Annual Report and Accounts 2008

Shore Capital Group plc

Contents

Highlights

Twelve months ended 31 December 2008

	ECM/Asset Management/ Principal Finance 2008 £m	Balance sheet holdings 2008 £m	Total 2008 £m	2007 £m
Revenue	**26.9**	**(7.2)**	**19.7**	38.8
Profit/(loss) before tax	**7.2**	**(8.5)**	**(1.3)**	14.3
Profit/(loss) after tax	**5.4**	**(5.0)**	**0.4**	11.0
Earnings per share (pence)	**1.80**	**(1.79)**	**0.01**	2.91
Annual dividend per share (pence)			**0.30**	0.875

- Both ECM and Asset Management continued to operate profitably
- Strong balance sheet, cash balance of £48.7m at year end, after £11.2m of share buy-backs
- Research commission and asset management income continued to grow, showing franchise strength
- Profit after tax of £0.4m despite mark to market write downs of £7.2m
- Selectively adding high quality recruits, including new office in Edinburgh
- Well-positioned to exploit new, changed landscape for the investment industry

Corporate Profile

Shore Capital is an investment banking group which specialises in equity capital market activities and investment management of alternative assets. The ECM division offers a wide range of services for companies, institutions and other sophisticated clients including corporate finance, stockbroking and market-making. Shore Capital Limited manages specialist funds, with a particular focus on alternative asset classes. Shore Capital International provides investment banking and asset management services in Germany and Eastern Europe.

From offices in London, Liverpool, Edinburgh and Berlin we undertake a broad range of investment banking services, including:

Equity capital markets

- specialist sales to, and research for, institutions in selected sectors;
- corporate finance advice, including fund-raising, sponsorship on the London Stock Exchange, acting as nomad on AIM, takeovers and mergers;
- smaller company market-making. Shore Capital makes markets in over 1,000 stocks and is the second largest market-maker on AIM by stock coverage.

Specialist fund management – current products

- growth capital, both quoted and unquoted, including pre-IPO finance;
- residential, mixed use and commercial property in Germany;
- diversified portfolios of hedge and other funds, principally through an open ended fund of funds;
- specialist equity long/short hedge fund;
- structured vehicle investing in UK hotel property;
- innovative venture capital trusts ("VCTs") providing mezzanine capital to solid companies;
- advisory and discretionary fund management for high net worth individuals and entrepreneurs, based on model portfolios in both equities and funds, designed either for income or for growth;
- aggregate funds under management are currently approximately £1.5 billion.

Shore Capital Group plc is independently owned with its management as substantial shareholders. Its shares are listed on the Official List of the London Stock Exchange. Shore Capital Stockbrokers Limited, Shore Capital and Corporate Limited and Shore Capital Limited are all authorised and regulated by the Financial Services Authority and Shore Capital Stockbrokers Limited is also a member of the London Stock Exchange.

The Group was founded in 1985 and has grown rapidly in recent years to become one of London's leading independent investment banking boutiques. Since inception we have had a close affinity with entrepreneurial clients, whether individuals or businesses, and in investing in entrepreneurial businesses. We have become one of London's leading market-makers in small and mid cap securities and established a substantial independent sales and research activity for institutions in selected sectors. In parallel we have established a broad range of fund management products, mostly focused on absolute return.

The emphasis throughout the Group is on a professional and personalised service and we seek to offer our expertise both responsively and pro-actively. We believe that our greatest asset is the experience, vigour and commitment of our people. Our management and employees own a significant proportion of the business, and are committed to success.

We pride ourselves on our network of clients, institutions, companies and high net worth individuals including entrepreneurs, and on our research capability in the industry sectors where we are expert. Our market-making operation has established a reputation within the broking and institutional community for offering a pro-active and responsive service.

Our new office in Edinburgh.

Our Services – an overview

Every Shore Capital client receives a pro-active, dedicated service designed to grow and develop according to changes in his or her priorities and shifts in market conditions. Innovation and creativity are key.

Shore Capital offers a full range of complementary services described below:

Institutional stockbroking and market-making

- highly ranked research-based institutional stockbroking, focusing on selected sectors where we have strong research expertise, corporate clients, fast growing companies and special situations;
- research coverage in retailing and consumer goods including general retailing, food retailing and food manufacturing, finance including specialty finance and insurance, oil and gas, pharmaceuticals, bio-technology and life sciences, leisure, construction, property, support services and information technology software and hardware;
- secure and efficient settlement and custody arrangements through Pershing Securities, part of the Bank of New York Mellon Corporation group;
- highly competitive and client-orientated market-making in a broad range of smaller UK companies, listed on either the Official List or AIM. In all we currently cover over 1,000 stocks with electronic links enabling automatic execution to a wide range of retail stockbrokers through direct links and third party networks.

Corporate finance advice and deal structuring

- a full range of advisory and transaction services from a highly committed team;
- initial public offerings ("IPOs"), secondary placings and rights offerings;
- mergers and acquisitions, including Takeover Code offers and capital restructurings;
- structuring and arranging private equity transactions;
- strategic and day to day public company advice and support;
- specialist expertise in the particular requirements of medium and small cap companies; and
- specialist expertise in sectors including retail, property, housebuilding, leisure, technology, software and media.

Private Client Stockbroking

- stockbroking and portfolio management services for active, often entrepreneurial, private investors either on an advisory or discretionary basis;
- specialist trading services designed for expert investors.

Advisory and Discretionary Fund Management

- customised portfolios based on model portfolios, adapted to client's requirements;
- model portfolios of equities and bonds and fund of funds;
- personalised service and investment advice.

Puma Funds

Commercial Property and Hotels

- commercial property fund raised in 2002 to invest £125m in UK property. Last properties sold in 2006 and fund has been fully realised. Delivered IRR of 39 per cent p.a;
- established a specialist vehicle in 2004 to acquire portfolios of UK regional hotels. Puma Hotels now owns 20 major hotel properties, which have been let on a long term lease to Barceló, the leading Spanish hotel operator.
- launched Puma Brandenburg in 2006 to buy commercial, residential and mixed use property in Germany.

Growth capital – St Peter Port and Puma VCTs

- specialist fund, St Peter Port, dedicated to development capital opportunities, pre-IPO and other defined exit investments;
- five Puma VCTs established in 2005, 2006 and 2008 with approximately £65m to invest. Focus on providing mezzanine finance to growing businesses on attractive terms;
- adding another dimension to our commitment to developing companies;
- investing in companies with the potential for rapid growth, in both the 'old' and 'new' economies;
- providing funding and management advice to companies preparing to float in the future.

Hedge Funds and Alternative Assets

- track record of consistent performance with own portfolio of hedge funds;
- Puma Absolute Return Fund launched in May 2003 as a Dublin listed fund of funds, investing in hedge funds and other best of breed funds;
- focus on selecting the right managers and building the appropriate portfolio to diversify risk;
- launched Puma Sphera in December 2006, specialist equity long/short fund.

Shore Capital International

We have offices in Berlin to provide asset management services and investment banking in Germany and Eastern Europe. The team includes property specialists and we intend to use the offices to offer access to the London capital markets to German and other Continental European countries.

Chairman's Statement

Introduction

Whilst 2008 was an exceptionally difficult year for the investment industry, I am pleased to report that we came through the year with our business remaining in good shape. Both of our two operating divisions, ECM and Asset Management/ Principal Finance were profitable; however, this was offset by a reduction in the carrying value of various balance sheet holdings and losses in Shore Capital Trading. Whilst these write downs were disappointing, our balance sheet remains strong and liquid. Prior to the year end, given the extreme volatility in markets, the Board decided to cease its trading activity with its balance sheet and concentrate its future balance sheet activities on investments. The diversity of our income streams has shown the value of our business model as has the flexibility of our cost structure. Fund management income continued to grow whilst in ECM we have been able to recruit well from the larger investment banks.

Liquidity

We extended our medium term evergreen bank facility by 1 year so that it now runs to June 2011 with a minimum 2 year notice period. In addition, the facility size has been increased to £20m, of which £15m is committed and was drawn down at the year end. Separately, our £20m working capital facility (which was unutilised at the year end) was also extended for a further year.

As at the balance sheet date, available liquidity was £51.9m (2007: £36m), comprising £48.7m of cash and £3.2m of bonds. This demonstrates the Group's flexibility to undertake a range of transactions as opportunities arise in the near term.

Share Buy-backs and Cancellations

During the year, we continued the programme of buy-backs begun in December 2007. Over the year, we bought in 39,144,664 shares at a cost of £11.2m, an average price over the whole programme of 27.7 pence. These buy-backs have reduced our shares in issue (excluding those held as treasury shares) by 15.6 per cent.

Balance Sheet

As a result of the buy-backs, our net assets were £66.9m at the year end (2007: £82.3m). Of this, £3.2m was in bonds, £3.7m net was held in quoted equities and £1.3m net in the Lily Partnership. There were £15m of other Group borrowings, giving net cash of £33.7m. We held a further £19.1m in the various Puma Funds and £3.7m in other holdings, which were unquoted. The remainder of the balance sheet, including net market debtors, was £2.2m.

Dividend

Our balance sheet is strong and we therefore propose a final dividend of 0.05p per share. In addition to the interim dividend of 0.25p per share, this gives a total dividend for 2008 of 0.3p per share (2007: 0.875p per share). The dividend is expected to be paid on Wednesday 20th May 2009 to shareholders on the register as at 3rd April 2009.

Financial Review

Revenue for the year was £19.7m (2007: £38.8m). This decrease reflects a loss on balance sheet activities of £7.2m (2007: profit of £1.6m), which principally arose from Puma Hotels, Puma Brandenburg and St Peter Port. This is treated for accounting purposes as a deduction from revenue. The combined revenue from operating businesses, primarily ECM and Asset Management, was £26.9m (2007: £37.2m). Administrative expenses were £21.3m (2007: £25.0m), a decrease of 14.8 per cent. As a result, the Group made an operating loss of £1.6m (2007: operating profit of £13.8m).

Interest income was £1.99m (2007: £1.19m), whilst finance costs rose to £1.64m (2007: £0.77m). The loss before tax was £1.27m (2007: profit of £14.26m). There was a tax credit of £1.64m and as a result the Group achieved a profit after tax of £0.37m. This generated earnings per share of 0.01p (2007: earnings of 2.91p).

The following table shows the performance of the Group's operational businesses together with the write downs from balance sheet holdings and is provided in addition to the IFRS format shown on Page 18.

	ECM/Asset Management/ Principal Finance 2008 £'000	**Balance sheet holdings 2008 £'000**	**Total 2008 £'000**	2007 £'000
Revenue	**26,883**	**(7,231)**	**19,652**	38,824
Administrative expenditure	**(20,001)**	**(1,267)***	**(21,268)**	(24,985)
Operating (loss)/profit	**6,882**	**(8,498)**	**(1,616)**	13,839
Investment income	**1,985**	**–**	**1,985**	1,187
Finance costs	**(1,637)**	**–**	**(1,637)**	(765)
	348	**–**	**348**	422
(Loss)/profit before taxation	**7,230**	**(8,498)**	**(1,268)**	14,261
Taxation	**(1,865)**	**3,500**	**1,635**	(3,231)
Profit for the year after taxation	**5,365**	**(4,998)**	**367**	11,030
Attributable to:				
Equity holders of the parent	**5,038**	**(4,998)**	**40**	8,799
Minority interests	**327**	**–**	**327**	2,231
	5,365	**(4,998)**	**367**	11,030
Earnings per share				
Basic	**1.80p**	**(1.79)p**	**0.01p**	2.91p
Diluted	**1.75p**	**(1.74)p**	**0.01p**	2.77p

** Exchange differences*

Operating Review

The following operating review reports on our two main areas of focus, namely Equity Capital Markets and Alternative Assets/ Principal Finance.

The Puma VCTs have invested in the parent of Bloomsbury Auctions, international auctioneers of rare books.

Equity Capital Markets

Overview

In Equity Capital Markets, we provide research in selected sectors, broking for institutional and professional clients, market-making in AIM and small cap stocks and corporate finance for mid and small cap companies. The market environment in 2008 was very tough for each of these business streams, with a significant loss of confidence in non blue-chip companies across most, if not all, sectors. In the circumstances, our ECM business did well to achieve an operating profit of £2.4m (2007: £9.5m) on turnover down from £29.8m to £16.5m.

Research and Sales

We are delighted to report that institutional sales and research held up well, primarily because we are organised with a strong focus on secondary business rather than just seeing it as an adjunct to an active primary placing business. It is particularly pleasing to see that the high quality of our research is increasingly recognised by leading institutions, reflected in a continuing growing proportion of the income from commission awarded directly as a result of internal votes within the relevant fund manager.

We have continued to expand both sales and research in London and Liverpool and are delighted to have recruited an excellent team in Edinburgh where we have opened an office. The Scottish team have started very well and improved our distribution to the very important fund management industry north of the border.

Our team now focuses on selected sectors of expertise: consumer related industries, technology, financial services, European property, construction and building materials, global oil and gas, support services including for infrastructure and the public sector, pharmaceuticals and life sciences.

Market-making

Market-making in small cap faced a very difficult environment. We benefit from a strong franchise and a broad range of electronic links installed to enable us to deal directly with major retail brokers as a Retail Service Provider.

In a rapidly falling market, it is almost inevitable that a small cap market-maker will suffer some inventory losses but the task is to minimise these, manage the inventory tightly and generate profits from providing a service.

We currently cover some 1,060 stocks and, according to statistics from the London Stock Exchange, this makes us the third largest market-maker on the Exchange and the second largest on AIM by number of stocks covered. We have strong relationships with the major retail houses which are our main customers and use our

Some of the transactions completed by our corporate finance team during 2008.

extensive institutional contacts to add to and complement the business we transact. This ability to find buyers for sellers and vice versa is crucial to the service philosophy we operate under.

As the year progressed, the market for small stocks became progressively more difficult. In such conditions our market-making team did well to generate a small trading profit and to maintain a strong market share.

Corporate Finance

In such a tough year for mid and small cap, 2008 was bound to be a more challenging year for corporate finance. New issue activity fell off dramatically during the year and this was only partially replaced by takeover work as the much lower values of companies began to attract cash rich buyers.

Our corporate team completed a number of notable transactions during 2008. These included placings for Phaunos Timber (whose move to the Official List we also sponsored) and Begbies Traynor as well as a number of smaller equity issues. We acted on three public company takeovers, including for Liverpool Victoria, Britain's largest friendly society, on its successful bid for Highway Insurance. Finally, we undertook three new admissions, floating Japan Leisure Hotels on AIM, a complex transaction for Ravenmount involving an AIM admission, and the first listing on the LSE's new Specialist Fund Market.

During the year we continued to win new clients, including Dawson Holdings, formerly a Dresdner Kleinwort client, and Burani Designer Holdings, formerly a Lehman client. Despite these client gains, there were a number of clients which were taken over or de-listed from the market. We currently have 47 retained public company clients. Although this is a reduced number, the mix is of larger companies and retainer income grew during 2008.

Alternative Assets, Investment Management and Principal Finance

Overview

Our alternative asset class fund management business performed relatively well in an environment of turmoil in which the main aim had to be trying to avoid losing money rather than focusing on ways of making a return at considerable risk. It was not an environment in which to launch new products, as most investors became highly risk averse.

The principal change during the year in the division was that we took over 100 per cent of the portfolio management of Puma Hotels plc.

The table below summarises the performance of the various funds we run, both absolute and relative return, for the year 2008 where applicable and since inception.

Returns from Absolute Return and Model Portfolio Products
Performance in 2008 and since Inception (net of management and performance fees)

Absolute Return Products	Inception Date	Asset type	Performance in 2008 %	IRR to Date % p.a.
Puma Absolute Return Fund	May 2003	Fund of Hedge funds	(6.9)	5.2
Puma VCTs I and II[1]	Apr/May 2005	VCT	(9.4)	(0.3)/15.2 pre/post tax
Puma VCTs III and IV[1]	Apr/May 2006	VCT	(5.7)	(2.6)/17.7 pre/post tax
Puma VCT V	Apr/May 2008	VCT	0.9	1.2/65.9 pre/post tax
Puma Sphera	Dec 2006	Equity long/short	(11.1)	10.0
Puma Hotels plc[2]	July 2004	Hotels	1.0	28.1
Puma Brandenburg[3]	March 2006	German Residential Property	19.3	13.9
St Peter Port Capital[3]	April 2007	Growth Capital	8.2	4.7

[1] Weighted composite of VCTs [2] Using last public valuation of properties [3] Based on last published Net Asset Values

Model Portfolios	Inception Date	Asset type	Performance in 2008 %	IRR to Date % p.a.
Growth Portfolio	Feb 2002	Equities, bonds and unit trusts	(18.2)	3.0
Balanced Portfolio	Feb 2002	Equities, bonds and unit trusts	(14.1)	5.2
Multi-manager Growth Portfolio	July 2003	Unit trusts	(24.4)	8.5
Multi-manager Income Portfolio	July 2004	Unit trusts	(23.7)	3.1
AIM Inheritance Tax	July 2005	Equities	(28.6)	(1.0)

12 year track record	Inception Date	Asset type	Performance in 2008 %	IRR to Date % p.a.
Composite of funds	May 1996	Alternative asset class funds and structured finance	n/a	18.6

The Hyatt Hotel, Cologne, one of the investments held by Puma Brandenburg Limited.

Funds Under Management

Funds under management as at 31 December 2008 were £1.53 billion ($2.23 billion), compared to the £1.51 billion ($3.0 billion) at 31 December 2007.

Puma Brandenburg

Puma Brandenburg Limited ("PBL"), which invests in German real estate, was established in March 2006 and is advised by a subsidiary of Shore Capital, Puma Property Advisors Limited ("PPAL").

PBL has acquired a mixed portfolio including residential apartments (mostly in Berlin), offices, hotels and retail space. Virtually all the commercial property is in what was formerly West Germany. In total the commercial and residential portfolio comprises some 440,000 sqm.

PBL holds euro assets and reports its results in euros. On this basis, it reported that the value of its portfolio in its interim report (as at 30 September 2008) was €653m, giving a Net Asset Value of €1.42/share. Although this was a reduction of 9.6 per cent over 12 months (30 September 2007: €1.57/share), it actually represented an increase in sterling terms from £1.16/share to £1.36/share using year-end exchange rates.

The company's strategy is to add value through active management and achieve capital appreciation through improving rental income. PBL reported that it had successfully increased income in its residential portfolio by letting vacant space, reducing costs and achieving rental increases.

Puma Hotels

Puma Hotels was established in July 2004 as a venture to acquire and manage UK four star hotels. It began by buying a portfolio of 13 hotels which it expanded to 20. In August 2007 it transferred its business and leased its properties on a 45 year lease to Barceló Group. This lease provides for a pre-set rental growth over the first four years which is inflation-indexed thereafter and can also increase if hotel EBITDA performs well.

We have reduced the carrying value of our interest in this venture in our own balance sheet. However, we believe that the inflation-indexation in the leases makes the portfolio's value more resilient in a bear market and will also give rise to extra value once the credit markets improve.

Puma Absolute Return Fund ("PARF")

In the absolute terms which are its mandate, PARF had a disappointing year, losing 6.9 per cent for sterling investors. However, in a year which was traumatic for the hedge fund industry as a whole, its relative performance was excellent. This was largely the result of our decision to redeem a substantial part of the portfolio of hedge funds and move into cash. PARF's total return since inception (May 2003) in sterling terms is 33.1 per cent, an IRR of 5.2 per cent.

Since moving into cash we have begun to re-invest, but with a revised strategy to reflect the changed conditions. We are selecting long-only closed-ended funds as well as hedge funds to take advantage of their lower fees and large discount to NAV.

Puma Sphera

After an outstanding performance in 2007 when it gained 22.1 per cent, Puma Sphera lost 11.1 per cent in 2008. Its IRR since inception is 10 per cent. Relative to the TASE which fell 51.1 per cent in 2008, the fund did well as a result of the manager taking a defensive stance. Puma Sphera's performance has picked up strongly in 2009.

Private Client Investment Management

Shore Capital's track record for private client investment management remains strong. Our balanced portfolio has outperformed its benchmark by 17.4 per cent from launch in February 2002 to 31 December 2008. In 2008 it lost 14.1 per cent, outperforming its benchmark by 3.8 per cent. Over the same 7 years to 31 December 2008 the growth portfolio also outperformed its benchmark by 35.1 per cent. In 2008 it out-performed the benchmark by 12.4 per cent, losing 18.2 per cent.

Our "long only" range of products based on picking "best of breed" long only funds had a mixed year. The growth orientated fund of funds has achieved 56.9 per cent growth since launch at 30 June 2003 to 31 December 2008 and out-performed its benchmark by 40.0 per cent. In 2008 it out-performed its benchmark by 12.4 per cent, losing 24.4 per cent. The income-orientated fund of funds has achieved 14.5 per cent since launch at 30 June 2004 to 31 December 2008 but underperformed its benchmark by 6.3 per cent. In 2008 it lost 23.7 per cent, under-performing by 12.4 per cent.

Puma Venture Capital Trusts

In 2008 we launched a new Puma VCT targeting the investment opportunities arising from the credit crunch. This new fund joins our other four in providing secured loans to well-run companies finding it hard to raise finance on attractive terms from banks hit hard by the current credit turmoil. We seek to provide mezzanine and senior debt to well-run companies, both as qualifying investments and as part of the non-qualifying portfolio, in investment structures seeking to limit down-side risk. In total we now manage about £65m in these vehicles. The VCTs launched in 2005 have generated an average post tax return since launch of 15.2 per cent p.a. and the 2006 launches have generated 17.7 per cent p.a. This has been achieved by focusing on qualifying investments with a lower risk profile and secured finance of the type described above.

St Peter Port Capital

St Peter Port Capital ("St Peter Port") was launched in April 2007 with £75m from institutional and high net worth investors. Since inception the company has announced 41 investments, committing a large part of its original capital. The investments were weighted principally towards three sectors: oil and gas exploration and production; mining and resources and renewable energy/clean technology. This reflected the thrust of pre-IPO opportunities identified by the Investment Manager and the Investment Manager's perception of what kinds of company could be expected to make it to a successful IPO in adverse conditions.

During 2008 the company successfully realised 5 pre-IPO investments in full and some others in part, receiving £21m in cash and generating a gain on investment of 51 per cent. As at 30 September 2008, St Peter Port retained £22.5m in cash which was available to invest in pre-IPO opportunities.

The NAV (as at 30 September 2008) was 105.6 pence, a gain of 8.2 per cent since flotation. This gain in NAV is largely the result of currency effects as many of the investments are denominated in foreign currencies.

Given market conditions, the focus of the fund has naturally shifted from investing with an expectation that the company chosen will achieve an IPO within twelve months to a different form of short term exit, including bridging loans and in a much wider range of sectors.

Track Record

As previously, we have calculated the track record of our alternative asset class funds and structured finance since our first launch, Puma I, in 1996. Over this 12 year period, we calculate that the net return to investors from a composite of the vehicles was 18.6 per cent p.a.

St Peter Port Capital Limited has a number of investments in oil and gas companies.

Shore Capital Trading Limited

At the end of 2008 we decided to re-align the deployment of the capital on our balance sheet not immediately required by the operating businesses. Given the extreme volatility in the markets, the Board decided to cease its trading activity within Shore Capital Trading Limited, having reduced the scale of its holdings during the course of the year.

Employees

I should like to thank our employees for their commitment and hard work during the year. In one of the most difficult years for investment banking, they are to be congratulated on achieving a resilient Group performance and in particular on achieving operational profitability in both ECM and Asset Management.

Senior Advisor

We are also delighted to announce that Lord Sterling, Executive Chairman of P&O Group from 1983 to 2005 and one of the UK's leading industrialists, has become a senior advisor to the Board. Having worked closely together over the last 12 months discussing various initiatives, we are confident that Lord Sterling's experience will be invaluable to the Group in the future.

Current Trading and Prospects, Incorporating First Interim Management Statement for 2009

The period from September 2008 to today has been one of extreme volatility and dramatic changes in the financial landscape. Although the turmoil of last autumn has to a degree subsided, market conditions in the first few months of 2009 have remained very challenging. As we expected, the bear market mood which affects all aspects of our business has continued. Notwithstanding this, we are pleased to report that we have remained operationally profitable in both ECM and Asset Management in the year to date.

Our balance sheet remains strong with a high level of liquidity despite heavy write-downs on the value of the residual holdings. Whilst further write-downs may well occur in 2009, equally there is significant upside potential in the future when market conditions improve.

As a house, we see ourselves as well-placed to exploit opportunities arising from the current bear market. In the current market-place, in which some competitors have been claimed by the credit crunch and post-Lehman fallout, we believe we have been winning an increasing share of a declining cake. When the business environment stabilises we are well placed to resume our growth. At the same time, unique value opportunities should present themselves which we hope to take advantage of.

Howard P Shore
Chairman

16 March 2009

Board of Directors

Howard Shore
Executive Chairman

Howard Shore, 48, founded Shore Capital in 1985. He began his career in private client discretionary fund management with Grieveson Grant & Co (now part of Dresdner Kleinwort Wasserstein). After a degree in Economics from Cambridge, he worked as a financial futures broker when LIFFE was being established. He is responsible for the strategy and asset allocation of the Group. He is a director of Puma Hotels and Puma Brandenburg and chairs the investment committees of Puma Absolute Return Fund and Puma VCT.

Graham Shore
Group Managing Director

Graham Shore, 52, was previously a partner in the management consultancy division of Touche Ross (now Deloitte LLP) and led the London practice advising the telecommunications and new media industries, as well as conducting strategy and economic studies for a wide range of clients. After PPE at Oxford and a Master's in Economics from the LSE, he worked for the Government as an economic adviser including several years undertaking industry studies. He joined Shore Capital in 1990 to found its corporate finance division and is also involved in growth capital. He is a director of the Puma VCTs and of St Peter Port Capital.

Michael van Messel
Operations Director

Michael van Messel, 44. After a degree in Physics at Imperial College, London, he joined Hacker Young and qualified as a Chartered Accountant. He then worked as a specialist in their tax department and subsequently for Coopers & Lybrand within its financial services group. He joined Shore Capital in 1993 as Group Financial Controller and became Operations Director in 2000. He is responsible for all operations including finance and compliance.

Jonathan Paisner
Director – Group Legal Counsel

Jonathan Paisner, 39. After obtaining a degree in French from Oxford University, he started his career as a solicitor in the corporate finance department of Berwin Leighton. Prior to joining Shore Capital in 2002 he was a director of a start-up venture capital and corporate finance boutique. Jonathan, who as Group Legal Counsel is also responsible for the Group's legal affairs, is primarily involved in the Group's asset management and principal finance divisions and is co-head of the Berlin office.

Barclay Douglas
Non-executive Director

Barclay Douglas, 53, qualified as a chartered accountant with Arthur Andersen after gaining a degree in Law. He has over 10 years' experience in private equity, having been a director of both Murray Johnstone and Mercury Private Equity (Hg Capital). During that time he represented investors on the boards of several private and public companies. He now operates as a professional non-executive director of both public and private companies and assists companies to raise capital. Barclay is Chairman of The Hotel Corporation plc and Cascade Care Group Limited.

He chairs the Audit Committee and the Remuneration Committee.

Dr Zvi Marom
Non-executive Director

Dr Marom, 54, is founder and CEO of BATM Advanced Communications Limited. He is recognised as one of Israel's most brilliant technologists. A former first lieutenant in the Israeli Navy, he graduated first (with excellence) in electronics from the Naval Academy and first (with excellence) from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler School of Medicine, Israel and an MSc in industrial electronics. Dr Marom is on the boards of several national and international academic committees for computing and communications. He has close links with the Israeli Chief Scientist's Office and with Governmental bodies funding research for Israeli high tech companies. He also acts as technology adviser to the Puma II Fund managed by Shore Capital Stockbrokers. He is a member of the Audit Committee and the Remuneration Committee.

Senior Management

Simon Fine
Head of Equity Capital Markets

Simon Fine, 44, joined Shore Capital in 2002 as Managing Director of Equity Capital Markets, responsible for all aspects of trading and brokerage as well as the integration of related corporate broking activities. He is the former Managing Director and Co-Head of Pan European Equity Cash Trading at Lehman Brothers. Prior to that, Simon spent the previous 14 years at Dresdner Kleinwort Benson, most recently as Head of Pan European Equity Cash Trading – developing its UK operations into one of the leading players in the UK and German equities.

Dr Clive Black
Head of Research

Dr Clive Black, 45, is one of the highest ranked analysts covering the UK food & drug retail sector. He has also been rated No.1 for small & mid-cap food retail research. Clive holds a Ph.D from The Queen's University of Belfast on the Northern Ireland food industry. He followed this to become Head of Food Policy at the NFU in London before joining Northern Foods plc. He moved into equity research with Charterhouse Tilney in Liverpool where he then became Head of Pan-European Retail research when it was acquired by ING Financial Markets. He joined Shore Capital in 2003 as Head of Research.

Eamonn Flanagan
Head of the Liverpool Office

Eamonn Flanagan, 45, is one of the UK's top ten stockbroking analysts in the insurance and specialty finance sectors, and was rated second for coverage of smaller companies in these sectors in the last Reuters' survey. After a degree in mathematics, he qualified as an actuary with Royal Insurance where he worked for nine years; he is now a Fellow of the Institute of Actuaries. He moved into stockbroking research with Charterhouse Tilney where he was for nine years when it latterly became ING Financial Markets. He joined Shore Capital in 2003 as head of the Liverpool office.

Rupert Armitage
Head of Stockbroking sales

Rupert Armitage, 44, joined Shore Capital in 1988 after a degree in management and a period working in his family's business. He leads the institutional sales team, but is also qualified as a registered market-maker. He became a director of Shore Capital Stockbrokers in 1995.

Alex Abadie
Head of Asset Management

Alex Abadie, 44, joined Shore Capital Limited as CEO in 2009. Immediately prior, he was a Managing Director and management committee member of Credit Suisse's Asset Management Division, responsible globally for structuring all new investment products and providing customised solutions to insurance and pensions clients, and a board member of Credit Suisse Asset Management Ltd. He was previously a Managing Director at Morgan Stanley. Alex has a Masters from Stanford, MBA from Chicago and SMG from Harvard. He chairs the Investment Committee of Shore Capital Limited.

Thomas Marlinghaus
Shore Capital Germany – Chief Operating Officer

Thomas Marlinghaus, 51, graduated with a degree in business administration and began his career at Berliner Bank, where he became an investment manager in the bank's private equity unit. In 1995, he joined a family-owned private equity and management group as managing director. In this role, Thomas acted as the CFO of ProMarkt, at the time Germany's second largest consumer electronic retail chain, which was sold to Kingfisher in 1998. Thomas was also directly responsible for identifying acquisition and disposal opportunities including in real estate. Thomas is Chief Operating Officer of Shore Capital's German team and also responsible for asset management.

Corporate Governance

General

The Group is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance which was issued in 2006 by the Financial Reporting Council ('the Code') in relation to matters for which the board is accountable to shareholders.

The Group has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' remuneration report.

Board of Directors

The Board currently comprises four executive and two non-executive directors. It carries ultimate responsibility for the conduct of the business of the Group. The Board maintains full control and direction over appropriate strategic and financial issues through regular meetings and reports to ensure that the Board is supplied with all the information it needs. The Board considers both of the non-executive directors, Mr J B Douglas and Dr Z Marom, to be independent in character and judgement. Whilst both own shares in the Company, they each have significant other business interests and activities. The Board as a whole considers their shareholdings in the Company to be an advantage for the shareholders as in addition to their fiduciary duties, their interests are aligned with shareholders generally. None of the non-executive directors participate in the Shore Capital Group plc Share Option Scheme. The terms and conditions of appointment of the non-executive directors are available for inspection by any person at the Group's registered office.

The directors provide the Group with the knowledge, mix of skills, experience and networks of contacts required. The non-executive directors combine breadth of business and commercial experience with independent and objective judgement. The combination of non-executive and executive directors enables the Board to provide effective leadership and maintain a high standard of integrity across the Group.

In relation to those arrangements which do not comply with the Code, these largely arise as a consequence of the size of the Company and of the Board. The Board believes that the arrangements it has in place are appropriate for a group of its size and nature, and in particular notes that the Quoted Companies Alliance does not consider it necessary for smaller public companies to have three non-executive directors.

Mr H P Shore is Executive Chairman of the Board and also undertakes the function of full-time Chief Executive. In view of the size and nature of the Group, the Board does not consider it in the best interests of the Group to split the roles. The Executive Chairman has no significant executive commitments other than those which are related to the activities of the Group (such as sitting on the investment committee or boards of vehicles promoted by the Group). The Board has two committees, the Remuneration Committee (see directors' remuneration report) and the Audit Committee (see below). The Board does not have a Nominations Committee or a senior independent director. This is because with only two non-executive directors and a Board of only 6 in total, nominations can be readily handled without a committee by the Board as a whole, whilst both non-executive directors are accessible to shareholders in the event of issues arising.

In accordance with the Principles of the Code, one third of the directors retire and offer themselves for re-election each year, and accordingly Mr J B Douglas and Mr M L van Messel retire and offer themselves for re-election. A brief biography of each director is set out on page 9. Each of Mr J B Douglas and Mr M L van Messel have continued to contribute effectively in their respective roles and demonstrated commitment. They have attended all meetings of the Board held during the year and the Group benefits from their managerial, marketing and technical experience and knowledge.

The Board has an informal annual review process to assess how each of the Directors is performing. The performance of executive directors is individually reviewed by the Chief Executive against previously agreed objectives and his performance is in turn appraised by the non-executive directors. Remuneration is directly linked to these reviews and determined by the Remuneration Committee. Remuneration is set at the level required to attract, retain, and motivate high calibre directors and a significant proportion of total remuneration is linked to corporate and individual performance.

The Chief Executive ensures that directors receive accurate, timely and clear information. Directors are encouraged to update their skills, knowledge and familiarity with the Group through initial induction and ongoing participation at Board and committee meetings. Views of clients and shareholders are shared through Board presentations. The Board is updated regularly on governance and regulatory matters.

The Board met four times during 2008. The number of meetings of the Board and the Audit and Remuneration Committees and individual attendance by members is set out below:

	Board	Audit	Remuneration
Total number of meetings in 2008	**4**	**2**	**2**
Number of meetings attended in 2008			
H P Shore	4	–	–
G B Shore	4	2	–
M L van Messel	4	–	–
J S Paisner	4	–	–
J B Douglas	4	2	2
Dr Z Marom	4	2	2

The Board has a formal schedule of matters reserved for its decision and delegates certain matters to committees as set out below. The Board determines the Group's overall strategy; creation, acquisition or disposal of material corporate entities and investments; development and protection of the Group's reputation; public announcements including statutory accounts; significant changes in accounting policy, capital structure and dividend policy, operating plans and review of key performance indicators, resolution of litigation, Group remuneration policy and Board structure, composition and succession.

Audit Committee
The Board has appointed an Audit Committee with written terms of reference. The terms of reference of the Audit Committee are available for inspection by any person at the Group's registered office during normal business hours and for fifteen minutes prior to and during the forthcoming Annual General Meeting. It comprises two non-executive directors, Mr J B Douglas and Dr Z Marom, together with Mr G B Shore, and is chaired by Mr J B Douglas. Although Mr Shore is an executive director of the Group whose presence on the committee does not comply with the letter of the Code, he is not involved as an executive in the day to day affairs of the Group's stockbroking subsidiary where many of the most important and significant issues of financial control arise. The Board therefore considers the composition of the committee appropriate given the size of the group. The Audit Committee undertakes a detailed review of the Company's half yearly and annual financial reports, is responsible for reviewing whether the accounting policies are appropriate and for monitoring internal compliance and external audit functions including the cost effectiveness, independence and objectivity of the auditors. The committee meets periodically with the auditors to receive a report on matters arising from their work.

The committee receives a report from the auditors concerning their internal processes to ensure that the independence and objectivity of the auditors are safeguarded at all times. The committee is satisfied that the safeguards and procedures established by the auditors are sufficient to counter threats or perceived threats to their objectivity at all times.

Going concern
The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 8, together with the financial position of the group, its liquidity position and borrowing facilities. In addition note 24 to the financial statements includes policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has considerable financial resources together with an established business model. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Internal control
In accordance with Principle C.2 of the Code, the Board of Directors has overall responsibility for the Group's systems of internal controls, including financial, operational and compliance, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and comply with the Turnbull guidance. The controls are used in identifying, evaluating and managing significant risks of the Group on an ongoing basis. These internal controls have been in place from the start of the year through to the date of approval of this report. They include:

- ensuring that an appropriate organisational structure exists with clear lines of responsibility and delegation of authority;
- the allocation of responsibility for important business functions to experienced and suitably qualified staff;
- detailed budgets and plans which are approved by the Group Board;
- regular consideration by the Board of actual results compared with budgets and forecasts;
- compliance by subsidiaries with Group operating procedures and policies;
- annual review of the Group's insurance cover;
- defined procedures for the appraisal and authorisation of capital expenditure and capital disposals; and
- regular reporting of the Company's liquidity position.

The Board has carried out an annual review of the effectiveness of the Group's systems of internal financial control. In addition, it has considered the need to introduce a group internal audit function but has decided that it is inappropriate for a Group of this size. It should be noted that many of the activities which would be covered by such a function are already carried out as part of the compliance function.

Relations with shareholders
The Group communicates with shareholders through both the interim and annual reports. In addition all shareholders may attend the Group's Annual General Meeting where they may raise matters relating to their shareholdings and the business of the Group.

Communication with the Group's largest institutional shareholders is undertaken as part of the Group's investor relations programme and any feedback arising is provided to the Board.

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the "auditable part" of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for information that is required to be audited and information that is not required to be audited.

Information not required to be audited:

Remuneration Committee

The Board has appointed a Remuneration Committee which comprises two non-executive directors, Mr J B Douglas and Dr Z Marom, and is chaired by Mr J B Douglas. The terms of reference of the Remuneration Committee are available for inspection by any person at the Group's registered office during normal business hours. The Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Listing Rules of the UK Listing Authority. The principal function of the Remuneration Committee is to determine the Group's policy on executive remuneration. It makes its decisions in consultation with the Chairman and Chief Executive. No director plays a part in any decision about their own remuneration. The Committee meets periodically when it has proposals to consider and in any event no less than once each year.

The main aim of the committee's policy is to attract, retain and motivate high calibre individuals with a competitive remuneration package. Remuneration for executives comprises basic salary, performance related bonus, pension benefits, other benefits in kind and options granted pursuant to the Shore Capital Group plc Share Option Plan. No director has a service contract for longer than 12 months.

Basic salary

An executive director's basic salary is determined by the Committee in respect of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the group as a whole and relies on objective research which gives up-to-date information on a comparator group of companies which comprises a number of companies within the sector as well as a number of companies in different sectors with comparable capitalisation. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

In addition to basic salary, the executive directors receive certain benefits-in-kind, which comprise in each case some of the following: a car, private medical insurance and pension contributions.

In the event that an executive director accepts an outside directorship in the course of their work and in respect of which the director is entitled to receive a fee, such fee is recognised as income of the group and not retained by the director personally. Where the group makes payments to third parties as part of the remuneration of one of its directors, such payments are included within the total remuneration disclosed in respect of that director.

Annual bonus payments

In establishing suitable objectives that must be met for each financial year for a cash bonus to be paid, the Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principal measure of those interests is Group profitability. In addition, when setting appropriate bonus parameters the Committee is mindful of executive rewards in a comparator group of companies as noted above. The company operates in the investment banking sector where it is the norm for overall remuneration for professionals to include substantial bonuses when business performance is good. This compensates for modest basic salaries and the risk of low or no bonus in the event of difficult market conditions. Account is also taken of the relative success of the different parts of the business for which the executive directors are responsible and the extent to which the strategic objectives set by the Board are being met.

Pension arrangements

The company does not operate a final salary pension scheme. Executive directors who are entitled to receive pension contributions may nominate a defined contribution pension scheme into which the company makes payments on their behalf.

Share options

Details of the Shore Capital Group plc Share Option Plan as well as directors' interests in the Share Option Plan are given in note 6 to the financial statements. The Committee has responsibility for supervising the scheme and the grant of options under its terms.

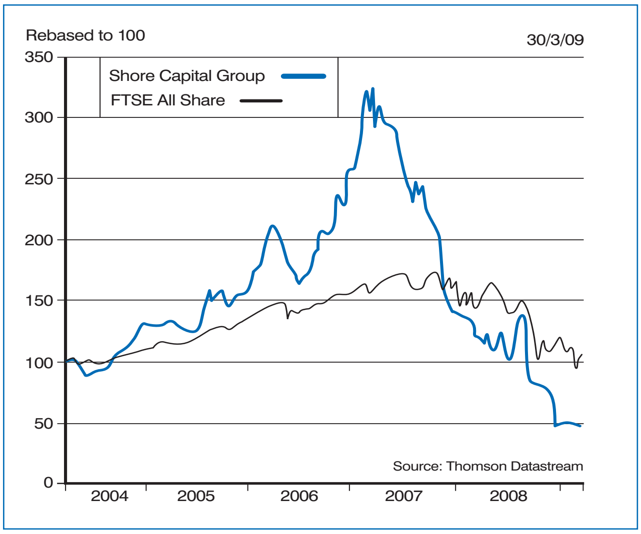
The exercise price of the options granted under the above scheme is no less than the market value of the company's shares at the time when the options are granted. Options granted under the Share Option Plan are subject to vesting periods which are based on continuing service. Thereafter the options may be exercised for the rest of their 10 year life without further test.

The company's policy is to grant options to directors at the discretion of the Committee taking into account individual performance and responsibilities.

The company does not operate any long-term incentive schemes other than the share option scheme described above. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the total return from the FTSE-All Share Index. This index has been selected for this comparison because it comprises a broad range of companies including small to mid size listed companies.



Non-executive directors

Where non-executive directors receive remuneration, they have specific terms of engagement and their remuneration is determined by the Board and based on independent surveys of fees paid to non-executive directors of similar companies. Non-executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Directors' contracts

The company issues service contracts to its executive directors with a maximum of one year's notice. Currently, all the executive directors have contracts which are subject to six months' notice by either party. The service contract of Mr J B Douglas, a non-executive director, provides for one year's compensation in the event of a takeover of the company. The dates of the directors' contracts are as follows:

Name of director	Date of contract
H P Shore	18 December 1987
G B Shore	18 December 1990
M L van Messel	25 September 2000
J S Paisner	29 October 2002
J B Douglas	27 June 2000
Dr Z Marom	5 April 2000

Audited information:

Directors' emoluments

Details of all directors' emoluments are given in note 6 to the financial statements.

Directors' share options

Details of directors' interests in the Shore Capital Group plc Share Option Plan are given in note 6 to the financial statements.

Directors' pension entitlements

Details of contributions to money purchase schemes on behalf of directors are given in note 6 to the financial statements.

Approval

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

M L van Messel
6 April 2009

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the financial year ended 31 December 2008.

Activities and business review

The principal activities of the Group consist of investment banking, including stockbroking, market making, corporate finance advice, asset management and specialist fund management. Given the extreme volatility in markets, in December 2008 the Board decided to cease its trading activity with its balance sheet.

A review of the year and future developments is contained in the Chairman's statement on pages 4 to 8. The statement also includes details of the key performance indicators which management use.

Results and dividends

The results for the financial year are set out on page 18. An interim dividend of 0.25p per share (2007: 0.55p) was paid during the year. The directors propose a final dividend of 0.05p per share (2007: 0.325p) making a total for the year of 0.3p per share (2007: 0.875p).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 23 of the financial statements. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provision of the Articles of Association. No person has any special rights of control over the company's share capital and all issued shares are fully paid. Under its Articles of Association, the company has an authorised share capital of 625,000,000 ordinary shares.

Fixed assets

Movements in fixed assets are set out in note 14 to the financial statements.

Risk management

The Group's policies for managing the risks arising from its activities, including the use of derivative instruments, are set out in note 24. The Group's activities comprise equity market activities and investment in alternative assets, and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

Directors

The directors who served the company during the financial year and their beneficial interests in the ordinary shares of the company were:

	2p ordinary shares	
	31 December 2008	31 December 2007
H P Shore	**100,147,359**	100,147,359
G B Shore	**21,652,820**	21,652,820
M L van Messel	**2,664,042**	2,664,042
J S Paisner	**900,000**	700,000
Dr Z Marom	**501,521**	501,521
J B Douglas	**1,000,000**	1,000,000

The beneficial interests of the directors in share options over ordinary shares of the company are set out in note 6f to the financial statements.

The company makes qualifying third party indemnity provisions for the benefit of its directors which are in force at the date of this report.

Charitable and political donations

The Group made charitable donations of £95,000 (2007: £18,000) during the year. No political donations were made during the year (2007: £nil).

Acquisition of the company's own shares

Details of shares repurchased during the year are set out in note 23.

Events after the balance sheet date

Details of significant events since the balance sheet date are set out in note 26.

Environmental policy

The Group aims wherever appropriate to be environmentally conscious. During the year, it recycled a large amount of waste paper and arranged for used printer cartridges and office furniture to be collected for recycling and environmentally sound disposal. It has adopted low energy lighting systems where appropriate.

Creditor payment policy

The policies which the company and Group followed for the payment of creditors in the financial year were:

a) for market creditors arising in respect of trades in securities, payment is made on the later of intended settlement date for the transaction or receipt of stock; and

b) for other suppliers, payment is made within the later of 45 days after receipt of the invoice or 45 days after receipt of the goods or services concerned. Creditor days of the Group at the year end were 26 days (2007: 35 days).

Major shareholdings

Other than directors, the following shareholders had notified the company of holdings of 3% or more of the shares of the company as at 6 April 2009:

	Ordinary Shares	%
The J P Morgan Fleming Mercantile Investment Trust Plc	25,337,543	9.9
Aralon Resources	14,083,000	5.5

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps which they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

During the year the company changed its auditors. Ernst & Young LLP were appointed on 17 December 2008 and they have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

J S Paisner
Secretary
6 April 2009

Bond Street House
14 Clifford Street
London W1S 4JU

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations.

The directors are required to prepare Group financial statements for each financial year, in accordance with those International Financial Reporting Standards as adopted by the European Union, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: *'Accounting Policies, Changes in Accounting Estimates and Errors'* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

Under United Kingdom company law the directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), which are required by law to give a true and fair view of the state of affairs of the Parent Company and of the profit or loss of the Parent Company for that period. In preparing the Parent Company 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 United Kingdom 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and, in the case of the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Shore Capital Group plc

We have audited the group and parent company financial statements (the "financial statements") of Shore Capital Group Plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the Group and Parent Statement of Change in Equity and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the director's report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London

6 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

A more detailed income statement is presented in the Chairman's Statement on page 4.

	Notes	2008 £'000	2007 £'000
Revenue	1, 2	**19,652**	38,824
Administrative expenditure		**(21,268)**	(24,985)
Operating (loss)/profit	3	**(1,616)**	13,839
Interest income	4	**1,985**	1,187
Finance costs	5	**(1,637)**	(765)
		348	422
(Loss)/profit before taxation	2	**(1,268)**	14,261
Taxation	7	**1,635**	(3,231)
Profit for the year after taxation		**367**	11,030
Attributable to:			
Equity holders of the parent		**40**	8,799
Minority interests		**327**	2,231
		367	11,030
Earnings per share			
Basic	10	**0.01p**	2.91p
Diluted	10	**0.01p**	2.77p

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 £'000	2007 £'000 Restated
Non-current assets			
Goodwill	13	**381**	381
Property, plant & equipment	14	**15,003**	11,778
Available-for-sale investments	6.c, 15	**760**	1,715
Deferred tax asset	7	**834**	1,877
		16,978	15,751
Current assets			
Bull positions and other holdings designated at fair value	16	**30,619**	62,497
Trade and other receivables	17	**16,375**	41,764
Derivatives		**–**	28
Cash and cash equivalents	6.c, 18	**48,655**	16,743
		95,649	121,032
Total assets		**112,627**	136,783
Current liabilities			
Bear positions		**(857)**	(2,388)
Trade and other payables	19	**(13,485)**	(27,696)
Derivatives		**(2,366)**	(202)
Tax liabilities		**(1,575)**	(3,595)
Bank overdrafts	18, 20	**–**	(356)
Borrowings	20	**(370)**	(200)
		(18,653)	(34,437)
Non-current liabilities			
Borrowings	20	**(27,091)**	(19,453)
Provision for liabilities and charges	21	**(19)**	(556)
Total liabilities		**(45,763)**	(54,446)
Net Current Assets		**76,996**	86,595
Net Assets		**66,864**	82,337
EQUITY			
Capital and Reserves			
Called up share capital	23	**5,856**	6,058
Share premium account		**19,956**	19,477
Capital redemption reserve		**1,228**	971
Own shares	23	**(9,351)**	(1,195)
Other reserve		**712**	429
Retained earnings		**45,657**	51,983
Equity attributable to equity holders of the parent		**64,058**	77,723
Minority interest		**2,806**	4,614
Total equity		**66,864**	82,337

Approved by the Board of Directors on 6 April 2009. Signed on behalf of the Board of Directors

H P Shore
Director

M L van Messel
Director

Company Balance Sheet

As at 31 December 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Property, plant & equipment	14	**133**	151
Investments in subsidiaries	15	**49,106**	28,135
Loan to subsidiary		**–**	1,800
Deferred tax asset	7	**51**	1,347
		49,290	31,433
Current assets			
Trade and other receivables	17	**59**	570
Amounts owed by subsidiary undertakings		**51,078**	23,024
Cash and cash equivalents	18	**245**	2,019
		51,382	25,613
Total assets		**100,672**	57,046
Current liabilities			
Trade and other payables	19	**(1,123)**	(1,393)
Amounts owed to subsidiary undertakings		**(2,303)**	(2,915)
Tax liabilities		**(1,228)**	(720)
Loan from subsidiary		**(44,137)**	–
Bank overdrafts	18	**–**	(353)
		(48,791)	(5,381)
Non-current liabilities			
Provision for liabilities and charges	21	**(19)**	(556)
Total liabilities		**(48,810)**	(5,937)
Net Current Assets		**2,572**	20,232
Net Assets		**51,862**	51,109
EQUITY			
Capital and Reserves			
Called up share capital	23	**5,856**	6,058
Share premium account		**19,956**	19,477
Capital redemption reserve		**1,228**	971
Own shares	23	**(9,351)**	(1,195)
Other reserve		**261**	256
Revaluation reserve		**5,596**	–
Retained earnings		**28,316**	25,542
Total equity		**51,862**	51,109

Approved by the Board of Directors on 6 April 2009. Signed on behalf of the Board of Directors

H P Shore
Director

M L van Messel
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other Reserves* £'000	Retained earnings £'000	Minority Interest* £'000	Total £'000
At 1 January 2007	6,032	19,248	971	–	665	48,351	2,796	78,063
Retained profit for the year	–	–	–	–	–	8,799	2,231	11,030
Credit in relation to IFRS2 charge for share based payments	–	–	–	–	78	–	–	78
Available-for-sale ("AFS") investments:								
– Transfer to income on sale of AFS investments	–	–	–	–	(514)	–	–	(514)
– Tax on AFS investments transferred from equity	–	–	–	–	154	–	–	154
– Revaluation in the year of AFS investments	–	–	–	–	46	–	–	46
Reduction in deferred tax credit recognised directly in equity	–	–	–	–	–	(2,254)	–	(2,254)
Equity dividends paid	–	–	–	–	–	(3,680)	–	(3,680)
Shares issued in respect of options exercised	26	229	–	–	–	–	–	255
Repurchase of own shares	–	–	–	(1,195)	–	–	–	(1,195)
Shares/participations issued in subsidiaries to minority interests	–	–	–	–	–	–	1,194	1,194
Transfer re shares issued to minority interests	–	–	–	–	767	–	(767)	–
Dividends paid to minority interest	–	–	–	–	–	–	(840)	(840)
At 31 December 2007	6,058	19,477	971	(1,195)	1,196	51,216	4,614	82,337
Retained profit for the year	–	–	–	–	–	40	327	367
Credit in relation to share based payments	–	–	–	–	116	–	–	116
Transfer to income on sale of AFS investments	–	–	–	–	28	–	–	28
Foreign currency translation	–	–	–	–	–	356	246	602
Reduction in deferred tax credit recognised directly in equity	–	–	–	–	–	(1,278)	–	(1,278)
Valuation change on cash flow hedges	–	–	–	–	(628)	–	(157)	(785)
Equity dividends paid	–	–	–	–	–	(1,628)	–	(1,628)
Shares issued in respect of options exercised	55	479	–	–	–	–	–	534
Repurchase of own shares	(257)	–	257	(8,156)	–	(3,049)	–	(11,205)
Repurchase of shares in subsidiaries from minority interests	–	–	–	–	–	–	(343)	(343)
Dividends paid to minority interest	–	–	–	–	–	–	(1,881)	(1,881)
At 31 December 2008	**5,856**	**19,956**	**1,228**	**(9,351)**	**712**	**45,657**	**2,806**	**66,864**

* Prior year amounts have been restated to reflect the effects of issuing shares in subsidiaries to minority interests.

Company Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2007	6,032	19,248	971	–	256	25,109	51,616
Retained profit for the year	–	–	–	–	–	6,367	6,367
Deferred tax credit recognised directly in equity	–	–	–	–	–	(2,254)	(2,254)
Equity dividends paid	–	–	–	–	–	(3,680)	(3,680)
Shares issued in respect of options exercised	26	229	–	–	–	–	255
Repurchase of own shares	–	–	–	(1,195)	–	–	(1,195)
At 31 December 2007	6,058	19,477	971	(1,195)	256	25,542	51,109
Retained profit for the year	–	–	–	–	–	8,653	8,653
Deferred tax credit recognised directly in equity	–	–	–	–	–	(1,278)	(1,278)
Equity dividends paid	–	–	–	–	–	(1,628)	(1,628)
Shares issued in respect of options exercised	55	479	–	–	–	–	534
Repurchase of own shares	(257)	–	257	(8,156)	–	(3,049)	(11,205)
Credit in relation to IFRS2 charge for share based payments	–	–	–	–	5	–	5
Foreign currency translation	–	–	–	–	5,596	–	5,596
At 31 December 2008	**5,856**	**19,956**	**1,228**	**(9,351)**	**5,857**	**28,240**	**51,786**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 £'000	2007 £'000
Cash flows from operating activities		
Operating (loss)/profit	(1,616)	13,839
Adjustments for:		
Depreciation charges	888	370
Share-based payment expense	116	78
Loss/(profit) on sale of fixed assets	7	(20)
Transfer from income on sale of Available For Sale investments	28	(360)
Profit on sale of Available For Sale investment	(113)	–
Decrease in provision for liabilities and charges	(537)	(926)
Operating cash flows before movements in working capital	(1,227)	12,981
Decrease/(increase) in trade and other receivables	25,417	(4,912)
(Decrease)/increase in trade and other payables	(13,138)	1,743
Decrease in bear positions	(1,531)	(586)
Decrease in bull positions	11,994	198
Decrease in tradeable loan instruments	19,884	99
Cash generated by operations	41,399	9,523
Interest paid	(1,637)	(700)
Corporation tax paid	(315)	(5,784)
Net cash generated by operating activities	39,447	3,039
Cash flows from investing activities		
Purchase of fixed assets	(274)	(11,454)
Purchase of Available For Sale investments	(557)	(97)
Proceeds on disposal Available For Sale investments	1,626	–
Proceeds on disposal fixed assets	33	42
Interest received	1,985	1,147
Net cash generated/(utilised) from investing activities	2,813	(10,362)
Cash flows from financing activities		
Shares issued following exercise of options	534	255
Repurchase of shares into treasury	(8,156)	(1,195)
Repurchase of shares for cancellation	(3,049)	–
Increase in borrowings	4,531	19,653
Shares issued in subsidiary to Minority Interests	–	1,194
Shares repurchased by subsidiary from Minority Interest	(343)	–
Dividends paid to Minority Interests	(1,881)	(840)
Dividends paid to Equity holders	(1,628)	(3,680)
Net cash (utilised)/generated by financing activities	(9,992)	15,387
Net increase in cash and cash equivalents	32,268	8,064
Cash and cash equivalents at the start of the year	16,387	8,323
Cash and cash equivalents at the end of the year	48,655	16,387

Notes to the Financial Statements

For the financial year ended 31 December 2008

1. Accounting Policies – Group

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are also consistent with IFRS, adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation.

Adoption of new and revised standards

The accounting policies adopted are consistent with the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2008.

IFRIC 11:IFRS 2	Group and Treasury Share Transactions
IFRIC 14	The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash to Owners

Adoption of the above interpretations did not have any impact on the financial performance or position of the group in the prior periods.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 & IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from 1 January 2009)
IFRS 2	Amendment of IFRS 2 – Vesting Conditions and Cancellations (effective from 1 January 2009)
IFRS 3	Business Combinations (revised January 2008) (effective from 1 July 2009)
IFRS 8	Operating Segments (effective from 1 January 2009)
IAS 1	Presentation of Financial Statements (revised September 2007) (effective from 1 January 2009)
IAS 23	Borrowing Costs (revised March 2007) (effective from 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements (revised January 2008) (effective from 1 July 2009)
IAS 32 & IAS 1	Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation (effective from 1 January 2009)
IAS 39	Eligible Hedged Items (effective from 1 January 2009)

General information

These financial statements are presented in pounds sterling, this being the currency of the primary economic environment in which the Group operates.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The financial statements are rounded to the nearest thousand (expressed as thousands and with no decimal place - £'000), except where otherwise indicated. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1. Accounting Policies – Group continued

Judgements 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 balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxation

The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provision required for both current and deferred tax on the basis of professional advice and the nature of any current discussions with the tax authority concerned.

Estimates and assumptions

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

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of deferred tax assets is set out in note 7.

Fair value of unquoted equity instruments

Where there is no available representative external valuation, judgement is required to determine the most appropriate valuation method for unquoted equity instruments. Further details are set out later in this note 1 and in note 16.

Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model. Details of the assumptions and model used are set out in note 6(d).

Foreign Currency Translation

The Group's consolidated financial statements are presented in sterling, which is the Group's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the balance sheet date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the income statement.

1. Accounting Policies – Group continued

Revenue

Revenue includes the net profit/loss on principal trading, commission income, corporate advisory fees, fund management fees and other ancillary fees.

Dividends and interest arising on bull and bear positions in securities form part of dealing profits and, because they are also reflected by movements in market prices, are not identified separately.

Fees from advisory engagements for which the work is substantially complete or which are at a stage where work for which separate payment is due is substantially complete, and which will become due but are not yet invoiced are recorded on a right to consideration basis. Where such fees are contingent on the outcome of a transaction they are only accounted for after the transaction has exchanged.

Revenue, including revenue from Stock Exchange transactions, is accounted for at trade/contract date rather than settlement date.

Financial instruments

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

Financial assets and liabilities

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets and liabilities at FVTPL

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

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

Financial instruments which are classified as held for trading through profit or loss comprise bull and bear positions in securities and derivative instruments. Bull and bear positions are valued at closing out prices at the close of business on the balance sheet date, namely bull positions at the bid price and bear positions at the offer price.

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

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

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

1. Accounting Policies – Group continued

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

The Group's financial assets designated as at FVTPL upon initial recognition includes positions in quoted and unquoted securities. The valuation technique and assumptions used to fair value these instruments is disclosed within Note 16.

AFS investments
Available for sale investments are revalued to their fair value with such revaluation being taken directly to equity. Where such investments are in unlisted securities, they are valued by the directors at the most recent available representative arm's length price. Investments in listed securities held as available for sale investments are valued by reference to the market price of the shares. They are re-measured to their fair value at each balance sheet date.

Loans and receivables
Trade receivables and other receivables which have fixed or determinable payments which are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits which may be accessed without penalty. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract which evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Repurchase of share capital (own shares)
Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Such shares may either be held as Own Shares (treasury shares) or cancelled. Where own shares are subsequently re-sold from treasury, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Intangible assets
On the acquisition of a business or an interest in a business which is to be consolidated, fair values are attributed to the share of identifiable net assets acquired. Where the cost of acquisition exceeds the fair value attributable to such assets, the difference is treated as purchased goodwill. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. The Group evaluates goodwill annually and whenever circumstance indicates the possibility of impairment. Such evaluation is based on comparing the fair value of the cash-generating unit to its carrying value. Where the carrying value exceeds its fair value, an impairment loss is recorded for the difference.

1. Accounting Policies – Group continued

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those 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 (if any). Where the asset does not generate cash flows that are independent from other assets (e.g., Goodwill), the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated so as to write off the cost of property, plant & equipment by equal annual instalments over their estimated useful lives at the following rates:-

Leasehold premises	–	over the unexpired term of the lease
Fixtures and equipment	–	25% per annum
Rental assets	–	4% per annum
Motor vehicles	–	16.7% per annum

Depreciation of an asset commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property and operating leases

Rentals paid under operating leases are charged to income statement evenly over the primary period of the contract.

Pension costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the forseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1. Accounting Policies – Group continued

Taxation continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested by 1 January 2005.

The Group engages in equity settled share-based payment transactions in respect of services received from certain employees and directors. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the share options granted is recognised in the income statement over the period that the services are received, which is the vesting period, together with a corresponding increase in equity. The fair value of the options granted is determined using the Black-Scholes Option Pricing Model, which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the Group's share price over the life of the option and other relevant factors. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense for the year represents the movement in cumulative expense recognised as the beginning and end of the year.

Employer's National Insurance ("NI") is accrued at the current rate of NI on differences between the market value at the balance sheet date of the shares that would be acquired when the options are exercised and the exercise price of those options.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 10).

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Accounting Policies – Company

Accounting convention

The financial statements have been prepared on the historical cost basis. The financial statements of the company have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). All applicable policies for the company are the same as those for the Group (see above) except for the following:

Investment in subsidiaries

Investments in subsidiaries are held at cost less provision for any impairment in value.

2. Segment Information

Additional analysis of revenue and results is presented in the Chairman's Statement on page 4.

Year ended 31 December 2008	Equity Capital Markets £'000	Asset Management/ Principal Finance £'000	Consolidated £'000
Revenue	16,521	3,131	19,652
Results			
Depreciation	172	716	888
Profit/(loss) before tax	2,366	(3,634)	(1,268)
Assets	19,344	93,283	112,627
Liabilities	6,097	39,666	45,763

No material amounts of revenue or profit/(loss) before tax were generated outside of Europe.

2. Segment Information continued

Year ended 31 December 2007	Equity Capital Markets £'000	Asset Management/ Principal Finance £'000	Consolidated £'000
Revenue	29,757	9,067	38,824
Results			
Depreciation	198	173	371
Profit before tax	9,549	4,712	14,261
Assets	48,631	88,152	136,783
Liabilities	30,809	23,637	54,446

No material amounts of revenue or profit before tax were generated outside of Europe.

3. Operating (Loss)/Profit

	2008 £'000	2007 £'000
Operating (loss)/profit has been arrived at after charging:		
Depreciation	**888**	371
Property lease rentals	**551**	543
Loss/(profit) on disposal of fixed assets	**7**	(20)

The analysis of auditors' remuneration is as follows:	**2008 £'000**	2007 £'000
Fees payable to the company's auditors for:		
– the audit of the company's annual accounts	**24**	16
– other services to the Group: audit of the company's subsidiaries	**48**	59
Total audit fees	**72**	75
Fees payable to the company's auditors and their associates for other services to the group:		
– Tax services	**25**	20
– Regulatory services	**–**	6
– Other services	**25**	7
Total non-audit fees	**50**	33
Exchange differences, excluding those arising on financial instruments		
– Exchange differences	**605**	(119)
Total exchange differences	**605**	(119)

4. Interest Income

	2008 £'000	2007 £'000
Bank interest	**1,295**	804
Other interest receivable	**690**	383
	1,985	1,187

5. Finance Costs

	2008 £'000	2007 £'000
Interest on overdraft and other finance costs	**190**	304
Interest on debts and borrowings	**1,138**	152
Other interest payable	**309**	309
	1,637	765

6. Employees and Directors

a) Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the financial year was:

	2008 No.	2007 No.
Investment banking activities:		
Securities	**61**	58
Corporate Advisory	**11**	11
Asset Management	**38**	33
	110	102

b) The costs incurred in respect of these employees comprise

	2008 £'000	2007 £'000
Salaries and commission	**7,860**	12,902
Social security costs	**518**	779
Pension costs	**179**	117
	8,557	13,798

c) Employee Benefit Trust

Total Assets includes Cash at Bank and Available for Sale Investments held by an Employee Benefit Trust whose beneficiaries are the employees of the Group and their immediate families. As at 31 December 2008, the Trust held cash of £534,000 (2007: £835,000) and available for sale investments of £755,000 (2007: £432,000).

d) Employee Share Option Plan

The Group maintains a Share Option Plan under which present and future employees of the Group may be granted options to subscribe for up to 10% of the Group's issued share capital from time to time (on a fully-diluted basis). The plan is used to attract and retain high-calibre employees to continue to develop and expand the business of the Group. Such options are granted by the Board at a price no less than the average quoted market price of the company's share on the date of grant. The vesting period is generally 3 years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee chooses to leave the Group before the options vest. As at 31 December 2008, there were 19,117,171 (2007: 21,398,781) options in issue under the plan representing 6.13% (2007: 6.60%) of the Group's issued share capital on a fully diluted basis. Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	**21,398,781**	**18.9p**	22,692,498	18.9p
Granted during the year	**1,800,000**	**33.3p**	–	–
Forfeited during the year	**(1,342,823)**	**31.7p**	–	–
Exercised during the year	**(2,738,787)**	**19.5p**	(1,293,717)	19.7p
Expired during the year	**–**	**–**	–	–
Outstanding at the end of the year	**19,117,171**	**19.2p**	21,398,781	18.9p
Exercisable at the end of the period	**17,317,171**		20,398,781	

The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 5 years 4 months (2007: 4 years 6 months).

6. Employees and Directors continued

d) Employee Share Option Plan continued

Using a Black-Scholes option pricing model, the aggregate of the estimated fair value of the options granted in 2008 was £115,000. The inputs into the Black-Scholes model were as follows:

	2008	2007
Weighted average exercise price	33.33p	–
Weighted average volatility	0.3988	–
Expected life	10 years	–
Weighted average risk-free rate	3.56%	–
Expected dividend yields	2.00%	–

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 12 months.

In 2008, the Group recognised total expenses of £115,000 (2007: £78,000) related to equity-settled share-based payment transactions.

e) Emoluments of the Directors

2008	Gross salary £'000	Bonus, commission and other income £'000	Fees £'000	Pension Contributions £'000	Benefits £'000	Total £'000
H P Shore	200	–	–	–	33	233
G B Shore	150	–	–	10	2	162
M L van Messel	130	–	–	13	2	145
J S Paisner	130	–	–	13	1	144
Dr Z Marom	5	–	30	–	–	35
J B Douglas	5	–	33	–	–	38
	620	–	63	36	38	757

2007	Gross salary £'000	Bonus, commission and other income £'000	Fees £'000	Pension Contributions £'000	Benefits £'000	Total £'000
H P Shore	200	864	–	–	31	1,095
G B Shore	150	275	–	10	1	436
M L van Messel	120	80	–	12	2	214
J S Paisner	130	315	–	13	1	459
Dr Z Marom	5	–	25	–	–	30
J B Douglas	5	–	28	–	–	33
	610	1,534	53	35	35	2,267

f) The following options over unissued ordinary shares of 2p have been granted to the directors:

	Number of options over unissued ordinary shares	Date of grant	Exercise price per ordinary share	Exercise date
H P Shore	6,068,331	15 January 2002	20.5p	Before 14 January 2012
G B Shore	1,685,647	15 January 2002	20.5p	Before 14 January 2012
M L van Messel	842,823	15 January 2002	20.5p	Before 14 January 2012
J S Paisner	1,500,000	21 November 2002	11.0p	Before 20 November 2012
J S Paisner	1,000,000	15 December 2008	20.0p	Before 14 December 2018

No options were exercised by directors during the year. On 15 December 2008, J S Paisner was granted options over 1,000,000 unissued ordinary shares at an exercise price of 20.0p each. The market price on the date of grant was 18.75p.

The closing price of the shares at 31 December 2008 was 13.75p (2007: 40.0p) and the range during the year was 12.5p to 44.75p.

6. Employees and Directors continued

g) Related party transactions

The directors and all other staff are entitled to deal in securities through a subsidiary company in accordance with in-house dealing rules, which include the provision that staff are entitled to reduced commission rates.

The directors are of the opinion that such transactions are not material to either the company or the individual concerned.

Transactions between Group companies comprise management charges for central overheads which are recharged throughout the Group as follows:

	2008 £'000	2007 £'000
Recharged to:		
Shore Capital Markets Limited	1,170	1,370
Shore Capital Limited	600	600
Shore Capital Trading Limited	1,200	1,200
	2,970	3,170

At 31 December 2008 subsidiary undertakings were owed a net amount of £4,561,000 (2007: £20,109,000 owed by subsidiaries).

h) Compensation of key management personnel

Excluding directors of the holding company (see Note 6.e) the remuneration of key management during the year was as follows:

	2008 £'000	2007 £'000
Salaries and other short-term benefits	1,322	2,739
	1,322	2,739

7. Tax on Profit on Ordinary Activities

	2008 £'000	2007 £'000
The tax (credit)/charge comprises:		
Provision for United Kingdom corporation tax (credit)/charge at 28.5% (2007: 30%)	(1,700)	3,413
Prior year overprovision	(5)	–
Movement in deferred tax	70	(182)
	(1,635)	3,231

The difference between the UK corporation tax charge and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2008 £'000	2007 £'000
(Loss)/profit on ordinary activities before tax	(1,268)	14,261
Tax thereon at 28.5% (2007: 30%)	(361)	4,278
Effects of:		
Expenses not deductible for tax purposes	135	78
Income not chargeable to tax	(107)	(268)
Share based payments	(117)	(34)
Capital allowances in excess of depreciation	(174)	(67)
Temporary differences	(71)	(24)
Capital losses utilised	–	(7)
Credit arising on consolidation	(843)	(792)
Other	8	67
Amounts taxed at different rates	(170)	–
	(1,700)	3,231

The standard rate of UK corporation tax changed from 30% to 28% with effect from 1 April 2008.

7. Tax on Profit on Ordinary Activities continued

Deferred tax asset – Group

	Share based payments £'000	Temporary differences £'000	Total £'000
At 1 January 2008	1,297	580	1,877
Credit/(charge) to income	32	(102)	(70)
Charge to equity	(1,278)	305	(973)
At 31 December 2008	**51**	**783**	**834**

Deferred tax asset – Company

	Share based payments £'000	Timing differences £'000	Total £'000
At 1 January 2008	1,297	50	1,347
Credit/(charge) to income	32	(50)	(18)
Charge to equity	(1,278)	–	(1,278)
At 31 December 2008	**51**	**–**	**51**

8. Profit of Parent Company

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year amounted to £8,653,000 (2007: £6,367,000).

9. Rates of Dividends Paid and Proposed

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2007 of 0.325p per share (2006: 0.67p)	962	2,021
Interim dividend for the year ended 31 December 2008 of 0.25p per share (2007: 0.55p)	666	1,659
	1,628	3,680
Proposed final dividend for the year ended 31 December 2008 of 0.05p per share (2007: 0.325p)	130	962

10. Earnings per Share

The earnings and number of shares in issue or to be issued used in calculating the earnings per share and diluted earnings per share in accordance with IAS 33 were as follows:

	2008 Basic	2008 Diluted	2007 Basic	2007 Diluted
Earnings (£)	40,000	40,000	8,799,000	8,799,000
Weighted average number of shares	280,053,622	288,362,355	302,049,477	317,949,478
Earnings per share	0.01p	0.01p	2.91p	2.77p

Calculation of number of shares

	2008 Basic	2008 Diluted	2007 Basic	2007 Diluted
Weighted average number of shares	280,053,622	280,053,622	302,049,477	302,049,477
Dilutive effect of share option schemes	–	8,308,733	–	15,900,001
	280,053,622	288,362,355	302,049,477	317,949,478

As at 31 December 2008 there were 263,517,512 ordinary shares in issue (2007: 299,923,389) net of shares held in treasury. Movements in the number of shares in issue during the year are set out in note 23.

11. Lease Commitments

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense during the year	551	543

At 31 December 2008 the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

Operating leases	2008 £'000	2007 £'000
Leases expiring in under one year	588	488
Leases expiring between one and five years	1,232	1,101
Leases expiring between five and ten years	50	228
	1,870	1,817

12. Categories of Financial Assets and Liabilities

At 31 December 2008	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available for sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Financial assets						
Cash and cash equivalents	–	–	–	–	48,655	48,655
Trading assets (bull positions)	26,413	4,206	–	–	–	30,619
Trade receivables in the course of collection	–	–	–	–	9,108	9,108
Loans	–	–	715	–	–	715
Financial investments	–	–	–	760	413	1,173
Other assets	–	–	–	–	3,593	3,593
Accrued income	–	–	–	–	2,959	2,959
	26,413	4,206	715	760	64,728	96,822
Financial liabilities						
Bank overdrafts and borrowings	–	–	–	–	27,461	27,461
Trading positions (bear positions)	–	857	–	–	–	857
Trade creditors in the course of collection	–	–	–	–	6,139	6,139
Derivatives	–	2,366	–	–	–	2,366
Other liabilities	–	–	–	–	4,379	4,379
Accruals	–	–	–	–	2,967	2,967
	–	3,223	–	–	40,946	44,169

12. Categories of Financial Assets and Liabilities continued

At 31 December 2007	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available for sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Financial assets						
Cash and cash equivalents	–	–	–	–	16,743	16,743
Trading assets (bull positions)	53,979	8,518	–	–	–	62,497
Trade receivables in the course of collection	–	–	–	–	35,018	35,018
Derivatives	–	28	–	–	–	28
Loans	–	–	2,098	–	–	2,098
Financial investments	–	–	–	1,715	359	2,074
Other assets	–	–	–	–	2,345	2,345
Accrued income	–	–	–	–	1,944	1,944
	53,979	8,546	2,098	1,715	56,409	122,747
Financial liabilities						
Bank overdrafts and borrowings	–	–	–	–	20,009	20,009
Trading positions (bear positions)	–	2,388	–	–	–	2,388
Trade creditors in the course of collection	–	–	–	–	16,879	16,879
Derivatives	–	202	–	–	–	202
Other liabilities	–	–	–	–	7,072	7,072
Accruals	–	–	–	–	2,770	2,770
	–	2,590	–	–	46,730	49,320

13. Goodwill

Cost	**Goodwill arising on the acquisition of Minority Interest in subsidiary £'000**
At 1 January and 31 December 2008	381
Amortisation	
At 1 January and 31 December 2008	–
Net Book Value	
At 31 December 2008	**381**
At 31 December 2007	381

Prior to the transition to IFRS, goodwill arising on consolidation was amortised over the lower of 20 years and the estimated useful life of the assets. Under IFRS, such goodwill is subject to an annual impairment review.

14. Property, Plant & Equipment – Group

Cost	Leasehold premises £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2008	1,083	11,950	154	13,187
Additions	127	64	83	274
Disposals	(207)	(455)	(48)	(710)
Retranslation movement	–	3,959	–	3,959
At 31 December 2008	**1,003**	**15,518**	**189**	**16,710**
Depreciation				
At 1 January 2008	343	1,015	51	1,409
Charge for the year	234	605	49	888
Retranslation movement	–	80	–	80
Disposals	(207)	(452)	(11)	(670)
At 31 December 2008	**370**	**1,248**	**89**	**1,707**
Net Book Value				
At 31 December 2008	**633**	**14,270**	**100**	**15,003**
At 1 January 2008	740	10,935	103	11,778

Property, Plant & Equipment – Company

Cost	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2008	171	153	324
Additions	28	–	28
Disposals	–	–	–
At 31 December 2008	**199**	**153**	**352**
Depreciation			
At 1 January 2008	122	51	173
Charge for the year	21	25	46
Disposal	–	–	–
At 31 December 2008	**143**	**76**	**219**
Net Book Value			
At 31 December 2008	**56**	**77**	**133**
At 1 January 2008	49	102	151

15. Investments

Available for Sale Investments held as Non Current Assets – Group

Available for Sale Investments of £760,000 (2007: £1,715,000) includes £755,000 (2007: £432,000) held in the Shore Capital Group Employee Benefit Trust.

Cost	Listed investments £'000	Unlisted investments £'000	Total £'000
At 1 January 2008	–	1,111	1,111
Additions	200	357	557
Disposals	–	(963)	(963)
At 31 December 2008	**200**	**505**	**705**
Revaluation			
At 1 January 2008	–	604	604
Revaluation in the year	–	–	–
Disposals	–	(549)	(549)
At 31 December 2008	**–**	**55**	**55**
Valuation			
At 31 December 2008	**200**	**560**	**760**
At 31 December 2007	–	1,715	1,715

Investments in Subsidiaries – Company

Cost and valuation	Shares in subsidiary undertakings £'000
At 1 January 2008	28,135
Additions	167
Liquidations	–
Retranslation movement	20,804
At 31 December 2008	**49,106**

Additional information on principal subsidiaries.

Subsidiary		Country of registration and operation	Activity	Portion of ordinary shares and voting rights held
Trading Companies				
Shore Capital Markets Limited	1	England and Wales	Intermediate Holding Co.	79.6%
Shore Capital Stockbrokers Limited	2	England and Wales	Broker/dealer	79.6%
Shore Capital and Corporate Limited	2	England and Wales	Corporate advisers	79.6%
Shore Capital Finance Limited		England and Wales	Credit provider	100%
Shore Capital Limited		England and Wales	Fund Management company	100%
Shore Capital Investments Limited		England and Wales	Holds investments	100%
Shore Capital Trading Limited	3	England and Wales	Trader of securities	100%
Shore Capital International Limited		England and Wales	Advisory services	100%
Shore Capital (Japan) Limited		England and Wales	Credit provider	100%
Puma Property Advisors Limited		Guernsey	Property advisory services	100%
JellyWorks Limited		England and Wales	Dormant	100%

15. Investments continued

Additional information on principal subsidiaries continued

Subsidiary	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held
Limited Liability Partnerships			
The Lily Partnership LLP	England and Wales	Asset rental business	80%
Nominee Company			
Puma Nominees Limited	England and Wales	Nominee company	100%

1 Shore Capital Markets Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, each of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited. The Company currently has a direct holding of 79.6% in Shore Capital Markets Limited. The balance of the shares in Shore Capital Markets Limited were bought by senior executives of that company and its subsidiaries.

2 The Group's interest in each of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited is held indirectly through Shore Capital Markets Limited (see note 1 above).

3 Shore Capital Trading Limited ceased trading with effect from 31 December 2008 and is now a dormant company.

16. Bull Positions and Other holdings

	Group 2008 £'000	**Company 2008 £'000**	Group 2007 £'000	Company 2007 £'000
Held For Trading				
Listed holdings at market value:				
Equities	**4,206**	**–**	8,518	–
Designated at Fair Value				
Listed holdings at market value:				
Equities	**432**	**–**	1,201	–
Debt instruments	**3,172**	**–**	19,957	–
Invested in own funds and products	**5,150**	**–**	8,600	–
Unlisted holdings:				
Equities	**1,375**	**–**	–	
Debt	**1,617**	**–**	–	
Invested in own funds and products	**13,955**	**–**	19,913	–
Other (including hedge funds)	**712**	**–**	4,308	–
	30,619	**–**	62,497	–

The fair value of financial assets designated at fair value has been determined as follows:

1. for listed holdings the fair value is determined, in whole, by reference to published price quotations, having regard to the size and liquidity of the holding; and

2. for unlisted holdings fair value is determined by the directors at the most recent available representative arm's length price or valuation. The fair value of the largest holding has been estimated based on the net asset value of the investee company which itself is based on external professional property valuations.

17. Trade and Other Receivables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Trade receivables	9,108	–	35,018	–
Other receivables	3,593	2	2,704	135
Loans	715	–	2,098	–
UK corporation tax	–	–	–	352
Prepayments and accrued income	2,959	57	1,944	83
	16,375	59	41,764	570

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

The table below shows the ageing of trade debtors which are past their due date for payment but not impaired.

	2008 £'000	2007 £'000
Between 30 and 60 days	126	475
Between 60 and 90 days	125	220
Greater than 90 days	1,095	1,929
	1,346	2,624
Amounts not yet due	15,029	39,140
Trade receivables	16,375	41,764

18. Cash and Cash Equivalents

Group

Cash at bank and in hand of £48,655,000 (2007: £16,743,000) includes £534,000 (2007: £835,000) held in the Shore Capital Group Employee Benefit Trust.

Analysis of Changes in Net Funds – Group

	As at 1 January 2008 £'000	Cashflows £'000	As at 31 December 2008 £'000
Cash at bank and in hand	16,743	31,912	48,655
Overdraft	(356)	356	–
	16,387	32,268	48,655

Analysis of Changes in Net Funds – Company

	As at 1 January 2008 £'000	Cashflows £'000	As at 31 December 2008 £'000
Cash at bank and in hand	2,019	(1,774)	245
Overdraft	(353)	353	–
	1,666	(1,421)	245

19. Trade and Other Payables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Trade creditors	6,139	–	16,880	–
Other creditors	3,940	757	7,072	1,213
Other taxation and social security	439	263	974	64
Accruals and deferred income	2,967	103	2,770	116
	13,485	1,123	27,696	1,393

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

20. Borrowings

Secured borrowings at amortised cost	2008 £'000	2007 £'000
Bank overdrafts	–	356
Bank loans	27,461	19,653
Total Borrowings	27,461	20,009
Amount due to be repaid within 12 months	370	556
Amount due to be repaid after 12 months	27,091	19,453

31 December 2008	Multi currency loan facility £'000	Amortising USD loan facility £'000	GBP facilities £'000	Total £'000
Bank overdraft	–	–	–	–
Bank loans	15,000	12,461	–	27,461
	15,000	12,461	–	27,461

31 December 2007	Multi currency loan facility £'000	Amortising USD loan facility £'000	GBP multi-option facility £'000	Total £'000
Bank overdraft	–	–	356	356
Bank loans	11,131	8,522	–	19,653
	11,131	8,522	356	20,009

In respect of the multi currency loan facility, the Group deposits as security certain of its bull positions and holdings and cash balances. As at 31 December 2008, these had a carrying value of £25,272,000 (2007: £21,373,000). The GBP facilities comprise a multi-option overdraft facility and a revolving credit facility which are secured by a floating charge over the assets of the Group's stockbroking subsidiary.

The weighted average interest rates paid during the year were as follows:

	2008 %	2007 %
Bank overdrafts	6.09	6.76
Bank loans	4.42	2.51

The other principal features of the Group's borrowings are as follows.

(i) Sterling based facilities of £20,000,000 in total comprising a multi-option overdraft facility of £15,000,000 and a revolving credit facility of £5,000,000. Under this facility, the Group has the option to draw down a fixture for a fixed maturity or an overdraft which is repayable on demand. The average effective interest rate on bank overdrafts was approximately 6.09% per annum (2007 6.76%) and was determined on a base rate plus a margin. Both facilities were undrawn as at 31 December 2008.

(ii) The Group has principal bank loans:

(a) a multi-currency loan facility of £15,000,000 (2007: £10,000,000). The facility was set up on 9 July 2007 and during 2008 was extended to have a minimum term until 29 June 2011. The loan is secured by a charge over part of the Group's bull positions and holdings and cash. The loan carries an interest rate at 1.5% above 3 month LIBOR in the relevant currency. There is no material difference between the amortised value of the loan and fair value.

(b) an amortising loan of $17,916,000 (2007: $16,965,000) for which the Group has liability for 80%. The loan was taken out on 14 December 2007. Repayment of principal commenced on 30 June 2008, with final repayment due on 31 March 2018. The loan is secured by a charge over certain of the Group's fixed assets. The loan carries an interest rate at 1.0% above 3 month USD LIBOR. As at 31 December 2008 the fair value of the loan was $16,048,000.

Undrawn Facilities

During the year the Group's multi option facility of £20,000,000 was restructured into a multi option facility of £15,000,000 and a revolving credit facility of £5,000,000. As at the year end, £15,000,000 (2007: £19,644,000) was undrawn on the multi-option facility and £5,000,000 (2007: n/a) was undrawn on the revolving advance facility.

21. Provision for Liabilities and Charges

Group and company

Provision for National Insurance contributions on share options

	2008 £'000	2007 £'000
At 1 January	**556**	1,482
Credit for the year	**(479)**	(883)
Payments made in the year	**(58)**	(43)
At 31 December	**19**	556

This provision will crystallise pro rata to when staff exercise their options.

22. Capital Commitments

As at 31 December 2008, there were no amounts which were contracted for but not provided in the financial statements (2007: £nil).

23. Called Up Share Capital

	2008 £'000	2007 £'000
Authorised		
625,000,000 ordinary shares of 2p each	**12,500**	12,500

Allotted, called up and fully paid	2008 Number of shares	2007 Number of shares	2008 £'000	2007 £'000
At 1 January	**302,895,186**	301,601,469	**6,058**	6,032
Shares issued in respect of options exercised	**2,738,787**	1,293,717	**55**	26
Shares issued for cash	**–**	–	**–**	–
Shares repurchased and cancelled	**(12,836,738)**	–	**(257)**	–
At 31 December	**292,797,235**	302,895,186	**5,856**	6,058

During the year to 31 December 2008, there were 2,738,787 (2007: 1,293,717) ordinary shares of 2p each which were issued as the result of the exercise by employees of share options granted in prior years under the terms of the Share Option Plan.

During the year to 31 December 2008, the company repurchased 39,144,664 (2007: 2,971,797) ordinary shares of 2p each at an average price of 28.6p. Of the shares purchased, 29,279,723 are held as treasury shares as at 31 December 2008. The shares repurchased represent 12.9% of the company's called-up share capital at the start of 2008. The total cost in the year for these purchases, including related charges, was £11,205,000 (see also Note 26). The shares were repurchased to enhance the value of the remaining shares.

Own shares (held in treasury)

	Own shares Number of shares	Own Shares £'000
At 1 January 2008	2,971,797	1,195
Acquired in the year	39,144,664	11,205
Cancelled in the year	(12,836,738)	(3,049)
At 31 December 2008	**29,279,723**	**9,351**

At the year end, the directors had remaining authority, under the shareholders' resolution of 16 May 2008, to purchase 18,489,767 ordinary shares of the company. This authority expires on the earlier of the next annual general meeting and 15 August 2009.

24. Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (see note 20), cash and cash equivalents (see note 18), and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings (see Statement of Changes in Equity).

The Group's financial instruments comprise, for the purpose of IAS 32, cash and liquid resources, trade and other receivables and trade and other payables, bull and bear positions in equities, financial assets designated at fair value and derivative instruments.

Net gains or losses arising from dealings in financial instruments

2008	Designated at fair value £'000	Held for trading £'000	Available for sale securities £'000	Total £'000
Equities	(3,884)	3,674	–	(210)
Debt	1,154	–	–	1,154
Alternative Assets	(4,278)	–	168	(4,110)
	(7,008)	3,674	168	(3,166)
2007				
Equities	482	11,502	–	11,984
Debt	729	–	–	729
Alternative Assets	(14)	–	85	71
	1,197	11,502	85	12,784

The main risks arising from the Group's financial instruments are market risk, currency risk, interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

The profit and loss arising from dealings in financial instruments is included within Revenue. This is analysed by financial instrument as follows:

a) Market Risk

The Group is exposed to market risk in respect of its trading in equities and other holdings. The fair value at the year end of positions arising from these activities is disclosed in the Financial Statements in Note 16 for bull positions and in the consolidated balance sheet for bear positions.

Other holdings comprise seeding of own Funds which have been launched (details of which are set out in the Chairman's statement on pages 4 to 8), and other liquid hedge funds that have been sold since the year end.

The Group holds commercial paper from time to time and this is primarily subject to credit risk (see note 24.d).

To reduce exposure to market risk, during 2008 the Group has reduced the level of bull positions held in the principal trading activity. The year end positions arising from market-making activities therefore reduced during the year. Both the permitted size of each trading book and the size of individual positions are predetermined and dealers are set prescribed limits within which they can deal. Day-to-day risk monitoring is carried out by the Head of the Shore Capital Markets division and the Compliance Department.

As at 31 December 2008 the Group ceased its trading activity with its balance sheet that was carried out in Shore Capital Trading Limited and will concentrate its future balance sheet activities on investments.

Based on a 10% movement in the market price of equities, with all other variables remaining unchanged, the effect on profit for the year and equity would be as follows:

	2008			2007		
	Net Equity £'000	Change in price of UK equities %	Effect profit and on Equity £'000	Net Equity £'000	Change in price of UK equities %	Effect profit and on Equity £'000
Listed equities (net)	3,781	10%	378	7,331	10%	733
Listed holdings in own funds and products	5,150	10%	515	8,600	10%	860
Listed investments	200	10%	20	0	10%	0

24. Financial Instruments continued

b) Currency Risk

Other than borrowings as set out in note 20, the Group's foreign currency cash and bank balances at the year end were not material and are not separately disclosed in the Financial Statements. Where relevant, currency is bought or sold at the time of trading in order to meet the funds due or receivable on settlement. The fair value at the year end of bull positions and other holdings which were denominated in foreign currencies was:

	2008 £'000	2007 £'000
Held in United States dollars	**8,060**	4,228
Held in Euros	**2,284**	2,966
	10,344	7,194

The Group enters into forward contracts for the sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates in respect of these bull positions and other holdings. These forward contracts are fair valued at the balance sheet date based on a discounted cash flow basis using relevant market data on foreign exchange and interest rates, with any change in value taken to the Income Statement.

The amount taken to the Income Statement during the year was a loss of £1,141,000 (2007: gain of £272,000).

As at the year end the fair value of forward contracts which were hedging bull positions and other holdings was a net liability of £1,276,000 (2007: £174,000 net liability). The related notional contracts as at 31 December 2008 were £9,360,000 (2007: £4,441,000).

The table below illustrates the sensitivity of the profit for the year and of equity with regards to currency movements on financial assets and liabilities denominated in foreign currencies.

The retranslation of net investment in foreign currencies is excluded from the following table.

Based on a 5% movement in the Euro and Yen against sterling exchange rates, the effect on profit for the year and equity would be as follows:

	2008		2007	
	Euro £'000	JPY £'000	Euro £'000	JPY £'000
5% Stronger Against GBP	**44**	**–**	153	(586)
5% Weaker Against GBP	**(40)**	**–**	(138)	530

c) Interest Rate Risk

The Group exposure to long-term fixed borrowings is set out in note 20.

The interest bearing financial assets and liabilities of the Group comprise cash and cash equivalents, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Cash and cash equivalents receive, and bank overdrafts pay, interest at floating rates linked to either bank base rates or money market rates. The Group has a £15m overdraft facility and a £5m revolving advance facility which are both renewable annually, and a £15m multi-currency loan facility that has a minimum term until 29 June 2011. These borrowings pay interest at rates linked to money market rates for the relevant currency. The Group also has an amortising loan of $17,916,000 for which the interest is fixed until 31 December 2012. Thereafter, the rate of interest is linked to USD money market rates. The bank borrowings are described in more detail in note 20.

Interest rate sensitivity analysis

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

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

	2008 £'000	2007 £'000
+100 basis point movement in interest rates	**104**	113
As percentage of total shareholders' equity	**0.16%**	0.15%

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

24. Financial Instruments continued

d) Credit Risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables.

The group's cash and cash equivalents are held with a diversified range of banks, each of which is a major UK clearing bank and supported by a government guarantee.

The Group's main credit risk is attributable to its trade and other receivables. The amounts shown in the balance sheet arise from trading in equities. The Group's seeks to deal with credit-worthy counterparties and the majority are financial institutions. As a result, the counterparties are generally subject to certain minimum capital requirements which serves to limit the credit risk to the Group.

The Group monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available, external credit ratings and/or reports on customers and other counterparties are obtained and used. The carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group's top 5 trade receivables counterparty exposures are as follows:

	2008 £'000
TD Waterhouse	1,564
Barclays Bank Trust	576
Pershing Securities Limited	261
Hargreaves Lansdowne	249
Halifax	318

	2007 £'000
TD Waterhouse	6,040
Pershing Securities	5,236
Walker Crips Weddle Beck	2,527
London Clearing House	2,411
WH Ireland	1,247

e) Liquidity Risk

Ultimate responsibility for liquidity management rests with the board of directors. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and borrowing facilities to meet its forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Note 20 includes details of undrawn facilities available to the Group.

Maturity profile of financial liabilities

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

2008	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Bear positions	–	857	–	–	–	857
Trade payables	–	6,139	–	–	–	6,139
Derivatives	–	1,367	273	726	–	2,366
Bank loans and overdrafts	–	259	770	18,864	12,438	32,331
Other liabilities	–	3,801	139	–	–	3,940
Accruals	–	2,967	–	–	–	2,967
	–	15,390	1,182	19,590	12,438	48,600

24. Financial Instruments continued

2007	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Bear positions	–	2,388	–	–	–	2,388
Trade payables	–	16,880	–	–	–	16,880
Derivatives	–	202	–	–	–	202
Bank loans and overdrafts	356	101	576	13,059	8,319	22,411
Other liabilities	–	5,493	1,579	–	–	7,072
Accruals	–	2,770	–	–	–	2,770
	356	27,834	2,155	13,059	8,319	51,723

The contractual maturities relating to the bank loans reflect gross cash flows, which differ to the carrying values of the liabilities at the balance sheet date.

25. Regulatory Capital

The Group's lead regulator is the Financial Services Authority (FSA). Three of the Group's operating subsidiaries are regulated by the FSA which imposes a minimum level of regulatory capital which must be maintained by each company and also an overall level of regulatory capital which must be maintained by the Group.

As a result of the Group's history of strong organic growth, retained reserves have been the primary source of capital resources. The Group's balance sheet is strong and it continues to generate cash from its operations.

Capital resources are largely comprised of share capital and reserves, net of intangible assets and own shares. Capital requirements are derived from credit risk, market risk and operational risk considerations. Capital resources, capital requirements and surplus capital at the balance sheet dates were as follows:

	2008 £'000	2007 £'000
Group		
Capital resources	**64,102**	79,911
Less Capital Resources Requirement	**(12,433)**	(17,262)
Surplus capital resources	**51,669**	62,649

26. Events After the Balance Sheet Date

During the period from 1 January 2009 to the date of signing these accounts, the company repurchased 7,152,567 ordinary shares of 2p each to hold in its treasury, at an average price of 14.0p. The total cost in the period was £1,001,000.

The Group's stockbroking subsidiary entered into an operating lease for its new offices in Edinburgh.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW on 15 May 2009 at 3pm for the following purposes:

Ordinary Business

1 To approve and adopt the Accounts for the year ended 31 December 2008, together with the reports of the Directors and Auditors thereon.

2 To re-elect Barclay Douglas as a director who retires by rotation pursuant to article 87 of the Company's Articles of Association and, being eligible, offers himself for re-election.

3 To re-elect Michael van Messel as a director who retires by rotation pursuant to article 87 of the Company's Articles of Association and, being eligible, offers himself for re-election.

4 To declare a final dividend of 0.05p per ordinary share of 2p each in the capital of the Company ("Ordinary Share") payable to shareholders on the register at close of business on 3 April 2009.

5 To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

6 To approve the policy set out in the Remuneration Report on pages 13 and 14 in the Annual Report and Accounts 2008.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 7 and 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

7 That, in substitution for all authorities granted to the Directors in respect of the allotment of relevant securities but without prejudice to the prior exercise of such authorities, the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the 1985 Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the 1985 Act) up to an aggregate nominal amount of £2,264,000 provided that such authority shall expire fifteen months from the date of this resolution or at the conclusion of the next annual general meeting of the Company, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

8 That, in accordance with Section 366 of the Companies Act 2006 ("the 2006 Act"), the Company and its subsidiaries be authorised to make donations to political parties, political organisations or independent election candidates, as defined in Sections 363 and 364 of the 2006 Act and to incur political expenditure as defined in Section 365 of the 2006 Act not exceeding in aggregate for all the companies 50,000 pounds sterling during the period beginning with the date of the passing of this resolution and ending fifteen months from the date of this resolution or at the conclusion of the next annual general meeting of the Company, whichever is earlier.

9 That, subject to the passing of resolution 7, the Directors be empowered pursuant to Section 95 of the 1985 Act to allot equity securities (within the meaning of Section 94(2) of the 1985 Act) for cash pursuant to the authority conferred by resolution 7 as if sub-section (1) of Section 89 of the 1985 Act did not apply to any such allotment (such authority to be in substitution for all existing authorities granted to the Directors in respect of the allotment of equity securities as if section 89(1) of the 1985 Act did not apply but without prejudice to the prior exercise of such authorities) provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £513,469.26;

and shall expire fifteen months from the date of this resolution or at the conclusion of the next annual general meeting of the Company, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

10 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the 1985 Act to make one or more market purchases (within the meaning of section 163(3) of the 1985 Act) of Ordinary Shares in such manner and on such terms as the Directors may from time to time determine provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is such number that is equal to 14.99% of the net issued shares (being the number of Ordinary Shares in issue less the number of Ordinary Shares held by the Company in treasury) as at the date on which this resolution is tabled;

(b) the minimum price which may be paid for each Ordinary Share is 2p per share (exclusive of expenses and appropriate taxes) or if each Ordinary Share has a nominal value other than 2p, that nominal value;

(c) the maximum price (exclusive of expenses and appropriate taxes) which may be paid for an Ordinary Share shall not be more than 5 per cent above the average of the middle market quotations for an Ordinary Share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or fifteen months from the date of this resolution, whichever is earlier; and

(e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

Jonathan Paisner
Company Secretary

Dated: 17 April 2009

Registered Office:
Bond Street House
14 Clifford Street
London W1S 4JU

Notes:

1 A member who is entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you require additional proxy forms, please contact the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3FA on 0870 707 1289 or you may photocopy this form.

2 Such a proxy need not be a member of the Company.

3 To be valid, a Form of Proxy must be lodged with the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3ZZ at least 48 hours before the Meeting. A Form of Proxy for use by shareholders is enclosed with this Report on page 51. Completion of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person.

4 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

7 The Register of Directors' Interests together with the Directors' service agreements, and a copy of the Company's Articles of Association will be available for inspection during usual business hours on any weekday (Saturdays and Public Holidays excluded) at the registered office of the Company until the date of the Annual General Meeting and at the place of the Meeting for 15 minutes prior to and until the termination of the Meeting.

8 Resolution 2– 3: Information about the Directors who are proposed by the Board for re-election at the Meeting is shown on page 9 of the Annual Report and Accounts 2008.

9 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the time of the Meeting or, if the Meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned Meeting shall be entitled to attend and vote at the Meeting.

10 As at 14 April 2009 (being the last practicable day prior to the publication of this Notice) the Company's net issued share capital consists of 256,734,632 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 April 2009 are 256,734,632.

Explanation of Special Business

Explanation of Resolutions 7, 9 and 10 to be proposed at the Annual General Meeting

On page 47 of the Report is the notice of Annual General Meeting which will be held on 15 May 2009. Set out below is a brief explanation of the resolutions comprising special business to be proposed at the Annual General Meeting.

Resolution 7

Resolution 7, which will be proposed as an ordinary resolution, would give the Directors authority to allot shares up to a maximum nominal amount of £2,264,000, (113,200,000 Ordinary Shares) based on the net issued share capital as at 14 April 2009 being the last practicable date prior to the posting of this Report. After allowing for the Ordinary Shares reserved for the exercise of options, this authority would cover Ordinary Shares representing approximately 35% of the Company's net current issued share capital. This authority would expire on the date of the 2010 Annual General Meeting or 14 August 2010, whichever is the earlier. The Directors have no present intention of exercising this authority.

Resolution 9

Resolution 9 will be proposed as a special resolution and would give the Directors the authority to allot shares for cash as though the rights of pre-emption conferred by section 89 (1) of the Companies Act 1985 did not apply:

a) in connection with a rights issue to existing shareholders (to allow the Directors to take action to overcome certain practical difficulties which could arise in that scenario), and

b) up to a nominal amount of £513,469.26 (25,673,463 Ordinary Shares) based on the net issued share capital as at 14 April 2009 being the last practicable date prior to the posting of this Report, being 10% of the net current issued share capital of the Company (to give the Directors some flexibility in financing business opportunities as they arise).

This authority would expire on the date of the 2010 Annual General Meeting or 14 August 2010, whichever is the earlier. The Directors have no present intention of exercising this authority.

Resolution 10

In certain circumstances it may be advantageous for the Company to purchase its own shares. Resolution 10, which will be proposed as a special resolution, would give the Board authority from shareholders to do so. Such authority will expire on the date of the 2010 Annual General Meeting or 14 August 2010, whichever is the earlier. The Directors intend to exercise this power only if and when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases would be in the best interests of the Company and shareholders generally. Any shares purchased in this way will be cancelled (in which case the number of shares in issue will be accordingly reduced) or held by the Company as treasury shares.

This resolution specifies the maximum number of shares which may be acquired (being 14.99% of the Company's net issued shares as at the date of the resolution) and the maximum and minimum prices at which they may be bought.

Currently 23,367,171 Ordinary Shares are reserved for the exercise of options granted under the Company's Share Option Plan which equates to 9.10 per cent. of the Company's issued share capital. This percentage would increase to 10.71 per cent. if the authority to purchase the Company's own shares is exercised in full.

Shore Capital Group plc
Form of Proxy

For use at the Annual General Meeting convened for 15 May 2009 at 3pm at the offices of Howard Kennedy, 19 Cavendish Square, London, W1A 2AW.

I/We ______________________________

(BLOCK CAPITALS PLEASE)

of ______________________________

being (a) member(s) of the Company hereby appoint the Chairman of the Meeting (see Note 1) or

____

as my/our proxy and to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 15 May 2009 and at any adjournment thereof. My/our proxy is to vote as indicated below in respect of the Resolutions set out in the Notice of Annual General Meeting (see Note 2). On any other business which may properly come before the General Meeting (including any motion to amend a resolution or to adjourn the General Meeting) the proxy will act at his/her own discretion.

☐ Please indicate by placing an X in this box if this proxy appointment is one of multiple appointments being made (see Note 2)

Ordinary Resolutions

		FOR	AGAINST	WITHHELD
1	To approve and adopt the Report and Accounts			
2	To re-elect Barclay Douglas			
3	To re-elect Michael van Messel			
4	To declare a dividend			
5	To re-appoint Ernst & Young as auditors and to authorise the Directors to determine their remuneration			
6	To approve the policy set out in the Remuneration Report			
7	Authority under section 80 of the Companies Act 1985 for the Directors to allot relevant securities			
8	Authority to make political donations			

Special Resolutions

		FOR	AGAINST	WITHHELD
9	Authority under section 95 of the Companies Act 1985 for the Directors to disapply pre-emption rights in relation to the allotment of equity securities for cash			
10	Authority to buy-back shares			

Dated ______________________________

Signed or sealed (see Note 4)

____

Notes:

1 If a member wishes to appoint as a proxy a person other than the Chairman of the Meeting, the name of the other person should be inserted in block capitals in the space provided. A proxy need not be a member of the Company but must attend the Meeting in person. Any alteration or deletion must be signed or initialled.

2 A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, please contact the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3FA on 0870 707 1289 for (an) additional form(s) or you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope together.

3 A member should indicate by marking the box headed either FOR, AGAINST or WITHHELD with an 'X' to show how he wishes his vote to be cast in respect of each of the resolutions set out in the Notice of Annual General Meeting. Unless so instructed, the proxy will vote or abstain as he thinks fit. The Vote Withheld option is provided to enable a member to instruct the proxy not to vote on any particular resolution, however it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes FOR and AGAINST a resolution.

4 In the case of a corporation this form of proxy should be given under its seal or signed on its behalf by an attorney or duly authorised officer. In the case of joint holders the form of proxy should be signed by the senior holder and the names of all joint holders should be shown. A vote tendered by the senior holder shall be accepted to the exclusion of all other joint holders.

5 Use of this form of proxy does not preclude a member from attending the Meeting and voting in person.

6 To be valid, this form of proxy must be lodged together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, at the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3ZZ, not less than 48 hours before the Meeting or any adjournment thereof or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No.SWB1002

2

Computershare Investor Services PLC
PO Box 1075
The Pavilions
Bridgwater Road
Bristol
BS99 3ZZ

FIRST FOLD

SECOND FOLD

Officers and Professional Advisers

Directors
H P Shore
G B Shore
M L van Messel
J S Paisner
J B Douglas*
Dr Z Marom*

*Non-executive

Secretary
J S Paisner

Registered Number
2089582

Registered Office
Bond Street House
14 Clifford Street
London W1S 4JU

Registrar
Computershare Investor Services PLC
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Financial Adviser
NM Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4P 4DU

Auditors
Ernst & Young LLP
Registered Auditor
1 More London Place
London SE1 2AF

Bankers
The Royal Bank of Scotland plc
Western Branch
60 Conduit Street
London W1R 9FD

Bank Leumi (UK) plc
20 Stratford Place
London W1C 1BG

Barclays Bank plc
1 Churchill Place
London E14 5HP

Shore Capital Group plc
Bond Street House
14 Clifford Street
London W1S 4JU
www.shorecap.co.uk

Tel: 020 7408 4090
Fax: 020 7408 4091
email: info@shorecap.co.uk

Shore Capital Stockbrokers Limited

Mellier House
26a Albemarle Street
London W1S 4HY

Tel: 020 7408 4080
Fax: 020 7408 4081

The Corn Exchange
Fenwick Street
Liverpool L2 7RB

Tel: 0151 600 3700
Fax: 0151 600 3727

1st Floor
3/5 Melville Street
Edinburgh EH3 7PE

Tel: 020 7079 1670
Fax: 0131 226 2893

Shore Capital International Limited
Unter den Linden 32/34
10117 Berlin
Germany

Tel.: +49 (0)30 20 45 87 0
Fax: +49 (0)30 20 45 87 187