Shore Capital Group Limited

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

Preliminary Results for the Year Ended 31 December 2017

Strong Group performance with significant growth in revenues and profitability

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 2017.

Financial highlights

	2017 (£ m)	2016 (£ m)	**Change (%)**
Group revenue	**41.9**	39.4	**6.3**
Capital Markets revenue	**27.2**	28.3	**(3.9)**
Asset Management revenue	**12.9**	10.4	**24.0**
Statutory profit before tax	**4.6**	2.4	**91.7**
Statutory earnings per share	**13.1p**	6.0p	**118.3**
Adjusted[1] profit before tax	**6.5**	5.1	**27.5**
Adjusted[1] earnings per share	**20.5p**	13.4p	**53.0**
Final proposed dividend per share	**5.0p**	5.0p	**-**
Total dividends for the year	**10.0p**	5.0p	**100.0**

[1] *excluding balance sheet impairments*

Operational highlights

- Capital Markets enjoyed a successful year, building its retained client base and participating in a high volume of transactions
- Capital Markets advised on three IPOs, 24 secondary fundraisings, four takeovers and added 13 new clients, including Oxford BioDynamics plc; Non-Standard Finance plc; and Mothercare plc
- Asset Management made excellent progress, growing revenues, profits and assets under management:
  - Puma Investments grew its investment offering, launched Puma VCT 13 and its Puma Alpha EIS Service, and was named Tax-Efficient Group of the Year at 2017's Investment Week Tax Efficiency Awards
  - Institutional funds advised by the Group deployed further capital with investments in high quality real estate opportunities and Mixer Global, the premium co-working business

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

"The Group has enjoyed a year of growing revenues and profitability. Our Capital Markets business has been busy, participating in a high volume of transactions during the year and growing its franchise. Meanwhile, our Asset Management division performed very strongly, with significant uplifts in revenues and profitability.

"There are excellent opportunities to grow our Asset Management platforms and in Capital Markets, our approach to MiFID II has ensured a wide distribution of our output to the investment community, with strong support from institutional clients signing-up to take our research. Consequently, we remain optimistic about our future prospects."

Enquiries:

Shore Capital	
Howard Shore, Executive Chairman	+44 (0) 20 7468 7911
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	
Montfort Communications (Public Relations)	+44 (0) 78 1234 5205
Olly Scott	

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

Chairman's statement

Introduction

The Group has enjoyed a year of growing revenues and profitability. Our Capital Markets division has been busy, participating in a high volume of transactions during the year and growing its franchise. Meanwhile our Asset Management division performed very strongly, with significant uplifts in revenues and profitability. We remain optimistic about the opportunities ahead for our Capital Markets and Asset Management operations and the business generally.

During the year, Capital Markets continued to focus on delivering the best service and outcomes for its institutional and corporate clients, growing its retained client base and working on a diverse range of transactions. Revenues in the division of £27.2 million were 4% lower year-on-year, reflecting a different business mix and the fact that more corporate transaction appointments were on a joint rather than a sole basis. The cost base was impacted by the preparations for MiFID II which came into force at the beginning of 2018, consequently profit before tax was £5.2 million at a margin of 19.1% compared to a prior year of £6.8 million at a margin of 24.0%.

The team added 13 new retained corporate clients, including Oxford BioDynamics plc; Non-Standard Finance plc; and Mothercare plc. It worked on three IPOs, 24 secondary fundraisings and four takeovers including the IPO of Global Ports Holding plc; and transactions for Playtech plc and Victoria Oil & Gas plc. On the advisory side its mandates included MarketTech plc's takeover by LabTech Investments; and the acquisition of Styles & Wood plc by Central Square Holdings.

The business extended its distribution capabilities during the year, whilst continuing to invest in its research and idea generation capabilities for clients. Our approach to MiFID II ensures a wide distribution of our output to the investment community, and we have had strong support from institutional clients signing-up to take our research and execution services. Market Making also performed well, growing revenues and profitability, and maintaining our reputation as a strong and trusted counterparty ensuring market liquidity.

The Asset Management division made excellent progress during the year, growing revenues, profits and assets under management, which rose by 5% to £865 million. Our previous investments in building the team helped enable the division to increase profits by 50% to £3.0 million on revenues of £12.9 million, an increase of 24% which grew net margins to 23%.

The Group's Private Client Investments business, Puma Investments, enjoyed a strong year which combined impressive financial results with significant operational and strategic advances. The business made material investments in headcount and infrastructure across all three of its focus areas – growth capital and private equity investments; property finance; and listed equities – and we are excited about the future opportunities for these three platforms.

The business launched its latest VCT fund, Puma VCT 13, whilst funds in the Puma EIS Service and the recently launched Puma Alpha EIS grew 30% to c.£65 million. Puma Heritage continued to grow and has now increased its NAV to over £50 million. The Puma AIM Inheritance Tax Service again delivered impressive results, with compound annual growth of 15.5% since inception, and has continued to grow inflows after inclusion on a number of fund wrap platforms.

The expertise and experience of the team at Puma Investments again led to external recognition. The company won Tax-Efficient Group of the Year at 2017's Investment Week Tax Efficiency Awards and Best AIM Investment Manager at 2017's Growth Investor Awards for the second year running.

In institutional asset management, funds advised by the Group have made significant progress during the year. Brandenburg Realty invested alongside Puma Brandenburg in Mixer Global, an exciting operator of premium co-working spaces and business lounges founded in Tel Aviv, which will enable the business to establish European headquarters and open new sites in the EU and US. Brandenburg Realty also purchased five properties in highly-prized Berlin neighbourhoods where the team will implement a range of value enhancing asset management programmes.

Puma Brandenburg completed a buyback during the year, representing an equivalent cash distribution of £5.15 per share in Shore Capital for Shore shareholders who held their shares since the time of the demerger of Puma Brandenburg and Shore Capital in 2010. Additionally, value-enhancing development work commenced at Cologne's Hyatt Regency and the team continues to co-operate closely with Lidl, focusing on maximising the value of stores held in the portfolio.

In Principal Finance, we incurred a net pre-tax reduction of £1.1 million in the carrying value of various assets, including investments in unquoted stocks and associates. Elsewhere in the division, DBD continues to hold its remaining 32 regional radio spectrum licences which cover many of Germany's largest metropolitan centres and continues to test the technology as part of its business plan for the future use of the licences.

Financial review

Income and expenditure

Revenue for the year increased by 6.3% to £41.9 million, (2016: £39.4 million) whilst administrative expenses increased by 5.0% to £35.9 million, (2016: £34.2 million). Group profit before tax increased by 91.7% to £4.6 million (2016: £2.4 million).

Revenue from Capital Markets decreased by 3.9% to £27.2 million, (2016: £28.3 million) and divisional profit before tax declined 23.5% to £5.2 million, (2016: £6.8 million), with a net margin of 19.1%, (2016: 24.0%).

Revenue from Asset Management grew by 24.0% to £12.9 million, (2016: £10.4 million) and divisional profit before tax increased 50.0% to £3.0 million, (2016: £2.0 million) representing an improved net margin of 23.3%, (2016: 19.0%).

The Principal Finance division recorded a pre-tax loss of £2.0 million (2016: £4.2 million loss).

Basic Earnings per Share
The Group generated earnings per share of 13.1p, (2016: 6.0p).

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 £38.5 million, (2016: £32.7 million) comprising cash of £35.7 million, (2016: £23.9 million) and £2.8 million of gilts and bonds, (2016: £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 £67.2 million (2016: £67.1 million) reflecting the profit in the year, offset by dividends paid and the net repurchase/cancellation of shares during the year.

In addition to the £35.7 million of cash and £2.8 million of gilts and bonds referred to above, £3.9 million was held in funds advised by the Group; £4.7 million net in quoted equities and a further £2.2 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at £2.2 million on a gross basis, before allowing for minority interests.

The remainder of the balance sheet was £15.7 million net, which included £18.5 million of net market and other debtors in the Company's stockbroking subsidiary.

During the year, the Group recorded a net £1.1 million pre-tax reduction in the carrying value of various assets, including investments in unquoted stocks and associates, (2016: £2.7 million) in the Principal Finance division.

Net Asset Value per Share
Net asset value per share at the year end was 270.0p, (2016: 269.6p).

Dividend

The Board proposes a final dividend of 5.0p, (2016: 5.0p per share), making a total for the year of 10.0p per share (2016: 5.0p per share). The dividend will be paid on Wednesday 25 April 2018 to shareholders on the register as at Friday 6 April 2018.

Operating review

Capital Markets

Overview

Despite political uncertainty in the UK and the costs of implementing regulatory change, the Capital Markets division enjoyed a successful 2017, growing its client base and developing its service offering. Revenues in the division were slightly lower year-on-year, reflecting a different business mix and the fact that more corporate transaction appointments were on a joint rather than a sole basis. The cost base was impacted by the preparations for MiFID II which came into force at the beginning of 2018. The uncertainty referred to above continues to impact UK institutional investor attitudes towards domestically focused transactions, with such institutions behaving selectively as a result. Nevertheless, we are comfortable that the business is well positioned to take advantage of future market opportunities as they arise.

The Corporate team participated in a significant number of high profile transactions, as well as adding 13 new retained corporate clients.

The Group continued to develop its distribution reach during the year and refined its research product through ongoing investment, ensuring relevance and the ability to add value to clients. Throughout our planning for entry into force of the MiFID II regulations, we continued to focus on delivering the best service and outcomes for our institutional and corporate clients, helping them to work within the new regime. Our preparations positioned us well in the market and we have had strong support from institutional clients signing-up to take our research and execution services.

Our Market Making business performed well, growing revenues and profitability, and maintaining its reputation as a strong and trusted counterparty ensuring market liquidity.

The business continues to invest in high calibre individuals and teams where the Company identifies opportunities for incremental growth, new skills and high quality relationships.

Corporate Broking and Advisory

During 2017, we have continued to be very active and participated in three IPOs, 24 secondary fundraisings and four takeovers. The team also undertook a number of private placements for unlisted companies. Significant transactions during the year included acting as:

- Joint bookrunner on the £337 million placing of ordinary shares in Playtech plc;
- Joint bookrunner on the £126.5 million placing by NextEnergy Solar Fund Limited;
- Lead manager on the Main Market IPO of Global Ports Holding plc, raising US$230 million;
- Sponsor, global co-ordinator and joint bookrunner on the Main Market IPO of UP Global Sourcing Holdings plc, raising £52.6 million;
- Lead manager on the US$125.0 million placing of ordinary shares in Savannah Petroleum PLC;
- Joint bookrunner on the £49.3 million placing of ordinary shares in Randall & Quilter Investment Holdings Ltd;
- Joint bookrunner on the €46.9 million placing of ordinary shares in Applegreen plc;
- Joint bookrunner on the US$23.5 million placing of ordinary shares in Victoria Oil & Gas plc; and
- Joint bookrunner on the €15.0 million placing of ordinary shares in Amryt Pharma plc.

Our advisory work included acting as:

- Corporate Broker to MarketTech Holdings Limited in relation to its £892.3 million takeover by LabTech Investments Limited;
- Financial adviser to Staunton Holdings Limited in relation to its £37.3 million offer for FIH Group plc; and
- Financial and Rule 3 adviser to Styles & Wood Group Plc in relation to its £42.5 million takeover by Central Square Holdings Limited.

New retainers in the year, included Oxford BioDynamics plc, Non-Standard Finance plc, Mothercare plc, Gfinity plc and Salt Lake Potash plc.

Research, Idea generation and Distribution

The political and regulatory uncertainties in the UK during the year have presented investment challenges for institutions and businesses alike. Whilst international earners – particularly in the FTSE 100 – retained their attractions for investors, domestically focused fund managers investing in UK small and mid-cap equities adopted a more selective approach. Despite this caution, we retain confidence in the capability and adaptability of British businesses to face the challenges ahead and of London as an attractive market for high quality companies with strong fundamentals to list, raise capital and thrive.

Ahead of the entry-into-force of the MiFID II regulations, the Company ensured that it was prepared for the new regulations and maintained its service-orientated focus on achieving beneficial outcomes for clients. Preparations for the new regulatory environment were implemented by a cross-Group team and we continue to believe that MiFID II provides Shore Capital with an opportunity to compete effectively and gain market share.

During the year we expanded our distribution capabilities where we believe we can play a constructive role in introducing high quality British companies to institutional investors. Our research capabilities also play an important role in our continuing primary and secondary activity; and our approach to MiFID II ensures a wide distribution of our output to the investment community, something that has been welcomed by our growing list of corporate clients.

Shore Capital's considerable focus and capabilities in FTSE 100 and FTSE 250 equities enabled it to maintain strong support for its research and idea generation services from the asset management communities. Consequently, we continue to perform well in asset managers' internal and external broker reviews, the Extel rankings and Starmine awards.

Despite the challenges presented during the year, we remained committed to developing our franchise and expanded our idea generation and equity research capability, including the appointment of Matthew Elliott as a senior political adviser; and building on our strong capabilities in the general retail and technology sectors with the addition of experienced analysts.

Market Making

Our Market Making business performed well, growing revenues and profitability, and maintaining its reputation as a strong and trusted counterparty ensuring market liquidity.

Although clearly sensitive to the overall market environment, Shore Capital remains focused and adaptable to changing trading conditions and client needs. Market Making operations continue to benefit from the team's wide stock coverage and its reputation as a strong and trusted counterparty. The team comprises highly experienced traders who are able to identify revenue opportunities whilst operating within a risk framework that ensures loss days are a rare occurrence.

Fixed Income

Fixed income trading faced a tough external environment during the year, with credit spreads continuing to trade at record low levels and activity being further hampered by market participants contemplating the implications of MiFID II. Notwithstanding this, the team performed credibly, recording a solidly profitable return albeit on lower year-on-year revenues. Since the year end, global government bond yields have started to rise and are now higher than at the start of 2017, which should in future lead to increased investor interest in the fixed income markets.

Asset Management

Overview

The Asset Management division continues to make significant progress, growing revenues, profits and assets under management. Overall AUM for the Asset Management division at the year end grew to £865 million, (2016: £825 million) driven by Private Client operations. On the institutional side of the business, funds advised by the Group achieved material strategic successes in their real estate portfolios.

During the year Puma Investments was named Tax-Efficient Group of the Year at 2017's Investment Week Tax Efficiency Awards and, for the second year running, won Best AIM Investment Manager at 2017's Growth Investor Awards.

In the Institutional business, Brandenburg Realty gained momentum, investing in a range of high quality real estate opportunities in addition to implementing its asset management programme to enhance value creation across the portfolio. The Group also helped Puma Brandenburg to obtain planning consent and commence construction of two new value-enhancing restaurants at Cologne's Hyatt Regency, in addition to implementing plans to maximise value across its Lidl store portfolio. Towards the end of the year, the team assisted with Brandenburg Realty's investment alongside Puma Brandenburg in Mixer Global, an operator of premium co-working spaces and business lounges founded in Tel Aviv. The investment will enable Mixer to establish European headquarters and open new sites in the EU and US.

Private Client Investments

The Group's Private Client Investments business, Puma Investments, enjoyed a strong year which combined impressive financial results with significant operational and strategic advances. The business made material investments in headcount and infrastructure across all three of its focus areas – growth capital and private equity investments; property finance; and listed equities – and we are excited about the future opportunities for these three platforms.

The expertise and experience of the team at Puma Investments again led to external recognition. The company won Tax-Efficient Group of the Year at 2017's Investment Week Tax Efficiency Awards and Best AIM Investment Manager at 2017's Growth Investor Awards for the second year running.

Growth Capital and Private Equity

Puma Investments offers retail investors access to tax efficient private equity offerings through our long-standing Venture Capital Trusts ("VCTs") and Enterprise Investment Scheme ("EIS") services. We look to invest in tranches, initially deploying up to £5 million into UK growth businesses with high quality, credible management teams and the potential and aspiration to grow. Our highly experienced investment team includes specialists in a wide range of sectors including health and social care; leisure and hospitality; childcare; and retail.

Since 2005, the Group has raised over £220 million for its Puma VCTs and over £110 million has been distributed to investors. The most recently closed fund, Puma VCT 12, raised £30.9 million, accounting for more than half of the total funds raised in the limited-life VCT market in the 2015/16 tax year.

The business is making good progress in deploying available funds raised for its active VCTs, which have recently paid out annual tax-free dividends of between 3.0p and 6.0p to shareholders. The Group is pleased to have launched its latest VCT for the current tax year, Puma VCT 13, which will build on the track record of previous funds.

The Puma EIS portfolio service, (the "EIS Service") was launched in November 2013 to offer investors the opportunity to invest in EIS qualifying companies utilising the team's strong track record and expertise gained from their experience running the Puma VCTs. In October 2017, the EIS Service closed for new subscriptions and the Group launched its new Puma Alpha EIS Service ("Alpha EIS"). Fundraising continued successfully throughout the period, increasing funds in both services to c.£65 million. To date, the EIS Service has invested in eight portfolio companies across a range of sectors; and Alpha EIS made its first investment towards the end of the year.

Property Finance and Construction

Puma's Property Finance and Construction team offers investors access to secured, first charge loans, at prudent loan-to-value ratios on UK real estate across a range of sectors. The platform provides lending solutions to borrowers throughout the lifecycle of property development, via three principal offerings – pre-development bridge loans; development finance; and development exit loans. Ticket sizes typically range from £5 million to £20 million and the team are active across residential, commercial and more specialist areas of real estate, including hotels and healthcare assets.

Private Client investors can access these activities through an investment into Puma Heritage plc, which utilises its diversified loan book, (over 400 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.

Puma Heritage celebrated its fourth anniversary during 2017, having recorded a significant acceleration in its net asset value, ("NAV") during the period. Subscriptions from new shareholders and organic profits increased the company's NAV to over £50 million at the time of writing. Puma Heritage remains open for investment and has a strong pipeline of loan opportunities to drive future growth.

The business continues to invest heavily into the Property Finance and Construction team. Given the platform's strong track record, significant market demand and the retrenchment of traditional lenders in development finance, we are seeking further sources of capital to deploy in the real estate lending arena and to scale this core part of our business further.

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.

Led by award-winning manager, Justin Waine, the AIM Service celebrated its third anniversary during the year; and by the year-end had delivered a 15.5% compound annual growth rate since inception, well in excess of the FTSE AIM All Share Index and the FTSE All Share Index. Puma gained further external recognition for the AIM Service winning Best AIM Investment Manager at the 2017 Growth Investor Awards for the second year in a row.

The AIM Service is available to clients with a Financial Adviser directly through Puma Investments or through selected Financial Adviser Platforms, including the Ascentric, Standard Life and Transact platforms. Assets under management more than trebled during the course of 2017, with a number of Financial Adviser clients linking their assets to our service via these wrap platforms.

Institutional Asset Management

Brandenburg Realty

Brandenburg Realty (the "Fund") gained momentum during the year, investing in a range of high quality real estate opportunities in addition to implementing its asset management programme to enhance value creation across the portfolio.

The asset advisory team sourced and recommended the acquisition of five high quality residential buildings with a total floor space of 8,500 sq.m. The buildings are located in the highly sought-after Berlin neighbourhoods of Mitte, Prenzlauer Berg and Pankow. Where applicable, the newly acquired buildings are being prepared for condominium sale. Planning permission is in place to construct new rooftop units at one of the buildings and the team is progressing this along with planning other value-enhancing renovations at each building. Debt financing options for the five newly acquired assets are also being evaluated.

Towards the end of the year, the team assisted with the Fund's investment alongside Puma Brandenburg in Mixer Global, an operator of premium co-working spaces and business lounges founded in Tel Aviv. The investment in Mixer will enable it to establish European headquarters and open new sites in the EU and US.

The team assisted the Fund's implementation of its strategy for the commercial and residential portfolio in Potsdam and the Monumentenstrasse residential building in Berlin. A full planning application to construct c.1,800 sq.m. of new residential space has been submitted in Potsdam and the process to obtain condominium title for the existing residential units is underway. At Monumentenstrasse, units continue to be sold at significantly higher prices than the underwriting expectations at the time of acquisition. This reflects not just the strength of Berlin's residential property market, but also the successful efforts of the asset advisory team.

The asset advisory team continues to seek and recommend additional acquisition opportunities to the Fund.

Puma Brandenburg Limited ("PBL")

During the year, PBL completed a tender offer to acquire the remaining interests of the minority shareholders at €6.00 per unit comprising a combined A and B Share. The take-up and support for the offer was extremely strong. PBL acquired 26.7% of the company, resulting in Howard and Andrée Shore increasing their shareholding to 90% of the company. This represented an equivalent cash distribution of £5.15 per share in Shore Capital for Shore shareholders who held their shares since the time of the demerger of PBL and Shore Capital in 2010.

The Group has continued to help PBL achieve significant success across its portfolio, including:

- Obtaining planning permission at Cologne's Hyatt Regency for the construction of two new restaurants, (total internal space of 500 sq.m.) on the river bank in front of the hotel. Following the detailed planning for the construction of these value enhancing restaurants, building works commenced in December 2017 and are expected to be completed in the late summer of 2018;
- Ongoing close co-operation with Lidl to maximise value in the portfolio of stores located across Germany. The latest mutually beneficial agreement was signed in August 2017 and provides for lease extensions, (ranging from five to 12 years) at 10 stores. In total, over the last 12 months the lease term has been extended at 14 stores; and
- PBL's participation in the Mixer Global investment, as noted above.

St Peter Port Capital ("SPPC")

SPPC announced its interim results for the six months ended 30 September 2017 on 9 November 2017. As at that date, it had investments in seven companies, (excluding those companies in the portfolio it had written down to zero).

The directors of SPPC reported that they had implemented a cost reduction programme expected to save approximately £200,000 per annum. They also reported that although some initial discussions had taken place with potential buyers of the company, (or some of its assets) none of these discussions had led to viable offers being received. As a result, the Strategic Review initiated in October 2016 was terminated on 9 November 2017.

As before, substantially all the value in the portfolio is made up of four illiquid investments, two of which require significant capital injections to progress to the next stage of their respective evolution. A more benign regulatory environment for mining projects in the US has improved the prospects of one of the company's investments, (previously written down) but significant legal barriers remain. The directors continue to seek realisations for the portfolio.

Principal Finance

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

Puma Social Care Investments ("PSCI")

During the year the Group launched PSCI, a joint venture focused on real estate opportunities in the supported living sector, with equity commitments totalling £21 million, contributed equally from the Group alongside two family offices in the United States. The Asset Management division advised on PSCI's full deployment into a portfolio of properties and, towards the end of the year, helped realise value created in the joint venture by sourcing and executing a sale of the portfolio, achieving an IRR of over 27% for investors. The Group continues to work in the sector in connection with the acquisition of further assets which if successful will continue to generate revenue for the Group.

Spectrum Investments

The division holds the Group's investment in DBD which, through a subsidiary, holds 32 regional radio spectrum licences in Germany of indefinite duration, (the "Licences"). Shore Capital holds a 59.94% interest in Spectrum Investments Limited, the parent company of DBD.

DBD has been given consent by the German Telecoms Regulator ("BNetzA") to test the LTE TDD technology which will support its business plan for the future use of the Licences, premised upon a small radio cells network concept. Initial pilot schemes have commenced in Berlin, Karlsruhe, Dusseldorf, Hannover, Dresden and Leipzig and DBD plans to roll out additional pilots in other areas covered by the Licences.

For the initial trials, at the request of BNetzA, DBD is using temporary test licences granted to it by BNetzA. However, DBD believes that, as a result of Article 9a of the EU Framework Directive (2002/21/EC, as amended) implemented in Germany by Sec. 150 para 8 of the German Telecommunications Act, it should be permitted to use its existing Licences to conduct the pilot schemes and to support the roll out of its services in the future. Agreement on this point has not yet been reached with BNetzA and correspondence between DBD and BNetzA is ongoing.

In correspondence with DBD, BNetzA has noted that its ongoing consideration of the status and use of the Licences should be taken in the context of its ongoing review of spectrum frequency planning for the years after 2021/2022 and in particular its frequency concept for the 3.5GHz band, into which the Licences fall.

During the year, the division incurred a net pre-tax reduction of £1.1 million in the carrying value of various assets, including investments in unquoted stocks and associates, which included a permanent impairment in relation to certain assets due to a declining assessment of recoverable value. As these impairments are considered one-offs, they have been added back in arriving at adjusted profits and earnings.

Current Trading and Prospects

There are excellent opportunities to grow our Asset Management platforms and in Capital Markets, our approach to MiFID II has ensured a wide distribution of our output to the investment community, with strong support from institutional clients signing-up to take our research. Consequently, we remain optimistic about our future prospects.

Howard Shore
Chairman
26 March 2018

Unaudited Consolidated Income Statement
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	2	**41,896**	39,408
Administrative expenditure		**(35,906)**	(34,187)
Balance sheet impairments		**(1,883)**	(2,664)
Share of results of associates		**805**	-
Operating profit		**4,912**	2,557
Interest income		**95**	239
Finance costs		**(430)**	(391)
		(335)	(152)
Profit before taxation	2	**4,577**	2,405
Taxation		**(912)**	(554)
Profit for the year		**3,665**	**1,851**
Attributable to:			
Equity holders of the parent		**2,826**	1,302
Non-controlling interests		**839**	549
		3,665	1,851
Earnings per share			
Basic	4	**13.1p**	6.0p
Diluted	4	**12.8p**	5.8p

Unaudited Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit after tax for the year	**3,665**	1,851
Items that may be reclassified to the income statement		
Losses on revaluation of available-for-sale investments	**(14)**	(43)
Gains on cash flow hedges	**105**	70
Tax thereon	**(20)**	(14)
	71	13
Exchange difference on translation of foreign operations	**516**	468
Other comprehensive income for the year, net of tax	**587**	481
Total comprehensive income for the year, net of tax	**4,252**	2,332
Attributable to:		
Equity holders of the parent	**3,260**	1,582
Non-controlling interests	**992**	750
	4,252	2,332

Unaudited Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Goodwill		**381**	381
Intangible assets		**2,229**	2,135
Property, plant & equipment		**7,699**	9,423
Investment properties		**-**	2,885
Principal Finance Investments		**6,475**	8,221
Deferred tax asset		**149**	-
		16,933	23,045
Current assets			
Trading assets		**8,154**	12,290
Trade and other receivables		**52,767**	51,774
Derivative financial instruments		**32**	123
Cash and cash equivalents		**35,673**	23,937
		96,626	88,124
Total assets	**2**	**113,559**	111,169
Current liabilities			
Trading liabilities		**(1,017)**	(765)
Trade and other payables		**(34,602)**	(31,126)
Derivative financial instruments		**(12)**	(224)
Tax liabilities		**(966)**	(770)
Borrowings		**(9,726)**	(431)
		(46,323)	(33,316)
Non-current liabilities			
Borrowings		**-**	(10,649)
Deferred tax liability		**-**	(15)
Provision for liabilities and charges		**(66)**	(104)
		(66)	(10,768)
Total liabilities	**2**	**(46,389)**	(44,084)
Net assets		**67,170**	67,085
Capital and reserves			
Share capital		**-**	-
Share premium		**1,866**	336
Merger reserve		**14,903**	17,151
Other reserves		**1,596**	1,596
Retained earnings		**39,882**	39,587
Equity attributable to equity holders of the parent		**58,247**	58,670
Non-controlling interest		**8,923**	8,415
Total equity		**67,170**	67,085

Unaudited Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2016	-	336	17,151	2,164	38,845	8,546	67,042
Profit for the year	-	-	-	-	1,302	549	1,851
Revaluation of available for sale investments	-	-	-	(43)	-	-	(43)
Foreign currency translation	-	-	-	-	278	190	468
Valuation change on cash flow hedge	-	-	-	56	-	14	70
Tax on cash flow hedge	-	-	-	(11)	-	(3)	(14)
Total comprehensive income	-	-	-	2	1,580	750	2,332
Decrease in deferred tax asset recognised directly in equity	-	-	-	(581)	-	-	(581)
Dividends paid to / rebalancing of non controlling interests	-	-	-	-	(838)	(1,221)	(2,059)
Credit in relation to share based payments	-	-	-	11	-	-	11
Investment by non controlling interest in subsidiaries	-	-	-	-	-	340	340
At 31 December 2016	-	336	17,151	1,596	39,587	8,415	67,085

Unaudited Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'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 Cash Flow Statement
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Operating profit		**4,912**	2,557
Adjustments for:			
Depreciation and impairment charges		**2,775**	3,534
Share-based payment expense		**8**	11
Fair value losses/(gains) on Principal Finance investments		**320**	(255)
Share of results of associates		**(805)**	-
Reduction on provision for national insurance on options		**(38)**	(431)
Operating cash flows before movements in working capital		**7,172**	5,416
(Increase)/decrease in trade and other receivables		**(902)**	19,896
Increase/(decrease) in trade and other payables		**3,369**	(12,765)
Increase/(decrease) in trading liabilities		**252**	(181)
Decrease/(increase) in trading assets		**4,136**	(2,946)
Cash generated by generated by operations		**14,027**	9,420
Interest paid		**(430)**	(391)
Corporation tax paid		**(962)**	(717)
Net cash generated by operating activities		**12,635**	8,312
Cash flows from investing activities			
Purchase of property, plant and equipment		**(681)**	(517)
Sale of property, plant and equipment		**80**	-
Sale / (purchase) of investment property		**2,885**	(2,885)
Investment in associate		**(7,000)**	-
Redemption of shares in associate		**7,750**	-
Income from associate		**55**	-
Purchase of Principal Finance investments		**-**	(1,808)
Sale of Principal Finance investments		**314**	141
Interest received		**95**	239
Net cash generated by/(used in) investing activities		**3,498**	(4,830)
Cash flows from financing activities			
Issue of shares		**1,530**	-
Investment by non controlling interest in subsidiaries		**210**	340
Repurchase of own shares		**(2,248)**	-
Decrease in borrowings		**(393)**	(430)
Dividends paid to equity shareholders	**3**	**(2,167)**	-
Dividends paid to non controlling interests		**(1,438)**	(2,059)
Net cash used in financing activities		**(4,506)**	(2,149)
Net increase in cash and cash equivalents		**11,627**	1,333
Effects of exchange rate changes		**109**	491
Cash and cash equivalents at the beginning of the year		**23,937**	22,113
Cash and cash equivalents at the end of the year		**35,673**	23,937

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").

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 2017 within the meaning of section 244 of the Companies (Guernsey) Law, 2008.

The financial information for the year ended 31 December 2016 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 2017 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 are set out in the 2017 Annual Report and Accounts of the Company.

A copy of this statement is available on the Company's website at 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 AIM and small cap stocks, fixed income broking and corporate broking and advisory for 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 2017	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	**27,230**	**12,906**	**-**	**1,760**	**41,896**
Results					
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	**5,193**	**3,001**	**(1,651)**	**(1,966)**	**4,577**
Assets	**66,317**	**8,319**	**2,948**	**35,975**	**113,559**
Liabilities	**(33,300)**	**(2,622)**	**(637)**	**(9,830)**	**(46,389)**

Year ended 31 December 2016	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	**28,286**	**10,446**	**-**	**676**	**39,408**
Results					
Balance sheet impairments	**-**	**-**	**-**	**(2,664)**	**(2,664)**
Depreciation	**(298)**	**(85)**	**(57)**	**(606)**	**(1,046)**
Interest expense	**(64)**	**-**	**-**	**(327)**	**(391)**
Profit/(loss) before tax	**6,787**	**1,980**	**(2,119)**	**(4,243)**	**2,405**
Assets	**61,503**	**5,894**	**3,535**	**40,237**	**111,169**
Liabilities	**(29,274)**	**(2,149)**	**(828)**	**(11,833)**	**(44,084)**

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

3. Rates of Dividends Paid and Proposed

	2017 £'000	2016 £'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	-
	2,167	-

The directors propose a final dividend of 5.0p per share for the year ended 2017 (2016: 5.0p 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 2017 there were 21,573,322 ordinary shares in issue (2016: 21,768,791).

During the period the Group repurchased for cancellation 621,598 of its ordinary shares of no par value ("Ordinary Shares") at a price of £2.38 per share and a further 320,000 at £2.40 per share, a total cancellation of £2,247,000.

The Group also issued 746,129 new ordinary shares of no par value pursuant to the exercise of options at £2.05 per share totalling £1,530,000.

	2017		2016	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**2,826,000**	**2,826,000**	1,302,000	1,302,000
Number of shares	**21,645,329**	**22,019,172**	21,768,791	22,347,760
Earnings per share (p)	**13.1**	**12.8**	6.0	5.8

Calculation of number of shares		**2017**		2016
	Basic	**Diluted**	Basic	Diluted
Weighted average number of shares	**21,645,329**	**21,645,329**	21,768,791	21,768,791
Dilutive effect of share option schemes	**-**	**373,843**	-	578,969
	21,645,329	**22,019,172**	21,768,791	22,347,760

Notes

A copy of this announcement is available on the Company's website at 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.