltd and the ultimate parent undertaking, Dolphin Group Ltd, a company incorporated in Bermuda.

The ultimate controlling party is Denis Nagy.

### 19. Events after balance sheet date

The Company's ownership structure is under review with the objective that the Company will become a standalone company without a parent undertaking. In these circumstances, and subject to prior FCA approval, there will be a change in the ultimate controlling party.

On 29 June 2020, the Company entered in to a £6m sub-ordinated loan facility with an ultimate shareholder. £1m of the facility was drawn on 30 June 2020 and recognised as Tier 2 regulatory capital. Potential investors into the Company have committed to replace the existing sub-ordinated loan facility and/or provide Tier 1 capital. The Directors are undertaking due diligence on the investors in conjunction with the FCA and, at present, have no reason to believe that the funding will not be approved.

The available capital facilities will be used to support the Company as the Directors take measures to strengthen the Company's governance infrastructure while bringing expenditure in line with revenue projections.

