

**Shore Capital Group Limited**

("Shore Capital", the "Group", or the "Company")

**Preliminary Results for the Year Ended 31 December 2018**

Shore Capital, the independent investment group specialising in capital markets, asset management and principal finance, today announces its preliminary results for the year ended 31 December 2018.

**Financial highlights**

	<b>2018</b>	2017	<b>Change</b>
	<b>(£ m)</b>	(£ m)	<b>(%)</b>
Group revenue	<b>43.3</b>	41.9	<b>3.4</b>
Profit before tax	<b>4.1</b>	4.6	<b>(11.1)</b>
Basic earnings per share	<b>12.6p</b>	13.1p	<b>(3.8)</b>
Final proposed dividend per share	<b>5.0p</b>	5.0p	-
Total dividends for the year (per share)	<b>10.0p</b>	10.0p	-

**Operational highlights**

- Increased revenues have allowed further investment in both Capital Markets and Asset Management divisions, positioning us to capture market share as global banks retrench and benefit further when sentiment improves
- Acquisition of Stockdale Securities after the year end will create London's fourth largest adviser to quoted businesses, expected to complete on 31 March 2019
- Agreement of a £200 million institutional funding line for Puma's property finance operation with funds advised by RoundShield Partners LLP, a significant endorsement of the Group's Asset Management business
- DBD's 32 regional radio spectrum licences have been reallocated to the 3.700-3.730 GHz frequency band on a flexibilised basis, enabling their use for modern 4G and 5G services

**Commenting on the results, Howard Shore, Chairman, said:**

"We have continued to grow revenues whilst making targeted investments across our main operating divisions. This counter-cyclical strategy positions us to capture market share, further establishing our credentials as a significant presence in UK financial services.

"The Stockdale acquisition is evidence of our appetite for investment and will elevate our Capital Markets division to London's fourth largest adviser to quoted businesses. Similarly, in Asset Management we have secured a £200 million institutional funding line for our property finance business.

"Whilst not immune to uncertainty in capital markets, we are excited by recent developments in all divisions – Capital Markets, Asset Management and Principal Finance – and are therefore optimistic about the prospects of our diversified business model."

**– Ends –**

**Enquiries:****Shore Capital**

Howard Shore, Executive Chairman +44 (0) 20 7468 4050

Simon Fine, Co-Chief Executive

David Kaye, Co-Chief Executive

Lynn Bruce, Director +44 (0) 14 8172 8902

**Grant Thornton UK LLP (Nominated Adviser)** +44 (0) 20 7383 5100

Philip Secrett

Jamie Barklem

Ben Roberts

**Montfort Communications (Public Relations)**

Olly Scott +44 (0) 78 1234 5205

The information contained within this announcement is deemed to constitute inside information under the Market Abuse Regulations (EU) No. 596/2014.

**About Shore Capital**

Shore Capital is an AIM quoted independent investment group. Founded and majority owned by entrepreneurs, for three decades Shore Capital has been helping entrepreneurial businesses reach their full potential, find committed long-term investors and develop into significant enterprises. The business offers innovative corporate advice; a leading market making business; some of the most respected investment research available in the UK; and a diverse range of high quality investment opportunities, including its hugely successful VCTs and principal finance activities.

The Group is based in Guernsey, London, Liverpool, Edinburgh and Berlin. Shore Capital Stockbrokers Limited, Shore Capital and Corporate Limited, Shore Capital Limited and Puma Investment Management Limited are each authorised and regulated by the Financial Conduct Authority. Shore Capital Stockbrokers Limited is a member of the London Stock Exchange.

[www.shorecap.gg](http://www.shorecap.gg)

## Chairman's statement

### Introduction

During 2018, the Group continued to grow revenues, allowing for further investment in both of the Group's main operating divisions and positioning us to capture market share as sentiment improves. As global investment banks and mainstream providers continue to retreat from the UK market, the targeted investments we have made will enable us to grow the strength and size of our financial services franchise.

Group revenue for the year increased by 3.4% to £43.3 million (2017: £41.9 million), whilst profit before tax decreased by 11.1% to £4.1 million (2017: £4.6 million), driven by an 8.4% increase in administrative expenses to £38.9 million (2017: £35.9 million), reflecting our investment in the business. Basic earnings per share were marginally lower at 12.6p (2017: 13.1p).

The most important development in the Capital Markets division came after the year end with the acquisition of Stockdale Securities Limited, which is expected to complete on 31 March 2019. The acquisition will create London's fourth largest adviser to quoted businesses, unlocking exciting new opportunities. Stockdale's clients and expertise complement and enhance our existing activities and the combined business will have a quality, strength and scale which we believe clients and investors will find compelling.

During the year, the Capital Markets division grew income from corporate mandates and transactions and continued to add to its high-quality retained client base. The business has performed robustly through the year, developing its integrated offering and maintaining high levels of market activity. New retained clients included a further FTSE 100, Marks and Spencer Group Plc, and FTSE 250 Sirius Minerals plc. The team advised on five new admissions, 18 secondary fundraisings and three public takeovers, including the reverse takeover and acquisition of a majority interest in Welcome Break by Applegreen plc, raising €175 million; and the £198 million placing of stock in FTSE 100 GVC Holdings plc on behalf of Playtech plc.

We have continued to build our equity research coverage, underscoring our strong sector credentials, focusing primarily on growth companies in the UK & Ireland and expanding into the Industrials sector. In addition, we developed our response to the cross-sector impact of evolving digital technologies, with new coverage of technology, digital media, online retailing and disruptive innovations.

Our Market Making activities were impacted by tough trading conditions in the fourth quarter of 2018, but nevertheless remained profitable throughout the period. Overall the Market Making business achieved a solid, profitable performance for the year, albeit on lower revenues. The continued strength and reputation of this business is driven by its strong management and expert team, demonstrating that even in difficult conditions it is able to deliver profits whilst carefully managing risk.

In Asset Management we maintained the momentum achieved in previous years, developing exciting new opportunities for investors to grow revenues, profits and assets under management, with overall AUM growing 6.4% to £920 million.

Puma Investments has developed its platform focus on private equity, property finance and listed equities. Earlier investments in new expertise and distribution capabilities have enabled the business to anticipate changing market conditions and attract a significant institutional partner. In the fourth quarter of 2018 the division secured a £200 million funding line for its property finance business from RoundShield Partners LLP ("RoundShield"), a European private equity house.

Puma Private Equity continued to attract retail investment funds, with the latest Puma VCT 13 closing early due to high demand. It has now deployed over 30% of its capital. Our EIS service, Puma Alpha, has attracted over £70 million.

Puma Property Finance gained significant ground during the year following its agreement with funds advised by RoundShield to provide £200 million for new finance opportunities. Alongside this institutional money, the diversified Puma Heritage property finance business continued to attract funds,

growing to approximately £75 million during the year from a combination of lending returns and additional subscriptions.

In Listed Equities, the Puma AIM IHT Service was Highly Commended at the 2018/19 Investment Week Tax Efficiency Awards. Assets under management, reached £24 million during the year, driven by its availability on the Ascentric, Standard Life and Transact platforms.

During the year we also acquired a majority stake in a company investing in property in the social care sector. We have an exciting pipeline of opportunities in this space and are optimistic about prospects for further revenues from this sector.

In the Institutional asset management business, the Group has continued to assist Brandenburg Realty and Puma Brandenburg to implement their strategies. The Group has supported initiatives to renovate and generate income from assets, transact commercial and residential properties and strengthen relationships with tenants.

Given our recent expansion and together with the Stockdale acquisition, it became clear that we required new premises for our London operations. We recently entered into a lease for new offices at Cassini House, St James's Street, taking the fourth and fifth floors comprising 13,700 sq ft. This will both accommodate current and future expansion plans and we believe enable a more modern and flexible work environment.

With respect to DBD, it has now been concluded that the 32 German regional radio spectrum licences that DBD holds shall be reallocated from the 3.5 GHz frequency band to the 3.700-3.730 GHz frequency band at no cost, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage, and continue to be for perpetual duration. The flexibilisation will enable their use for modern services such as 4G and 5G. We are confident of the future prospects for DBD's business and the value that can accrete from it.

## **Financial review**

### **Income and expenditure**

Revenue for the year increased by 3.4% to £43.3 million (2017: £41.9 million), whilst administrative expenses increased by 8.4% to £38.9 million (2017: £35.9 million). Group profit before tax decreased by 11.1% to £4.1 million (2017: £4.6 million).

Revenue from Capital Markets decreased by 6.5% to £25.5 million (2017: £27.2 million) and divisional profit before tax declined 21.9% to £4.1 million (2017: £5.2 million) with a net margin of 15.9% (2017: 19.1%).

Revenue from Asset Management grew by 22.8% to £15.8 million (2017: £12.9 million) and divisional profit before tax increased 5.5% to £3.2 million (2017: £3.0 million) generating a net margin of 20.0% (2017: 23.3%).

The Principal Finance division recorded a pre-tax loss of £1.5 million (2017: £2.0 million loss).

### *Basic Earnings per Share*

The Group generated earnings per share of 12.6p (2017: 13.1p).

### **Liquidity**

The Group maintained a strong liquidity position enabling it to undertake a range of transactions as opportunities arise in the near term. As at the balance sheet date, available liquidity was £33.8 million, comprising cash of £31.0 million (2017: £35.7 million) and £2.8 million of gilts and bonds (2017: £8.8 million). The Group also had a £20 million working capital facility which was unused at the year end.

## **Balance sheet**

The Group's balance sheet remains strong. Total equity at the year end was £68.1 million (2017: £67.2 million) reflecting the profit generated in the year, offset by dividends paid.

In addition to the £31.0 million of cash and £2.8 million of gilts and bonds referred to above, £6.8 million was held in funds advised by the Group; £3.6 million net in quoted equities and a further £1.3 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at a cost of £2.3 million on a gross basis, before allowing for minority interests.

The remainder of the balance sheet was £20.3 million net, which included £11.9 million of net market and other debtors in the Company's stockbroking subsidiary.

### *Net Asset Value per Share*

Net asset value per share at the year end was 269.4p (2017: 270.0p).

## **Dividend**

The Board proposes a final dividend of 5.0p per share (2017: 5.0p) making a total for the year of 10.0p per share (2017: 10.0p). The dividend will be paid on Wednesday 24 April 2019 to shareholders on the register as at Friday 5 April 2019.

## **Operating review**

### ***Capital Markets***

#### **Overview**

During the year the Capital Markets business has proved robust in an environment characterised by substantial political uncertainty and significant global economic headwinds.

Revenues were 6.5% lower than the prior year, predominantly resulting from difficult market conditions in the final quarter of 2018. In that context, it has been enormously encouraging that income from corporate mandates and transactions has grown year-on-year, reflecting our sustained investment in the business. We also grew the retained client base, a particular highlight being the addition of our second FTSE 100 broking client, Marks and Spencer Group Plc.

We have worked carefully to ensure that the business is well-positioned to take advantage of market opportunities. As such, after the year end in February 2019, we were delighted to announce the acquisition of Stockdale Securities Limited, which is expected to complete on 31 March 2019. The combination of the two businesses is compelling in that it unites complementary businesses and enhances our existing operations, adding scale, expertise and diversity to the Capital Markets division.

### **Corporate Broking and Advisory**

During 2018, we have continued to be very active and advised on five admissions consisting of two IPOs and three reverse takeovers. In the year under review Shore Capital undertook 18 secondary fundraisings and advised on three public takeovers. Significant transactions during the year included acting as:

- Nominated Adviser, global co-ordinator and joint bookrunner on the reverse takeover and acquisition of a majority interest in Welcome Break by Applegreen plc, raising €175 million;
- Nominated Adviser sole bookrunner and broker on the IPO of Nucleus Financial Group plc, raising £32.1 million;
- Joint bookrunner on the £198 million placing of stock in FTSE 100 GVC Holdings plc on behalf of Playtech plc;
- Joint bookrunner on the £70 million placing by FTSE 250 Dairy Crest Group plc;
- Nominated Adviser and joint bookrunner the acquisition of Inprova Finance Limited by Inspired Energy plc, raising £19.0 million;

- Joint bookrunner on the £22.5 million placing by Motorpoint Group plc; and
- Lead Manager on the placing and re-admission to AIM of Savannah Petroleum plc, following its acquisition of certain assets from Seven Energy International Limited, raising US\$125 million.

Our advisory work included acting as:

- Financial and Rule 3 adviser to Produce Investments plc in relation to its £55.3 million takeover by Promethean Investments LLP;
- Financial and Rule 3 adviser to Zenith Hygiene Group plc in relation to its £100 million takeover by Bain Capital; and
- Financial and Rule 3 adviser to Styles & Wood Group Plc in relation to its £42.5 million takeover by Central Square Holdings Limited.

During the year we added nine new clients including a further FTSE 100 mandate in the form of Marks and Spencer Group Plc, as well as FTSE 250 Sirius Minerals plc.

### **Research, Idea Generation and Distribution**

Through the first year of the MiFID II Directive's implementation, Shore Capital's research and distribution teams remained focused upon producing high-quality independent and issuer sponsored equity research and idea generation, and maintaining high levels of interaction with the market. MiFID II has created significant upheaval and uncertainty for all market participants, changing the way that the industry operates. Notwithstanding this, we are very pleased to have had extensive engagement with the investment community over the year.

We have continued to build our equity research coverage, underscoring our strong sector credentials, focusing primarily on growth companies in the UK & Ireland, with notable additions in the Industrials sector in particular. In addition, we developed our response to the cross-sector impact of evolving digital technologies, with new coverage of technology, digital media, online retailing and disruptive innovations.

### **Market Making**

Our Market Making activities were impacted by tough trading conditions in the fourth quarter of 2018, but nevertheless remained profitable during this period. Overall the Market Making business achieved a solid, profitable performance for the year, albeit on lower revenues. The continued strength and reputation of our business is driven by its strong management and expert team, demonstrating that even in difficult conditions it is able to deliver profits whilst carefully managing risk.

Although clearly sensitive to the macroeconomic environment, we remain focused and adaptable to changing trading conditions and client needs.

### **Asset Management**

#### **Overview**

The Asset Management division continued to make significant progress during the year, growing revenues, profits and assets under management. Overall AUM at the year end grew 6.4% to £920 million, (2017: £865 million) driven by fundraising in the Puma Investments operations and increased valuations in our institutional portfolios.

#### **Puma Investments**

##### *Overview*

Puma Investments, our UK fund management business, enjoyed a strong year in which revenues grew substantially, allowing for further investment into its three focus areas of private equity; property finance; and listed equities. In recent years we have steadily invested in new resources and expertise for the business, resulting in significant growth. The momentum maintained over the past two years combined

with the operational capacity in the business means that we are ideally positioned to take advantage of the opportunities ahead and continue growing the business.

Our potential was endorsed towards the end of 2018 with the agreement of a £200 million institutional funding line for our property finance business.

#### *Puma Private Equity*

Puma Private Equity offers retail investors access to tax efficient private equity strategies through our long-standing Venture Capital Trusts (“VCTs”) and Enterprise Investment Scheme (“EIS”) offerings. We are sector-agnostic and seek to back well-positioned businesses led by high-quality, credible management teams who have the potential and aspiration to deliver material growth.

Since 2005, the Group has raised nearly £240 million for its Puma VCTs and returned over £140 million in dividends to investors. Its latest offer, Puma VCT 13, recently closed early due to high demand. At the time of writing, Puma VCT 13 had deployed over 30% of its funds into qualifying companies.

The Puma Alpha EIS service, (“Puma Alpha”) launched in October 2017 and is run by the same experienced team responsible for the Puma VCTs, benefiting from their strong track record and expertise. Fundraising continued successfully throughout the year, increasing funds in Puma Alpha, together with its predecessor Puma EIS, to over £75 million at the time of writing. Puma Alpha has now made five investments, growing the suite of EIS companies in both services to 15.

#### *Puma Property Finance*

Puma Property Finance offers investors access to secured, first charge loans, on UK real estate across a range of sectors. The platform provides lending solutions to professional borrowers throughout the lifecycle of property development, via three principal offerings: pre-development bridge loans; development finance; and development exit loans. Transaction sizes typically range from £3 million to £30 million and the team is active across residential, commercial and more specialist areas of real estate, including hotels, student accommodation and healthcare.

For a number of years, Private Client investors have been able to access these activities through an investment into Puma Heritage plc, which utilises its diversified loan book, (totalling over 450 loans to date) to generate regular returns for shareholders intended to counter long-term inflationary pressures. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years.

The net asset value of Puma Heritage has grown to over £75 million at the time of writing from a combination of lending returns and additional subscriptions. Puma Heritage remains open for investment and has a strong pipeline of loan opportunities to drive future growth.

During the year, we were delighted to agree an institutional funding line of up to £200 million from funds advised by RoundShield Partners LLP and affiliates (“RoundShield”) for deployment in our Puma Property Finance business. The RoundShield deal signifies the institutional quality of our real estate activities and enables us to engage with the high level of demand we face for competitively priced development finance as well as investing in our infrastructure and high-quality, experienced lending team.

#### *Listed Equities*

The business offers retail investors access to a discretionary equity portfolio service through its Puma AIM IHT Service, (the “AIM Service”) which seeks to mitigate Inheritance Tax by investing in a carefully selected portfolio of AIM shares. The AIM Service is particularly attractive for those that wish to utilise these tax advantages whilst also investing within their ISA wrapper. The service has now been running for over four years and has won many awards, most recently being Highly Commended at 2018/19s Investment Week Tax Efficiency Awards.

Despite tough equity markets over the course of 2018, the service continued to grow assets under management, reaching £24 million by December 2018. A significant proportion of our growth was generated as a result of our availability on the Ascentric, Standard Life and Transact platforms. Having grown the team, we now have the capacity to increase the number of platforms through which we can provide our service and aim to add more platform providers during 2019.

### *Social Care*

The business has enjoyed strong revenue generation from its activities in the social care sector, leveraging our many years of experience providing development funding in this area. Our broad range of relationships has enabled us to partner with external funds investing in the supported living sector, where we are providing a holistic service to source, structure and negotiate acquisitions.

During the year, we also invested £800,000 to acquire a majority stake in a company investing in property in the social care sector. We have an exciting pipeline of opportunities and are optimistic about prospects for further revenues from this sector.

## **Institutional Asset Management**

### *Brandenburg Realty*

Brandenburg Realty (the "Fund") continues to seek a range of high-quality real estate opportunities and implement its asset management programme to enhance value creation across the portfolio.

During the year, the Fund took possession of the three Mitte and Prenzlauer Berg assets purchased in December 2017. Since then, the first stage of obtaining condominium title has been completed for each building. Renovation works have been planned and the first furnished apartments have been let. In December 2018 two further assets were notarised with completion expected in the second quarter of 2019.

The team also continues to assist the Fund's implementation of its strategy for the other commercial and residential assets. At the Potsdam assets, a full planning permission to construct c.1,800 sq.m. of new residential space was secured and both plots were sold to a third party developer at a significant gain. Vacant units in the existing Potsdam residential assets are being renovated and let as furnished apartments. Meanwhile, units in Berlin's Monumentenstrasse continue to be sold at more favourable prices than the underwriting expectations at the time of acquisition.

During the year the team secured debt financing with DKB for a portfolio of four assets including the three Mitte and Prenzlauer Berg assets.

The team continues to assist Mixer Global to identify and evaluate new co-working sites, especially in Germany and the US. During the year, Mixer entered into a lease to open its third site in Israel where construction works are underway, and a fourth site in the centre of Tel Aviv where heads of terms have been agreed.

### *Puma Brandenburg Limited ("PBL")*

During the year, the Group has continued to assist PBL to execute its strategy, including:

- The completion of two new restaurant pavilions at Cologne's Hyatt Regency hotel;
- The conversion of further apartments to add to PBL's pool of furnished apartments that are let out on short term leases; and
- PBL's participation in the Mixer Global investment, as noted above.

### *St Peter Port Capital ("SPPC")*

SPPC announced its results for the half year ended 30 September 2018 on 8 November 2018. As at that date, it had investments in six companies, (excluding companies in the portfolio it had written down to zero).

SPPC realised one small investment which had recently listed on a Canadian stock exchange, generating £96,000 during the year.

## **Principal Finance**

The Principal Finance division seeks to use the Group's balance sheet to invest in attractive opportunities and seed new funds.



### *Investment in DBD*

Shore Capital holds a 59.94% interest in Spectrum Investments Limited, the parent company of DBD. DBD, through a subsidiary, has held 32 regional radio spectrum licences in Germany of perpetual duration (the "Licences").

Following previous updates in respect of communications with the German Telecoms Regulator ("BNetzA"), it has now been concluded that the Licences shall be reallocated from the 3.5 GHz frequency band to the 3.700-3.730 GHz frequency band at no cost. The licences will continue to be for perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage. The flexibilisation will enable their use for modern services such as 4G and 5G.

We are therefore confident of the future prospects for DBD's business and the value that can accrete from it.

### ***New offices***

Since the year end, the Group has entered into a lease for new offices at Cassini House, St James's Street, London, taking the fourth and fifth floors comprising 13,700 sq ft. This will both accommodate current and future expansion plans and we believe enable a more modern and flexible work environment. The move is anticipated for June 2019 and associated one-off costs are expected to be circa £500,000.

### ***Current Trading and Prospects***

Whilst not immune to uncertainty in capital markets, we are excited by recent developments in all divisions – Capital Markets, Asset Management and Principal Finance – and are therefore optimistic about the prospects of our diversified business model.

**Howard Shore**

Chairman

21 March 2019

**Unaudited Consolidated Income Statement**  
**For the year ended 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Revenue</b>	<b>2</b>	<b>43,334</b>	41,896
Administrative expenditure		<b>(38,929)</b>	(35,906)
Balance sheet impairments		-	(1,883)
Share of results of associates		-	805
<b>Operating profit</b>		<b>4,405</b>	4,912
Interest income		<b>43</b>	95
Finance costs		<b>(380)</b>	(430)
		<b>(337)</b>	(335)
<b>Profit before taxation</b>	<b>2</b>	<b>4,068</b>	4,577
Taxation		<b>(485)</b>	(912)
<b>Profit for the year</b>		<b>3,583</b>	3,665
<b>Attributable to:</b>			
Equity holders of the parent		<b>2,727</b>	2,826
Non-controlling interests		<b>856</b>	839
		<b>3,583</b>	3,665
<b>Earnings per share</b>			
Basic	<b>4</b>	<b>12.6p</b>	13.1p
Diluted	<b>4</b>	<b>12.5p</b>	12.8p

**Unaudited Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2018**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Profit after tax for the year</b>	<b>3,583</b>	3,665
<b>Items that may be reclassified to the income statement</b>		
Losses on revaluation of available-for-sale investments	-	(14)
(Losses)/gains on cash flow hedges	<b>(201)</b>	105
Tax thereon	<b>38</b>	(20)
	<b>(163)</b>	71
Exchange difference on translation of foreign operations	<b>299</b>	516
<b>Other comprehensive income for the year, net of tax</b>	<b>136</b>	587
<b>Total comprehensive income for the year, net of tax</b>	<b>3,719</b>	4,252
<b>Attributable to:</b>		
Equity holders of the parent	<b>2,785</b>	3,260
Non-controlling interests	<b>934</b>	992
	<b>3,719</b>	4,252

**Unaudited Consolidated Statement of Financial Position**  
**As at 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Goodwill		381	381
Intangible assets		2,263	2,229
Property, plant & equipment		7,653	7,699
Investment properties		2,643	-
Principal Finance Investments		5,357	6,475
Deferred tax asset		108	149
		<u>18,405</u>	<u>16,933</u>
<b>Current assets</b>			
Trading assets		9,837	8,154
Trade and other receivables		42,058	52,767
Derivative financial instruments		-	32
Cash and cash equivalents		31,015	35,673
		<u>82,910</u>	<u>96,626</u>
<b>Total assets</b>	<b>2</b>	<u><b>101,315</b></u>	<u>113,559</u>
<b>Current liabilities</b>			
Trading liabilities		(708)	(1,017)
Trade and other payables		(27,877)	(34,602)
Derivative financial instruments		(135)	(12)
Tax liabilities		(165)	(966)
Borrowings		(4,299)	(9,726)
		<u>(33,184)</u>	<u>(46,323)</u>
<b>Non-current liabilities</b>			
Provision for liabilities and charges		(68)	(66)
		<u>(68)</u>	<u>(66)</u>
<b>Total liabilities</b>	<b>2</b>	<u><b>(33,252)</b></u>	<u>(46,389)</u>
<b>Net assets</b>		<u><b>68,063</b></u>	<u>67,170</u>
<b>Capital and reserves</b>			
Share capital		-	-
Share premium		1,866	1,866
Merger reserve		14,903	14,903
Other reserves		1,348	1,596
Retained earnings		39,992	39,882
<b>Equity attributable to equity holders of the parent</b>		<u><b>58,109</b></u>	<u>58,247</u>
Non-controlling interest		9,954	8,923
<b>Total equity</b>		<u><b>68,063</b></u>	<u>67,170</u>

**Unaudited Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2018**

	Share capital	Share premium account	Merger reserve	Other reserves	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	-	336	17,151	1,596	39,587	8,415	67,085
Profit for the year	-	-	-	-	2,826	839	3,665
Revaluation of available for sale investments	-	-	-	(14)	-	-	(14)
Foreign currency translation	-	-	-	-	380	136	516
Valuation change on cash flow hedge	-	-	-	84	-	21	105
Tax on cash flow hedge	-	-	-	(16)	-	(4)	(20)
Total comprehensive income	-	-	-	54	3,206	992	4,252
Decrease in deferred tax asset recognised directly in equity)	-	-	-	(62)	-	-	(62)
Equity dividends paid	-	-	-	-	(2,167)	-	(2,167)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(744)	(694)	(1,438)
Issue of shares	-	1,530	-	-	-	-	1,530
Repurchase/cancellation of own shares	-	-	(2,248)	-	-	-	(2,248)
Credit in relation to share based payments	-	-	-	8	-	-	8
Investment by non controlling interest in subsidiaries	-	-	-	-	-	210	210
At 31 December 2017	-	1,866	14,903	1,596	39,882	8,923	67,170

**Unaudited Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2018**

	Share capital	Share premium account	Merger reserve	Other Reserves	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	-	1,866	14,903	1,596	39,882	8,923	67,170
Transition adjustment - IFRS 9 Financial instruments	-	-	-	48	(48)	-	-
At 1 January 2018 (as restated)	-	1,866	14,903	1,644	39,834	8,923	67,170
Profit for the year	-	-	-	-	2,727	856	3,583
Foreign currency translation	-	-	-	-	224	75	299
Valuation change on cash flow hedge	-	-	-	(203)	-	2	(201)
Tax on cash flow hedge	-	-	-	38	-	-	38
Total comprehensive income	-	-	-	(165)	2,951	933	3,719
Equity dividends paid	-	-	-	-	(2,158)	-	(2,158)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(635)	(1,308)	(1,943)
Debit in relation to share based payments	-	-	-	(131)	-	-	(131)
Investment by non controlling interest in subsidiaries	-	-	-	-	-	1,406	1,406
At 31 December 2018	-	1,866	14,903	1,348	39,992	9,954	68,063

**Unaudited Consolidated Cash Flow Statement**  
**For the year ended 31 December 2018**

Notes	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
Operating profit	4,405	4,912
Adjustments for:		
Depreciation and impairment charges	1,262	2,775
Share-based payment (credit) / expense	(131)	8
Fair value (gains)/ losses on Principal Finance investments	(367)	320
Share of results of associates	-	(805)
Reduction in provision for national insurance on options	(36)	(38)
	<b>5,133</b>	<b>7,172</b>
<b>Operating cash flows before movements in working capital</b>		
Decrease / (increase) in trade and other receivables	11,787	(902)
(Decrease) / Increase in trade and other payables	(6,833)	3,369
(Decrease) / Increase in trading liabilities	(309)	252
(Increase) / decrease in trading assets	(1,683)	4,136
	<b>8,095</b>	<b>14,027</b>
<b>Cash generated by operations</b>		
Interest paid	(380)	(430)
Corporation tax paid	(1,207)	(962)
	<b>6,508</b>	<b>12,635</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(882)	(681)
Sale of property, plant and equipment	-	80
Sale of investment property	-	2,885
Acquisition of subsidiary, net of cash acquired	(826)	-
Investment in associate	-	(7,000)
Redemption of shares in associate	-	7,750
Income from associate	-	55
Purchase of Principal Finance investments	(803)	-
Sale of Principal Finance investments	1,270	314
Investment by non controlling interest in subsidiaries	1,331	210
Interest received	43	95
	<b>133</b>	<b>3,708</b>
<b>Cash flows from financing activities</b>		
Issue of shares	-	1,530
Repurchase of own shares	-	(2,248)
Decrease in borrowings	(12,192)	(393)
New borrowings	4,458	-
Dividends paid to equity shareholders	(2,158)	(2,167)
Dividends paid to non controlling interests	(1,943)	(1,438)
	<b>(11,835)</b>	<b>(4,716)</b>
	<b>(5,194)</b>	<b>11,627</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		
<b>Effects of exchange rate changes</b>	<b>536</b>	<b>109</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>35,673</b>	<b>23,937</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>31,015</b>	<b>35,673</b>

## Notes

### 1. Financial information

#### Basis of preparation

The annual financial statements of Shore Capital Group Limited (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS").

The accounting policies adopted are those disclosed in the 2017 Annual Report other than for the adoption of new accounting standards described below.

#### *New standards, interpretations and amendments effective from 1 January 2018*

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 *Financial Instruments* (IFRS 9); and
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

Details of the impact of these two standards will be given in the annual financial statements. However, adoption has not had a significant effect on the amounts recognised in the Group's financial statements although there have been some presentational changes.

#### Presentation of the financial statements and financial information

The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 31 December 2018 within the meaning of section 244 of the Companies (Guernsey) Law, 2008.

The financial information for the year ended 31 December 2017 is derived from the statutory accounts of the Company for that year. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 263(2) or (3) of the Companies (Guernsey) Law, 2008. Those accounts were prepared under Adopted IFRS and have been reported on by the Company's auditors.

The audit of the statutory accounts of Shore Capital Group Limited for the year ended 31 December 2018 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement.

The statutory accounts have been prepared in accordance with IFRS as adopted by the European Union. Details of the accounting policies that will be applied in the statutory accounts will be set out in the 2018 Annual Report and Accounts of the Company.

A copy of this statement is available on the Company's website at [www.shorecap.gg](http://www.shorecap.gg).

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 except where otherwise indicated.

### 2. Segment Information

For management purposes, the Group is organised into business units based on their services, and has four reportable operating segments as follows:

- Capital Markets provides research in selected sectors, broking for institutional and professional clients, market-making in small cap and mid-cap stocks, fixed income broking and corporate broking and advisory for large, mid and small cap companies.
- Asset Management provides advisory services and manages specialist funds.
- Central Costs comprises the costs of the Group's central management team and structure



- Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using the Group's own balance sheet resources.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss. Transfer prices between operating segments are on an arms-length basis in a manner similar to transactions with third parties.

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
<b>Revenue</b>	<b>25,452</b>	<b>15,843</b>	<b>-</b>	<b>2,039</b>	<b>43,334</b>
<b>Results</b>					
Depreciation	(278)	(127)	(67)	(790)	(1,262)
Interest expense	(86)	(78)	-	(216)	(380)
Profit/(loss) before tax	<b>4,058</b>	<b>3,166</b>	<b>(1,637)</b>	<b>(1,519)</b>	<b>4,068</b>
<b>Assets</b>	<b>56,658</b>	<b>10,018</b>	<b>1,599</b>	<b>33,040</b>	<b>101,315</b>
<b>Liabilities</b>	<b>(23,337)</b>	<b>(3,651)</b>	<b>(855)</b>	<b>(5,409)</b>	<b>(33,252)</b>
Year ended 31 December 2017	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
<b>Revenue</b>	<b>27,230</b>	<b>12,906</b>	<b>-</b>	<b>1,760</b>	<b>41,896</b>
<b>Results</b>					
Share of results of associates	-	-	-	805	805
Balance sheet impairments	-	-	-	(1,883)	(1,883)
Depreciation	(262)	(87)	(65)	(477)	(891)
Interest expense	(103)	-	-	(327)	(430)
Profit/(loss) before tax	<b>5,193</b>	<b>3,001</b>	<b>(1,651)</b>	<b>(1,966)</b>	<b>4,577</b>
<b>Assets</b>	<b>66,317</b>	<b>8,319</b>	<b>2,948</b>	<b>35,975</b>	<b>113,559</b>
<b>Liabilities</b>	<b>(33,300)</b>	<b>(2,622)</b>	<b>(637)</b>	<b>(9,830)</b>	<b>(46,389)</b>

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

### 3. Rates of Dividends Paid and Proposed

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 of 5.0p per share	-	1,088
Interim dividend for the year ended 31 December 2017 of 5.0p per share	-	1,079
Final dividend for the year ended 31 December 2017 of 5.0p per share	1,079	-
Interim dividend for the year ended 31 December 2018 of 5.0p per share	1,079	-
	<b>2,158</b>	<b>2,167</b>

The directors propose a final dividend of 5.0p per share, bringing the total for the year ended 31 December 2018 to 10.0p per share (2017: 10.0p per share).

#### 4. 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:

As at 31 December 2018 there were 21,573,322 ordinary shares in issue (2017: 21,573,322).

	2018		2017	
	Basic	Diluted	Basic	Diluted
Earnings (£)	<b>2,727,000</b>	<b>2,727,000</b>	2,826,000	2,826,000
Number of shares	<b>21,573,322</b>	<b>21,840,354</b>	21,645,329	22,019,172
Earnings per share (p)	<b>12.6</b>	<b>12.5</b>	13.1	12.8

Calculation of number of shares	2018		2017	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	<b>21,573,322</b>	<b>21,573,322</b>	21,645,329	21,645,329
Dilutive effect of share option schemes	-	<b>267,032</b>	-	373,843
	<b>21,573,322</b>	<b>21,840,354</b>	21,645,329	22,019,172

#### 5. Subsequent events

On 13 February 2019 Shore Capital Markets Limited, a subsidiary of the Group, agreed the acquisition of the entire issued share capital of Stockdale Securities Limited ("Stockdale") for an initial consideration of £4.9 million and a maximum deferred consideration of up to £4.0 million. Stockdale is authorised and regulated by the Financial Conduct Authority and completion of the acquisition is expected to take place on 31 March 2019.

On 12 March 2019 the Group signed a 10 year occupational lease with a 5 year break clause for its new London office.

#### Notes

*A copy of this announcement is available on the Company's website at [www.shorecap.gg](http://www.shorecap.gg). The annual report & accounts will be sent to shareholders in due course and will also be available on the Company's website from the date of posting.*