Shore Capital Group Limited

Interim Report 2013

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Highlights

Financial Highlights

- Revenue unchanged at £17.8 million (2012: £17.8 million); revenue excluding Spectrum up 4.1%
- Profit before tax up 123.2% to £3.3 million (2012: £1.5 million)
- Earnings per share up 72.9% to 0.83p (2012: 0.48p)
- Interim dividend per share of 0.40p (2012: nil)
- Balance sheet remains strong with liquidity of £33.9 million, plus a further £20 million working capital facility that was unused at the period end

Operational Highlights

- Equity Capital Markets operations continued to perform well, increasing pre-tax profits by 8.1% to £3.07 million (2012: £2.84 million)
- Named by Thomson Reuters StarMine as Europe's third most productive broker for 2013
- Corporate finance now has 65 retained clients. Secondary commission revenues increased by 11% compared to the same period in 2012
- Puma Investments brand established, targeting private investors, receiving FCA authorisation in May 2013
- Puma VCT 9 raised £28.1 million, the largest of its kind in the 2012/13 tax year. Puma VCT 10 is in its initial launch phase
- Spectrum Investments purchased balance of outstanding loan stock in DBD from Intel Capital; Shore Capital increased its ownership of Spectrum to 59.3%

Chairman's Statement

"The continued strength of our business demonstrates that confidence is beginning to return to the economy as more clients look to raise development capital and seek to engage with innovative, service-orientated advisers.

"Based on the solid trading across the Group and the many exciting opportunities ahead, the Board looks to the future with confidence."

Introduction

I am pleased to report that the Group has continued to make progress. Our businesses have performed well by offering a compelling mix of strong advisory capabilities, excellent execution and a range of products and services which deliver exciting opportunities for investors. The confidence and optimism with which our people have tackled the market's challenges is demonstrated in our results and I thank them for their continued dedication.

Revenues for the period (excluding Spectrum and DBD) improved by 4.1 per cent to £17.2 million (2012: £16.6 million) delivering increased profit before tax of £2.9 million (2012: £2.2 million), up 31.8 per cent. Earnings per share (excluding Spectrum and DBD) increased 17.5 per cent to 0.74p (2012: 0.63p). In addition, Spectrum contributed earnings per share of 0.09p (2012: loss of 0.15p) as a result of the release of historic provisions for potential liabilities within DBD which are no longer required.

In Equity Capital Markets we achieved strong results, with profit before tax increasing 8.1 per cent to £3.1 million (2012: £2.8 million). In Corporate Finance we now have a total of 65 retained clients; and conducted 10 fundraisings for clients. Secondary commissions have advanced by 11 per cent, demonstrating the strength of our broking team's expertise and position as a trusted counterparty. Shore Capital is the third largest market maker on the London Stock Exchange and we are ideally positioned to benefit from an increase in market activity, particularly from the expected pick up in small cap interest which appears to have already started improving.

The Group's Research and Sales team remains one of the most respected in the City and its regional reach into the UK, Ireland and Nordics is valued by some of the UK's leading listed businesses, who turn to Shore Capital for high quality research and investor interaction.

During the period we consolidated our private investor offering under the Puma Investments brand, receiving FCA authorisation in May 2013. Puma Investments holds some of our most exciting investment opportunities, including the market-leading Puma VCT funds and Puma Heritage. The business has a strong pipeline of new opportunities in development and has an exciting future ahead of it.

In Principal Finance, our German telecoms asset, Spectrum Investments ("Spectrum"), continues to offer an attractive solution to the growing bandwidth challenges faced by telecommunications operators in that market. As such, we remain confident that this asset can lead to a profitable realisation in due course. During the period, we participated in a fundraising by Spectrum as a result of which we increased our net economic interest in Spectrum/DBD from just under 30 per cent to 59.26 per cent.

Financial Review

Income and expenditure

Following the increase of our economic interest in Spectrum to 59.26 per cent, the financial information below presents the results for the Group as a whole, with additional analysis of the Group excluding Spectrum/DBD.

Revenue for the half-year was unchanged at £17.8m (2012: £17.8m).

Administrative expenses were down 10.0 per cent at £14.5m (2012: £16.1m) providing an operating profit of £3.3m (2012: £1.7m).

Interest income was £0.15m (2012: £0.15m), whilst finance costs were £0.17m (2012: £0.36m), leading to a net finance cost of £0.02m (2012: £0.21m).

Profit before tax of the Group increased 123 per cent to £3.3m (2012: £1.5m). This includes a profit before tax from Spectrum/DBD of £0.4m (2012: loss of £0.7m). The profit for the half year includes a credit of £1.11m (£0.66m net of minority interests) in respect of historic provisions for potential liabilities of DBD that are no longer required.

The Group excluding Spectrum/DBD

Revenue for the half-year increased by 4.1 per cent to £17.2m (2012: £16.6m).

Administrative expenses were up 1.2 per cent at £14.3m (2012: £14.1m) providing an operating profit of £2.9m (2012: £2.4m).

Profit before tax increased by 31.8 per cent to £2.9m (2012: £2.2m). The net margin before tax was 16.9 per cent (2012: 13.4 per cent).

Revenue from Equity Capital Markets ("ECM") was £12.6m (2012: £11.6m). Profit before tax from ECM was £3.1m (2012: £2.8m), with a net margin of 24.4 per cent (2012: 24.6 per cent). Revenue from Asset Management was £3.9m (2012: £4.0m) with a net margin of 20.3 per cent (2012: 12.7 per cent). Balance sheet holdings contributed a net gain of £0.3m (2012: £0.6m).

Basic Earnings per Share

The Group generated earnings per share of 0.74p (2012: 0.63p) excluding Spectrum/DBD. Including the effects of Spectrum/DBD, the Group generated earnings per share of 0.83p (2012: 0.48p).

Comprehensive Earnings per Share

On a Comprehensive basis, the Group generated earnings of 0.93p per share (2012: 0.48p).

Liquidity

As at the balance sheet date, available liquidity was £33.9m (2012: £28.8m), comprising £32.5m (2012: £25.6m) of cash and £1.4m (2012: £3.2m) of gilts and bonds. In addition, we have a £20m working capital facility which was unutilised at the period end.

This liquidity demonstrates the Group's continuing ability to undertake a range of transactions as opportunities arise in the near term.

Balance Sheet

Our balance sheet remains strong. Total equity at the period end was £68.0m (2012: £65.2m).

In addition to the £32.5m of cash and £1.4m of gilts and bonds (as referred to above), we held £5.8m in the various Puma Funds, £2.0m net in quoted equities, £0.4m net in the Lily Partnership and a further £1.4m in other unquoted holdings. In addition, the licence held in Spectrum Investments was valued at £4.2m (on a gross basis, before allowing for minority interests).

The remainder of the balance sheet was £20.3m net, which included £19.8m of net market debtors in our stockbroking subsidiary.

Net Asset Value per Share

Net asset value per share at the period end was 24.9p (2012: 24.4p).

Dividend

Last year, no interim dividend was paid in order that the entire year's dividend (0.5p per share) was received in the 2013/14 tax year with a consequential lower marginal rate of income tax for the higher rate taxpayer.

We are reinstating an interim dividend which for this period will be 0.4p per share (2012: nil). In addition to this, the Board intends, barring unforeseen circumstances, to pay a final dividend of not less that 0.4p per share which would make a total for the year of 0.8p per share (2012 full year: 0.5p).

The interim dividend of 0.4p per share is expected to be paid on Wednesday, 9 October 2013 to shareholders on the register as at Friday, 27 September 2013.

Operating Review

The following operating review reports on our three main areas of focus, namely Equity Capital Markets, Alternative Asset Management and Principal Finance.

Equity Capital Markets ("ECM")

Overview

In ECM we provide research in selected UK sectors covering 200 companies; broking for institutional and professional clients; market-making in circa 1,200 UK equities – with a strong presence on the AIM market – and corporate finance advisory services for mid and small cap companies.

Following its robust results in the second half of 2012, the division delivered another strong performance in the first half of 2013, achieving a profit before tax of £3.1 million (2012: £2.8 million). Having a strong balance sheet and being viewed as a solid and consistent counterparty by both our clients and market participants is a significant advantage in the current trading environment. Each of the division's operating businesses continued to produce solid revenues and benefit from a diverse range of income streams.

It is pleasing to note that at a time when commissions are declining and the market is consolidating, our secondary commission revenue increased by 11 per cent during the first half of 2013.

The Group's Corporate Finance franchise continues to grow and is now retained adviser to 65 companies. Encouragingly the business enjoys a strong pipeline for the remainder of 2013. Where we identify opportunities for incremental growth in the business, we continue to add senior, experienced individuals and teams.

Research and Sales

The market for secondary commissions has remained challenging. Nonetheless, the high regard in which the team and its brand is held is demonstrated by our overall growth in market share.

Internal reports from our clients suggest our product is highly regarded by them. This was demonstrated in two recent surveys: firstly the Thomson Reuters StarMine survey in which Shore Capital was named as Europe's third most productive broker for 2013; and secondly the 2013 Thomson Extel survey, in which Shore Capital featured in the top 10 for UK Small & Mid-Cap brokers with nine sectors voted in a top 10 position and five recorded in the top five by fund managers, namely; construction, consumer goods, healthcare, insurance and UK strategy.

We sustained our work to keep investors closely informed of corporate developments with our on-going management presentation series including Astra Zeneca, Diageo, ENRC, Legal & General, Marks & Spencer, Sainsbury's, Spirit and Shire, as well as arranging investor conferences on Shale Energy and Agri-Food.

Market making

We deal directly with the major retail brokers as a Retail Service Provider through a broad range of electronic links, and with a diverse composition of institutions including fund managers, hedge funds and private banks. London Stock Exchange statistics continue to show us to be the third largest market maker by number of stocks covered.

In contrast to some of our competitors, our market-making team has experienced a marked increase in both trading volumes and revenues generated during the first half of 2013, compared to previous periods.

Facilitating client business remains the team's central focus and we are ideally positioned to benefit from increased market volumes as a result of an economic recovery, together with recent changes allowing AIM stocks to be included in ISA portfolios and the forthcoming removal of stamp duty on AIM shares in April 2014.

Corporate Finance

The increased level of corporate finance and corporate broking activity during 2012 has continued into 2013. Whilst there has been a reduction in corporate activity within the natural resources sector, we have seen a significant increase in the activity of our corporate clients in other sectors including real estate, financial services and support services.

The corporate team has to date raised a total of approximately £90 million for clients in 10 separate fundraisings, including a placing to raise £20 million for Telford Homes plc; a £25 million placing for Randall & Quilter Investment Holdings Limited; and advising on the US$26 million reverse takeover acquisition for Zoltav Resources Inc., which simultaneously raised US$20 million. The corporate team also advised RGI International Limited on its US$340 million takeover, which was announced in January 2013 and, after the end of the period, advised Serviced Office Group plc in relation to its placing to raise £12 million of new equity to fund the acquisition of Avanta Managed Offices Limited for £15 million and Wynnstay Group plc on its £9 million placing.

The team continues to achieve success in growing its retained client list. In total we are now retained adviser to 65 companies.

Alternative Asset Management

Overview

The asset management division continues to explore innovative new products to build on its established institutional and retail fund platforms. Total funds under management as at 30 June 2013 were £0.91 billion, compared to £0.87 billion at 31 December 2012.

Institutional Asset Management

St Peter Port Capital ("SPPC")

St Peter Port Capital is a pre-IPO fund which also provides bridging finance ahead of trade sales and is an opportunistic investor in development capital situations. At its year end of 31 March 2013 it had investments in 39 companies and a NAV per share of 111.8p, an increase of 5.5 per cent on the year and 8.2 per cent since 30 September 2012.

During the period, SPPC made a further realisation of its holding in Iona Energy, a Canadian listed oil and gas company operating in the North Sea, generating CAD$1.89 million. SPPC made a number of new investments, including a £500,000 investment in Nektan Limited, a software developer in the growing mobile and online gaming industry. In addition, it made several follow-on investments during the period, including a US$938,000 investment in Brazil Potash, which owns a potash mine in Brazil and which is investigating a flotation on Brazil's BOVESPA, a C$250,000 investment in Homeland Uranium, an exploration company with uranium prospects in Niger, and a £110,000 investment Astrakhan Oil, a Russian based oil development company.

The SPPC portfolio of companies continues to develop well. Over the last year, several of the oil/gas and mineral holdings have demonstrated through discoveries significant further increases in the value of the deposits they are developing. These offer the possibility of further large gains on exit.

Puma Brandenburg Limited ("PBL")

PBL's strong operating performance has continued in the period and revenue growth is expected to continue following rent increases applied in the Berlin residential portfolio as a result of increases in the Mietspiegel, the local index which controls the amount by which rents can be raised in certain apartments.

PBL actively manages its assets which are situated in prime locations. It has recently completed the refurbishment works for the existing hotel tenant Accor in Nuremberg where a 20 year lease had been signed and the Hyatt Hotel in Cologne is performing strongly following its extensive refurbishment. Elsewhere in the portfolio, structural vacancy rates have been maintained at low levels and its successful modernisation programme continues to drive rental growth and the quality of its residential properties in Berlin.

It remains focused on value enhancing asset management initiatives and particularly on extending debt that matures next year to provide long term finance for the strong portfolio of assets.

Puma Hotels plc ("PHP")

PHP's final results for the year ended 31 December 2012 covered a period which saw significant changes to its operations. As previously reported, the leases with Barceló Hotels and Resorts were terminated on 25 April 2012 and since that time the hotels have been operated by PHP. Since taking over the hotel operations, the existing hotels team has been augmented through a number of senior appointments and, despite trading conditions remaining challenging for provincial UK hotels, the PHP team, with Shore Capital's assistance, has been effective in mitigating the challenges that arise in taking over a business of this scale.

PHP generated a profit in 2012 of £10.5 million for the year. This return to profitability was driven by the net lease termination fee of £20.3 million received from Barceló. The receipt of this termination fee allowed PHP to reduce its senior debt facility by approximately £20 million.

As at 28 June 2013, PHP successfully completed the extension of its £323 million senior debt facility with Irish Bank Resolution Corporation in Special Liquidation ("IBRC"). New terms have been agreed with IBRC until 30 May 2014 with revised covenants to reflect the current operating environment.

Puma Sphera

Following the decision by its largest shareholder to redeem its holdings in Puma Sphera as it had decided that it preferred to access Puma Sphera's investment strategy through a private managed account as opposed to through a fund structure, the Board of Puma Sphera determined to liquidate the fund as the remaining assets under management resulted in the fund being sub-scale and uneconomic. Following the redemptions of shares, several shareholders elected to transfer their interests to the mirror fund of Puma Sphera, namely Sphera Fund LP.

Retail Asset Management

Puma Investments brand launched

The Group launched a sub-brand for investment opportunities targeting the private investor market, called Puma Investments. A new subsidiary, called Puma Investment Management Limited, which trades as Puma Investments, has been established and was authorised by the Financial Conduct Authority in May 2013.

Puma Investments has also been appointed as the trading adviser to Puma Heritage plc and is in the process of launching several new investment opportunities, including Puma VCT 10, which will follow the same successful investment strategy of its preceding nine funds, together with Puma EIS.

Puma Venture Capital Trusts ("VCTs")

The on-going effects of the credit crisis mean that SMEs are still finding it difficult to access the funding they need from traditional lenders. Our VCTs seek to meet that demand and focus on providing secured loans to well-run companies. In particular, we are seeing many established businesses which have substantial assets or predictable revenue streams, over which a first charge can be taken, thereby reducing the risks usually associated with venture capital investing. Our VCTs are each limited-life vehicles, aiming to distribute the initial capital and returns to their investors after five years.

Our market-leading VCT track record is reflected in the fact that the early Puma VCTs were the first limited-life VCTs to have reached the milestone of returning 100p per share in cash distributions to shareholders and Puma VCTs 1 to 4 have each produced the highest total return of their respective peer groups. Since 2005 over £130 million has been raised for Puma VCTs, and more than £60 million has been distributed as dividends to shareholders.

Puma VCT 9 closed during the period raising over £28.1 million, making it the largest single company VCT fundraise in the 2012/13 tax year and accounting for over 10 per cent of the total funds raised in the VCT market in that year (excluding enhanced share buy-backs). We consider this fund-raising to be a considerable achievement and an endorsement of our standing in the VCT sector. We are pleased to be launching our tenth VCT for the current tax year and hope to capitalise on our excellent track record.

Puma Heritage plc

Puma Heritage was launched in June 2013 seeking minimum investments of £100,000 to operate in a range of sectors, with a primary focus on secured lending. Puma Heritage will focus on capital preservation, whilst seeking to produce regular returns for shareholders intended to counter long-term inflationary pressures. It is anticipated that Puma Heritage will expand into other activities as opportunities arise. In particular, the Board of Puma Heritage envisage that it will offer asset leasing services, as well as, in the medium to long term, purchasing and operating profitable trading businesses with asset-backing and established management teams. An investment in Puma Heritage is intended to benefit from 100 per cent relief from Inheritance Tax after two years.

Puma Investments has been appointed as the trading adviser to Puma Heritage to advise the company in executing its business strategy.

Puma EIS

Puma Investments will launch in the second half of the year a portfolio service offering investors the opportunity to invest in asset-backed EIS qualifying companies utilising the team's strong track record and experience in asset-backed investing gained over the life of the first nine Puma VCTs. We are excited about the prospects for our Puma EIS based on the demand for EIS investments which can provide downside protection through asset-backing.

Principal Finance

Investment in German Telecoms Business

DBD holds radio spectrum licences in Germany in the 3.5 GHz range which is increasingly being deployed around the world for providing 4G mobile services. The German mobile market is the largest in Europe, with circa 115 million subscribers recorded in 2012 generating the largest sector revenues in Europe. As in other European mobile markets, the deployment of 4G in Germany continues to drive revenue growth as subscribers demand greater levels of data capacity. DBD's spectrum is ideally placed to provide mobile operators in Germany with additional data capacity for smart phones and tablet devices.

Spectrum acquired its original interest in DBD in March 2011. The other two 3.5 GHz licences in Germany were recently acquired by E-Plus, the fourth largest mobile operator in Germany.

In early 2013, Spectrum raised €3.3 million of new capital from its investors, including Shore Capital, to fund its acquisition of further loan stock and equity in DBD. As a result Spectrum now holds, directly and indirectly, substantially all of the economic interest in DBD. Shore Capital invested €2.13 million in the Spectrum fundraising and now holds 59.26 per cent of Spectrum.

As part of the refocusing of DBD's business that was anticipated at the time of the original acquisition, DBD's consumer business has been reducing and will cease at the end of September 2013. Following the cessation, ongoing basic operating costs are anticipated to be reduced to approximately £0.5 million per year.

The consolidated profit before tax in the period arising from this investment was £0.4 million (2012: loss of £0.7 million). The profit for the half year includes a credit in respect of the release of historic provisions for potential liabilities within DBD which are no longer required. This has contributed £0.66 million to the Group net of minority interests.

We remain confident that this asset can lead to a profitable realisation in due course.

Current Trading and Prospects

The continued strength of our business demonstrates that confidence is beginning to return to the economy as more clients look to raise development capital and seek to engage with innovative, service-orientated advisers. Based on the solid trading across the Group and the many exciting opportunities ahead, the Board looks to the future with confidence.

We anticipate that the ECM business will benefit from the improving economic climate coupled with the renewed interest in AIM, fuelled in part by the recent change in law allowing investors to hold AIM stocks in their ISAs. Our highly regarded research and sales team are well placed to continue to capitalise on their recent success in external surveys, including the Thomson Reuters StarMine survey in which Shore Capital was named as Europe's third most productive broker for 2013.

We are also excited about the new investment opportunities being developed by the asset management division, including the launch of Puma VCT 10 and Puma EIS which build upon our excellent track record in asset-backed investing.

Howard P Shore
Executive Chairman

16 September 2013

Independent review report to Shore Capital Group Limited (the "Group")

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report as required by the AIM rules issued by the London Stock Exchange and the Bermuda Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, and the AIM rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands

16 September 2013

Consolidated Income Statement

For the six months ended 30 June 2013 (unaudited)

	Notes	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Revenue	3	**17,797**	17,760	32,821
Administrative expenditure		**(14,468)**	(16,068)	(29,973)
Operating profit		**3,329**	1,692	2,848
Interest income		**145**	146	314
Finance costs		**(169)**	(357)	(635)
Profit before taxation	3	**3,305**	1,481	2,527
Taxation		**(552)**	(378)	(494)
Profit for the period		**2,753**	1,103	2,033
Attributable to:				
Equity holders of the parent		**2,002**	1,158	1,987
Non controlling interests		**751**	(55)	46
		2,753	1,103	2,033
Earnings per share				
Basic	4	**0.83p**	0.48p	0.82p
Diluted	4	**0.82p**	0.47p	0.82p

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 (unaudited)

	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Profit for the period	**2,753**	1,103	2,033
Items that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	**263**	(11)	68
Taxation	**(61)**	3	(17)
	202	(8)	51
Exchange difference on translation of foreign operations	**52**	(54)	(62)
Other comprehensive income for the period, net of tax, from continuing operations	**254**	(62)	(11)
Total comprehensive income for the period, net of tax	**3,007**	1,041	2,022
Attributable to:			
Equity holders of the parent	**2,238**	1,152	1,971
Non controlling interests	**769**	(111)	51
	3,007	1,041	2,022
Comprehensive earnings per share			
Basic	**0.93p**	0.48p	0.82p
Diluted	**0.92p**	0.47p	0.81p

Consolidated Statement of Financial Position

As at 30 June 2013 (unaudited)

	Notes	As at 30 June 2013 £'000	As at 30 June 2012 £'000	As at 31 December 2012 £'000
Non-current assets				
Goodwill		**381**	381	381
Intangible assets		**4,202**	4,106	4,055
Property, plant & equipment		**12,038**	11,908	11,669
Available-for-sale investments		**4,221**	4,402	4,105
		20,842	20,797	20,210
Current assets				
Bull positions and other holdings designated at fair value		**4,145**	9,582	4,058
Available-for-sale investments		**16**	32	16
Trade and other receivables		**96,157**	100,947	65,819
Tax assets		**–**	350	99
Cash and cash equivalents		**32,457**	25,545	30,443
		132,775	136,456	100,435
Total assets	3	**153,617**	157,253	120,645
Current liabilities				
Bear positions		**(660)**	(1,043)	(1,395)
Trade and other payables		**(73,579)**	(78,366)	(41,146)
Derivatives		**(351)**	(596)	(573)
Tax liabilities		**(415)**	–	–
Borrowings		**(350)**	(339)	(327)
		(75,355)	(80,344)	(43,441)
Non-current liabilities				
Borrowings		**(9,885)**	(11,351)	(10,549)
Deferred tax liability		**(340)**	(339)	(224)
Provision for liabilities and charges		**(54)**	(39)	(44)
		(10,279)	(11,729)	(10,817)
Total liabilities	3	**(85,634)**	(92,073)	(54,258)
Net Current Assets		**57,420**	56,112	56,994
Net Assets		**67,983**	65,180	66,387
Equity				
Capital and Reserves				
Called up share capital		**–**	–	–
Share premium account		**336**	336	336
Merger reserve		**27,198**	27,198	27,198
Other reserves		**1,470**	1,181	1,282
Retained earnings		**31,253**	30,183	30,954
Equity attributable to equity holders of the parent		**60,257**	58,898	59,770
Non controlling interests		**7,726**	6,282	6,617
Total equity		**67,983**	65,180	66,387

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 (unaudited)

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non Controlling interests £'000	Total £'000
At 1 January 2012		336	27,198	1,187	29,867	6,841	65,429
Retained profit for the period	–	–	–	–	1,158	(55)	1,103
Foreign currency translation	–	–	–	–	–	(54)	(54)
Valuation change on cash flow hedge	–	–	–	(6)	–	(2)	(8)
Equity dividends paid	–	–	–	–	(604)	–	(604)
Dividends paid to non controlling interests	–	–	–	–	(238)	(534)	(772)
Investment by non controlling interest in subsidiaries including Spectrum	–	–	–	–	–	86	86
At 30 June 2012	–	336	27,198	1,181	30,183	6,282	65,180
Retained loss for the period	–	–	–	–	829	101	930
Credit in relation to share based payments	–	–	–	54	–	–	54
Foreign currency translation	–	–	–	–	(58)	50	(8)
Valuation change on cash flow hedge	–	–	–	47	–	12	59
Dividends paid to non controlling interests	–	–	–	–	–	6	6
Investment by non controlling interest in subsidiaries including Spectrum	–	–	–	–	–	166	166
At 31 December 2012	–	336	27,198	1,282	30,954	6,617	66,387

Consolidated Statement of Changes in Equity continued

For the six months ended 30 June 2013 (unaudited)

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non Controlling interests £'000	Total £'000
At 1 January 2013	–	336	27,198	1,282	30,954	6,617	66,387
Retained profit for the year	–	–	–	–	2,002	751	2,753
Foreign currency translation	–	–	–	–	74	(22)	52
Credit in relation to share based payments	–	–	–	26	–	–	26
Valuation change on cash flow hedge	–	–	–	162	–	40	202
Equity dividends paid	–	–	–	–	(1,208)	–	(1,208)
Dividends paid to non controlling interests	–	–	–	–	(239)	(590)	(829)
Investment by non controlling interest in subsidiaries other than Spectrum/DBD	–	–	–	–	–	138	138
Adjustments arising from change in non controlling interest in Spectrum/DBD (see note 7)	–	–	–	–	(330)	792	462
At 30 June 2013	**–**	**336**	**27,198**	**1,470**	**31,253**	**7,726**	**67,983**

Consolidated Cash Flow Statement

For the six months ended 30 June 2013 (unaudited)

	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Cash flows from operating activities			
Operating profit	**3,329**	1,692	2,848
Adjustments for:			
Depreciation charges	**469**	598	871
Amortisation charges	**73**	–	243
Share–based payment expense	**26**	36	54
(Profit)/loss on available–for–sale investments	**(173)**	502	871
Increase in provision for NIC on options	**10**	3	8
Operating cash flows before movement in working capital	**3,734**	2,831	4,895
Increase in trade and other receivables	**(30,338)**	(58,266)	(23,138)
Increase in trade and other payables	**32,474**	53,288	16,160
(Decrease)/increase in bear positions	**(735)**	257	609
(Increase)/decrease in bull positions	**(87)**	(2,534)	2,990
Cash generated/(utilised) by operations	**5,048**	(4,424)	1,516
Interest paid	**(169)**	(357)	(635)
Corporation tax paid	**22**	(36)	(35)
Net cash generated/(utilised) by operating activities	**4,901**	(4,817)	846
Cash flows from investing activities			
Purchases of fixed assets	**(109)**	(28)	(614)
Acquisition of further holding in DBD (see note 7)	**(1,731)**	–	–
Proceeds on disposal /(purchase) of AFS investments	**57**	(6)	(190)
Purchase of additional intangible assets	**–**	(180)	(82)
Sale of AFS investments	**–**	25	51
Interest received	**145**	146	314
Net cash utilised by investing activities	**(1,638)**	(43)	(521)
Cash flows from financing activities			
Shares/participations issued in subsidiaries to non controlling interests (see note 7)	**1,142**	86	252
Decrease in borrowings	**(175)**	(15,650)	(16,079)
Dividends paid to non controlling interests	**(829)**	(772)	(766)
Dividends paid to Equity Holders	**(1,208)**	(604)	(604)
Net cash utilised by financing activities	**(1,070)**	(16,940)	(17,197)
Net increase/(decrease) in cash and cash equivalents during the period	**2,193**	(21,800)	(16,872)
Effects of exchange rate changes	**(179)**	40	10
Cash and cash equivalents at beginning of period	**30,443**	47,305	47,305
Cash and cash equivalents at end of period	**32,457**	25,545	30,443

Notes to the Interim Financial Report

For the six months ended 30 June 2013 (unaudited)

1. Financial information

Basis of preparation

The annual financial statements of Shore Capital Group Limited (the "Group") are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this interim financial report for the period ended 30 June 2013 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

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 2 to 10, together with the financial position of the Group, its liquidity position and borrowing facilities. In addition, the principal risks and uncertainties of the Group are discussed in note 2 to this interim financial report.

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 Group has 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.

Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as are applied in the Group's latest audited Annual Report and Accounts for the year ended 31 December 2012.

2. Principal risks and uncertainties

The Group's policies for managing the risks arising from its activities are set out in the last audited Annual Report and Accounts of the group that were issued on 22 March 2013. The Group's activities comprise equity market activities and investment in alternative assets and property, 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.

3. Segmental information

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

- Equity Capital Markets provides 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.
- Asset Management and Principal Finance provides advisory and discretionary fund management services, manages specialist funds invested in alternative asset classes, and conducts principal finance activities using our own balance sheet.
- Balance sheet holdings comprises investments made using our own balance sheet.
- Spectrum represents our investment in a German Telecoms business.

Management monitors the operating results of its business units 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 arm's-length basis in a manner similar to transactions with third parties.

6 months ended 30 June 2013

	Equity Capital Markets £'000	Asset Management £'000	Balance Sheet and Principal Finance £'000	Central costs £'000	Spectrum £'000	Consolidated £'000
Revenue	12,605	3,882	744	–	566	17,797
Results						
Depreciation	128	56	262	23	–	469
Segment profit/(loss) before tax	3,074	789	(275)	(676)	393	3,305
Assets	99,211	4,760	42,012	1,335	6,299	153,617
Liabilities	(73,390)	(1,271)	(9,362)	(391)	(1,220)	(85,634)

3. Segmental information continued

6 months ended 30 June 2012

	Equity Capital Markets £'000	Asset Management £'000	Balance Sheet and Principal Finance £'000	Central costs £'000	Spectrum £'000	Consolidated £'000
Revenue	11,550	3,972	1,028	–	1,210	17,760
Results						
Depreciation	63	79	257	26	173	598
Segment profit/(loss) before tax	2,839	504	(123)	(1,010)	(729)	1,481
Assets	101,554	5,882	41,388	2,097	6,332	157,253
Liabilities	(77,641)	(144)	(9,782)	(884)	(3,622)	(92,073)

Year ended 31 December 2012

	Equity Capital Markets £'000	Asset Management £'000	Balance Sheet and Principal Finance £'000	Central costs £'000	Spectrum £'000	Consolidated £'000
Revenue	22,653	6,331	1,646	10	2,181	32,821
Results						
Depreciation	157	153	511	50	–	871
Segment profit/(loss) before tax	5,056	955	(303)	(2,018)	(1,163)	2,527
Assets	63,792	3,830	46,314	1,179	5,530	120,645
Liabilities	(37,965)	(1,184)	(10,875)	(966)	(3,268)	(54,258)

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Earnings (£)	**2,002,000**	1,158,000	1,987,000
Number of shares			
Basic			
Weighted average number of shares	**241,639,601**	241,639,601	241,639,601
Diluted			
Dilutive effect of share option scheme	**2,137,378**	2,273,236	1,721,409
	243,776,979	243,912,837	243,361,010
Earnings per share			
Basic	**0.83p**	0.48p	0.82p
Diluted	**0.82p**	0.47p	0.82p

5. Rates of dividends paid and proposed

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2012 of 0.50p (2011: 0.25p) per share	**1,208**	604	604
No interim dividend for the year ended 31 December 2012	**–**	–	–
	1,208	604	604
Proposed interim dividend for the year ended 31 December 2013 of 0.40p per share	**967**		

6. Called up share capital

Shore Capital Group Limited – ordinary shares of nil par value	Number of shares	£'000
At 1 January 2012	241,639,601	–
	–	–
At 30 June 2012	241,639,601	–
	–	–
At 31 December 2012	241,639,601	–
	–	–
At 30 June 2013	**241,639,601**	**–**

7. Events during the period

Further investment in Spectrum/DBD: During the period, Spectrum raised €3.30 million of new capital from its investors, with €2.13 million being invested by Shore Capital and €1.17 million (£1.004 million) being invested by other existing shareholders. Of the money raised, €2.0 million (£1.731 million) was utilised to acquire further equity and the remaining shareholder loans in DBD.

The following table is an analysis of adjustments arising from this further investment as shown in the Consolidated Statement of Changes in Equity:

	Retained earnings £'000	Non controlling interest £'000	Total £'000
Investment by non controlling interests in Spectrum	–	1,004	1,004
Acquisition by Spectrum of equity and shareholder loans in DBD	(1,028)	(703)	(1,731)
Net cash movement	(1,028)	301	(727)
Shareholder loans acquired in DBD	698	491	1,189
Net gain/(loss) in Statement of Changes in Equity	(330)	792	462

8. Events after the period

i. Dividend: The Group has declared an interim dividend of 0.40p per share (see note 5).

ii. Acquisition of shares: The Group notified the market that following acquisitions of shares on 29 July and 13 August 2013, it has a beneficial interest of 21.99% in The Hotel Corporation plc.

9. Financial instruments

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For trading portfolio assets and liabilities, financial assets and liabilities designated at fair value and financial investments available-for-sale which are listed or otherwise traded in an active market, for exchange-traded derivatives, and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices (level 1).

For financial instruments which do not have quoted market prices directly available from an active market, fair values are estimated using valuation techniques, based wherever possible on assumptions supported by observable market prices or rates prevailing at the Balance Sheet date (level 2). This is the case for some unlisted investments and other items which are not traded in active markets.

For some types of financial instruments, fair values cannot be obtained directly from quoted market prices, or indirectly using valuation techniques or models supported by observable market prices or rates. This is the case for certain unlisted investments. In these cases, fair value is estimated indirectly using valuation techniques for which the inputs are reasonable assumptions, based on market conditions (level 3).

30 June 2013	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
Available-for-sale financial investments	2,815	16	1,406	4,237
Bull positions and other holdings at fair value	4,145	–	–	4,145
Total financial assets	6,960	16	1,406	8,382
Bear positions	660	–	–	660
Derivatives	–	351	–	351
Total financial liabilities	660	351	–	1,011

30 June 2012	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
Available-for-sale financial investments	3,111	32	1,291	4,434
Bull positions and other holdings at fair value	9,582	–	–	9,582
Total financial assets	**12,693**	**32**	**1,291**	**14,016**
Bear positions	1,043	–	–	1,043
Derivatives	–	596	–	596
Total financial liabilities	**1,043**	**596**	**–**	**1,639**

9. Financial instruments continued

Fair value of financial instruments continued

31 December 2012	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
Available-for-sale financial investments	2,793	16	1,312	4,121
Bull positions and other holdings at fair value	4,058	–	–	4,058
Total financial assets	**6,851**	**16**	**1,312**	**8,179**
Bear positions	1,395	–	–	1,395
Derivatives	–	573	–	573
Total financial liabilities	**1,395**	**573**	**–**	**1,968**

Included in the fair value of financial instruments carried at fair value in the statement of financial position are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates (level 3).

There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting such uncertainties and are deducted from the fair value produced by valuation techniques.

There have been no significant movements between level 1 and level 2 during the period.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2013 £'000	Losses recorded in profit or loss £'000	Purchases and transfers £'000	Sales and transfers £'000	**At 30 June 2013 £'000**
Total financial assets	1,312	89	47	(42)	**1,406**

Based on the established fair value and model governance policies and the related controls and procedural safeguards the Group employs, management believe the resulting estimates in fair values recorded in the statement of financial position are reasonable and the most appropriate at the Balance Sheet date.

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Lynn Bruce
Dr Zvi Marom*
James Rosenwald III*

*Non-executive

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