



**SHORE CAPITAL GROUP PLC**



For the six months ended  
30 June 2006

Shore Capital Group plc

**Howard Shore, Executive Chairman of Shore Capital Group, said:**

“Our asset management business has developed strong momentum as a result of recent fund launches and the performance of the vehicles it manages. This momentum is likely to give rise to further significant growth in the division's turnover in the second half of 2006. ECM has experienced rapid growth and has achieved a stronger market share and reputation which position us well in the possible event of weaker market conditions. Our diversity of income and the flow through from these developments support us in expecting another record year for the Group.”

# Highlights

| Six months ended 30 June   | 2006<br>£m   | 2005<br>£m | Increase<br>% |
|----------------------------|--------------|------------|---------------|
| Revenue                    | <b>20.50</b> | 12.11      | 69.3          |
| Profit before tax          | <b>9.42</b>  | 5.06       | 86.2          |
| Earnings per share         | <b>2.14p</b> | 1.19p      | 79.8          |
| Interim dividend per share | <b>0.5p</b>  | 0.375p     | 33.3          |

- All areas of equity capital markets (“ECM”) and alternative asset fund management continue to grow strongly
- Return before tax on capital employed (annualised) of 47.4% (2005 H1: 35.9%)
- Very strong ECM growth, turnover of £14.6m is up 95% reflecting both strong secondary market turnover and an expanding primary franchise
- Raised over £300m for corporate clients in first 8 months of 2006
- Successful launch of Puma Brandenburg, expected to exceed €1 billion in assets by end of 2007
- All holdings of Puma Property now sold and nearly all cash distributed: net return to investors of over 39% p.a. (from launch in 2002 to closure in 2006)
- Track record over 10 years of alternative asset class funds and structured finance products is 30% p.a.
- Performance of existing fund vehicles, particularly Hotels, and launch of new fund vehicles likely to generate strong growth in asset management income in second half
- Opened a German office to undertake principal finance and fund-raising transactions as well as property advisory work

# Chairman's Statement

I am pleased to report further strong growth in the first half of 2006. Both our ECM and Asset Management divisions performed strongly, with important contributions from all areas of the business: in ECM these are secondary commission generated by our highly regarded institutional sales and research operation; primary business from our expanded corporate finance activity working with the sales team; and market-making where we are the second largest on AIM in terms of stock coverage. In asset management most of our activity is focused on alternative asset class fund management with growing income from both management fees and carried interest. Also significant is our income from principal finance/ deployment of our own balance sheet.

## Financial Review

Revenue for the half-year was £20.50m (2005 H1: £12.11m). This represented a 32.0 per cent increase on the second half of 2005 and a 69.3 per cent increase over the first half of 2005.

Administrative expenses include activity-related staff remuneration, but also include fixed costs. They

therefore continue to increase more slowly than revenue (52.4 per cent higher than 2005 H1) and as a result the Group achieved an operating profit of £9.60m (2005 H1: £4.95m). Net investment income and finance costs incurred an outflow of £177,000 (2005 H1: inflow of £104,000), the reduction largely reflecting the greater funding requirement as the volume of market-making activity increases. Profit before tax was £9.42m (2005 H1: £5.06m), generating earnings per share of 2.14p (2005 H1: 1.19p), an increase of 79.8 per cent. The net margin before tax was 46.0 per cent (2005 H1: 41.8 per cent).

Revenue from ECM was £14.58m (2005 H1: £7.48m), with a net margin of 44.3 per cent (2005 H1: 27.4 per cent). Revenue from asset management and principal finance/ own balance sheet was £5.92m (2005 H1: £4.63m) with a net margin of 50.1 per cent (2005 H1: 65.0 per cent). Revenue in the first half does not include management fees from Puma Brandenburg which start to accrue when property purchases are completed. Staff costs, including incentive costs, totalled 39.2 per cent (2005 H1: 37.3 per cent) of revenue.

### Balance Sheet

Our balance sheet remains strong and we continue to maintain considerable liquidity. Total equity was £52.2m at the half year end. Cash balances at the period end totalled £8.0m and after offsetting short term borrowings net cash totalled £0.6m. £6.9m net was held in quoted equities and a further £25.8m in the various Puma Funds and liquid hedge funds. The balance of £18.9m mainly comprised net market debtors.

### Return on Capital Employed

I commented in our full year results that we regard return before tax on total capital employed as a key measure of the performance of the Group as a whole. We are therefore pleased to report that return before tax on total capital employed was 21.4 per cent for the half year period, which is the equivalent of 47.4 per cent annualised (2005 H1: 14.3 per cent, 2005 as a whole: 35.9 per cent).

### Dividend

In the light of the positive trading results for the period, we declare an interim dividend of 0.5p per share. The dividend is expected to be paid

on Wednesday, 27 September 2006 to shareholders on the register as at Friday, 15 September 2006.

## Operating Review

Our strategy is to concentrate on two areas of the investment industry, namely equity capital markets and alternative assets/principal finance, where we can be strong and profitable participants by serving entrepreneurs, companies and institutions.

## Equity Capital Markets

### Overview

Our business offers a full service in equity capital markets, spanning research in selected sectors, broking for institutional and professional clients, market-making in AIM and small cap stocks and corporate finance for mid and small cap companies. The business is now reaping the benefits of fully integrating the ECM activities with all areas seeing strong growth. We now have a staff of some 60 people in this division and are continuing to recruit. Reflecting this growth, we opened a new trading floor in January 2006 which provides the space to expand,

# Chairman's Statement continued

both in sales and trading and elsewhere in the Group using the space vacated.

## Research and Sales

Our institutional sales and research activity is now well established. This is reflected in its continued growth in revenue from secondary business, at the same time as supporting significantly more primary activity. We have established client relationships with nearly all significant fund management groups in the UK dealing regularly in the types of equities we cover and we continue to widen our range of contacts in major fund management groups.

We also continue to expand our sales team with the aim of capitalising on the quality of our research product and order flow. Our team of analysts research about 250 stocks across a broad range of sectors within consumer related industries, technology, financial services, property and construction; we plan to continue to increase our coverage and to add analysts of quality where we can see a market opportunity and intend to commence coverage of healthcare in mid September.

## Market-making

Market-making performed well over the half year, benefiting from strong trading volumes, the expanding number of stocks on AIM and the broader range of electronic links we have installed to enable us to deal directly with major retail brokers.

We continue to increase the number of stocks covered (now about 1,100, compared to just over 900 a year ago) and maintain strong relationships with the major retail houses which are our main customers. As previously, we will continue to seek to widen the range of electronic channels through which we deliver our Retail Service Provider platform.

Our market-making division also benefits from the more active involvement of fund managers in the day-to-day trading of AIM stocks and we are therefore able to use our extensive institutional contacts to add to and complement the business we transact. Our market-making team has begun making markets in stocks quoted on Plus Markets (formerly OFEX).

Statistics from the London Stock Exchange show that by number of

stocks covered we continue to be the second largest market-maker on AIM and the third largest on the London Stock Exchange as a whole.

### Corporate Finance

The corporate finance team continued to increase the corporate retained list, now 50 public companies, and raised over £300m in new equity for companies in the first 8 months of 2006, a record amount. As a result, both retainers and transaction fees showed good growth. This activity now has strong momentum as it catches up with the expansion of our institutional sales and broking business and is growing rapidly, benefiting from our strength as a full service ECM business. A good measure is the increasing size of our fund-raisings, with Blackstar Investors raising a total of £80m in two placings in January and July 2006 and Puma Brandenburg raising £185m in March 2006. During the period we also undertook a number of takeover transactions and remain highly active in this area.

We are encouraged by the strength and quality of the pipeline for the autumn. This includes a number of mandates to conduct some sizeable flotations.

We were particularly pleased to be appointed as a corporate stockbroker to Tesco plc for the implementation of its share buy-back programme. This reflects the high reputation of our food retailing research team, our strong execution capability and the growing momentum within the business.

## Alternative Assets and Investment Management

### Overview

Our alternative asset class fund management business had another strong half year, with the product portfolio continuing to expand and robust performance of the funds we manage. During the half year we raised two further alternative asset class products: the first was Puma Brandenburg to invest in German residential real estate, which has resources to acquire over €1 billion in assets once fully invested. We also raised £39m for our two new twinned Puma VCTs, making this one of the largest fund-raisings for a new VCT in the 2005/6 fund-raising round and giving us over £60m to manage in VCTs overall.

We announced in May that the Puma Property Fund had sold the remainder

Chairman's Statement continued**Returns from Absolute Return and Model Portfolio Products  
Performance in 2006 H1 and since Inception**

|                                                                                                                                                | Inception Date | Asset Type                                                 | Performance<br>in 2006 H1<br>% | IRR to<br>Date<br>% p.a. |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|--------------------------------|--------------------------|
| <b>Absolute Return Products</b>                                                                                                                |                |                                                            |                                |                          |
| Puma Absolute Return Fund                                                                                                                      | May 2003       | Fund of<br>hedge funds                                     | 5.4                            | 9.8                      |
| Puma Enhanced Absolute<br>Return Fund                                                                                                          | March 2005     | Geared fund of<br>hedge funds                              | 6.9                            | 15.2                     |
| Puma VCTs I/II <sup>(1)</sup>                                                                                                                  | Apr/May 2005   | VCT                                                        | 4.1                            | 8.5                      |
| Puma VCTs III/IV <sup>(1)</sup>                                                                                                                | Mar/Apr 2006   | VCT                                                        | 0.1                            | n/a                      |
| Puma II                                                                                                                                        | Dec 1999       | Growth capital                                             | 4.2                            | 6.4                      |
| Puma Theta                                                                                                                                     | Oct 2005       | Statistical<br>arbitrage                                   | 0.2                            | 1.2                      |
| Puma Property Fund                                                                                                                             | July 2002      | UK commercial<br>property                                  | Not<br>meaningful              | 39.0                     |
| Dawnay Shore Hotels <sup>(2)</sup>                                                                                                             | July 2004      | Hotels                                                     | Not yet<br>announced           | 25.0                     |
| Puma Brandenburg Ltd <sup>(3)</sup>                                                                                                            | March 2006     | German<br>Residential<br>Property                          | 4.5                            | 16.5                     |
| <sup>(1)</sup> Weighted composite of two VCTs <sup>(2)</sup> Based on June 2005 valuation of hotels <sup>(3)</sup> Based on stock market price |                |                                                            |                                |                          |
| <b>Model Portfolios</b>                                                                                                                        |                |                                                            |                                |                          |
| Growth Portfolio                                                                                                                               | Feb 2002       | Equities, bonds<br>and unit trusts                         | 2.0                            | 4.8                      |
| Balanced Portfolio                                                                                                                             | Feb 2002       | Equities, bonds<br>and unit trusts                         | 1.0                            | 6.8                      |
| Multi-manager Growth Portfolio                                                                                                                 | July 2003      | Unit trusts                                                | 3.7                            | 20.7                     |
| Multi-manager Income Portfolio                                                                                                                 | July 2004      | Unit trusts                                                | 4.2                            | 16.7                     |
| <b>10 Year Track Record</b>                                                                                                                    |                |                                                            |                                |                          |
| Composite of funds                                                                                                                             | May 1996       | Alternative asset<br>class funds and<br>structured finance | n/a                            | 30.0                     |



of its properties. As a result of these sales the Fund is now being liquidated, halfway through its planned life (it was established in 2002 as a 7 to 9 year life fund), generating a net return to investors of over 39% per cent p.a.

The table opposite summarises the performance of the various funds we run, both absolute and relative return, for the first six months of 2006 where applicable and since inception. We have not shown figures for Dawnay Shore Hotels plc as we await the latest external property valuation.

### Funds Under Management

Total funds under management as at the end of August 2006 were £852 million, equivalent at that date to \$1.62 billion, a 26.2 per cent increase on the figure at 31 August 2005 of £675m (\$1.23b). These figures are after accounting for the largely complete return of cash to investors in the Puma Property Fund. The underlying performance of the funds was strong. Funds under management are expected to grow as the size of Puma Brandenburg increases.

### Puma Brandenburg

We raised £185m in new equity for Puma Brandenburg Limited ("Puma

Brandenburg"), a new property fund in March 2006. Puma Brandenburg is a new investment company established to invest in German real estate and is managed by a subsidiary of Shore Capital, Puma Property Advisors Limited ("PPAL").

The company is to invest in a diversified portfolio of real estate, typically comprising apartment blocks in good urban locations, often containing an element of retail and/or commercial space. It intends to finance its purchases using medium term debt finance of approximately 80 per cent in addition to its equity.

Since its establishment Puma Brandenburg has acquired approximately 176,000 square metres of residential/mixed use property plus car parking spaces and other land in Berlin for a total consideration of approximately €161 million. We are very encouraged by the quality of the acquisitions made to date and by the progress made. On current trends, Puma Brandenburg will hold over €1 billion of assets by the end of 2007.

PPAL will receive an aggregate annual management fee of 0.4 per cent of the gross value of the properties and property-related assets, of which

# Chairman's Statement continued

75 per cent will be retained by Shore Capital. There will also be a carried interest for the principals including Shore Capital in the success of the company of 20 per cent of returns, subject to an 8 per cent hurdle rate of return. As the portfolio of Puma Brandenburg grows, our fee income will become increasingly material; however in due course, the carried interest could become of much greater significance in relation to the size of our balance sheet.

## Puma Property Fund

We established the Puma Property Fund in 2002 to invest in UK commercial investment property on a leveraged basis. It purchased £110m of investment properties at cost, using investors' funds and bank debt.

As mentioned above, the Fund is now being liquidated, halfway through its planned life. The Fund sold its entire portfolio for a total of £148.1m, generating a capital gain of £37.9m. Including rents received during the life of the Fund, the limited partners have made a gain of 130 per cent on their total original investment after management fees and carried interest, representing an IRR of over 39 per cent p.a. (from launch in 2002 to closure in

2006). As a result of the disposals, Shore Capital's carried interest in the vehicle has crystallised and we have also received the great majority of our interest as a limited partner.

## Dawney Shore Hotels

We launched a second property-related venture in 2004, Dawney Shore Hotels plc ("DSH"), which has acquired portfolios of four star British regional hotels, using private equity and mezzanine finance raised by Shore Capital and senior debt provided by banks. Following its most recent purchase of three Furlong Hotels, including the Lygon Arms, it now holds 20 four and five star hotels under the Paramount brand. Shore Capital has a significant investment in DSH and also has a carried interest in the success of the company.

Recent transactions in the hotel sector support our belief that EBITDA multiples of assets of this quality have risen substantially. Given the leveraged nature of DSH's funding, this implies a significant uplift in the value of the equity. Moreover, DSH is actively exploiting the potential for gains in value through developing the portfolio by adding extra rooms, major

refurbishments such as at Hinckley and more wholesale redevelopments such as at Walton Hall near Stratford and (subject to planning) at the Imperial Hotel, Torquay. As a result, we expect a very substantial contribution to our second half from the venture.

#### Puma Absolute Return Fund (“PARF”)

The two months of May and June 2006 were a tough period for hedge funds generally after the first four months of 2006 which were benign. In that light PARF’s performance was relatively good, being up 5.4 per cent over the period for sterling investors. The difficult summer saw a combination of rising US interest rates and a change in macro, commodities and equities sentiment at the same time. PARF had only a small drop in May and made gains in June, reflecting the quality of the underlying funds held. PARF’s total return since inception (May 2003) in sterling terms is 34.2 per cent, an IRR of 9.7 per cent, achieved with relatively low volatility. Year on year performance was 13.5 per cent.

PEARF, the leveraged version of the fund of hedge funds did even better, gaining 6.9 per cent in 2006 H1, as

the leverage significantly enhanced returns. The annualised return for PEARF from launch is 13.0 per cent.

Now that these products are established with a strong 3 year track record, we are able to market to a broader range of potential investors and are increasing our marketing efforts accordingly.

#### Puma Theta

We launched a new hedge fund, Puma Theta, in October 2005 in conjunction with an established hedge fund manager who had been successfully running the strategy for Israeli clients. Their flagship fund had achieved good returns with a strategy using statistical arbitrage to exploit pricing and volatility anomalies in options over major stock indices. Unfortunately, the performance of Theta did not match their previous performance, in large part because volatility on these indices began to experience discontinuities. Over the 11 months to 31 August 2006 Theta achieved a small gain, which is not enough to give any traction for marketing. We and our partners therefore decided to close the fund and we have withdrawn our \$4 million used to seed the Fund.

# Chairman's Statement continued

## Puma Sphera

We are planning to launch another new hedge fund, Puma Sphera in Q4 of this year. This will make the long established and proven expertise of Sphera Fund Management of Tel Aviv (which is already supported by nearly \$150m of local institutional and private investors' capital) available to international investors for the first time. Sphera is the largest Tel Aviv based hedge fund manager by a considerable margin, as the Israeli hedge fund industry is embryonic.

The Fund will replicate a proven, fundamentally driven long-short equity strategy managed by Sphera since 2001, focused mainly on Israeli and Israeli-related companies listed on the Tel Aviv, Nasdaq and other international exchanges. The strategy gained 191.9 per cent net from the beginning of 2001 to 30 June 2006; over which period the local TA 100 index was up 60 per cent and the Nasdaq down 12.1 per cent. Average annualised returns have been 21 per cent net since 2001, with low double digit volatility.

This new venture broadens the scope of our alternative asset class funds under the Puma brand and complements our fund of hedge funds

product. We are bringing seed capital, distribution capabilities and operational infrastructure to the managers with talent and entrepreneurship. We will also contribute to overall investment strategy, sit on the investment committee and intend to seed the fund with \$5m of our capital, to be matched by our Israeli partners.

## Private Client Investment Management

Our track record for private client investment management remains strong. Our balanced portfolio has outperformed its benchmark by 3.7 per cent from launch to 30 June 2006 and gained 1.0 per cent in absolute terms in the six months. Over the same 42 months to 30 June 2006 the growth portfolio also outperformed its benchmark by 9.7 per cent and gained 1.0 per cent in absolute terms in the six months.

Our "long only" range of products based on picking "best of breed" long only funds continued to do well. The growth orientated fund of funds has achieved 75.9 per cent growth since launch at 30 June 2003 to 30 June 2006 and out-performed its benchmark by 16.8 per cent. The newer income-orientated fund of funds has achieved

36.1 per cent since launch at 30 June 2004 to 30 June 2006 and outperformed its benchmark by 8.0 per cent.

### Puma Venture Capital Trusts

As discussed above, we launched two further Puma VCTs to take advantage of the higher income tax relief (and increased maximum investment per person) offered for 2005/6 (as for 2004/5). We had conceived a unique combination of a growth capital and alternative asset class fund offering tax free returns as well as an initial 40 per cent tax relief. From launch in December to closing on 5 April 2006 we raised £39 million, making it one of the most successful launches of that fund-raising round. We now manage over £60m in VCTs. The performance of the first two VCTs has exceeded our internal targets, with a return of 10.4 per cent since inception and an IRR of about 8.5 per cent p.a.

### Puma II

Puma II, our Growth Capital Fund, gained 4.2 per cent in net assets per share during the six months. As at 30 June 2006, its net assets per share had grown by 51.2 per cent since inception. Its remaining life is short (the process of winding up begins in December

2006) and we are now principally focused on realising the investments or making them more liquid.

### Principal Finance – Orchid Developments

We have been pleased to see the continued progress of Orchid Developments, the Bulgarian property developer, for which we provided seed finance, raised funding from clients, assisted in its development and subsequently managed the flotation. Orchid raised a further €25m of equity in a secondary placing at a substantial premium to its flotation price.

### Track Record

We have also calculated the track record of our alternative asset class funds and structured finance since our first launch, Puma 1, in 1996. Over this 10 year period, we calculate that the net return to investors from a composite of the vehicles was 30 per cent p.a.

### German Office

Following on from the successful launch of Puma Brandenburg, we have recently opened an office in Berlin to undertake principal finance transactions, capital raisings and real estate advisory work.

## Chairman's Statement continued

The Berlin office has already started to recruit local professionals, and we expect to employ some ten people by the end of the year. We believe that this office will give us better opportunities to access a fast-growing market, including Eastern Europe as well as Germany, for principal finance deals and possibly to launch other alternative asset class funds. It should also enable us to leverage off our growing connections with the local market to service entrepreneurial companies seeking to raise money and conduct business on the London AIM market.

### **Current Trading and Prospects**

Our asset management business has developed strong momentum as a result of recent fund launches and

the performance of the vehicles it manages. This momentum is likely to give rise to further significant growth in the division's turnover in the second half of 2006. ECM has also had rapid growth and is operating at a higher level of market positioning and recognition, which positions us well in the possible event of weaker market conditions. Our diversity of income and the flow through from these developments support us in expecting another record year for the Group.

**Howard Shore**  
Executive Chairman

6 September 2006

# Independent Review Report to Shore Capital Group plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

**Deloitte & Touche LLP**  
Chartered Accountants  
London

5 September 2006

# Consolidated Income Statement

For the six months ended 30 June 2006 (Unaudited)

|                               | Notes | Six months<br>ended<br>30 June 2006<br>£'000 | Six months<br>ended<br>30 June 2005<br>£'000 | Year ended<br>31 December 2005<br>£'000 |
|-------------------------------|-------|----------------------------------------------|----------------------------------------------|-----------------------------------------|
| <b>Revenue</b>                | 2     | <b>20,502</b>                                | 12,107                                       | 27,644                                  |
| Administrative expenditure    |       | <b>(10,901)</b>                              | (7,153)                                      | (15,074)                                |
| <b>Operating profit</b>       |       | <b>9,601</b>                                 | 4,954                                        | 12,570                                  |
| Interest income               |       | <b>260</b>                                   | 258                                          | 404                                     |
| Finance costs                 |       | <b>(437)</b>                                 | (154)                                        | (324)                                   |
|                               |       | <b>(177)</b>                                 | 104                                          | 80                                      |
| <b>Profit before taxation</b> | 2     | <b>9,424</b>                                 | 5,058                                        | 12,650                                  |
| Taxation                      | 3     | <b>(2,659)</b>                               | (1,524)                                      | (3,387)                                 |
| <b>Profit for the period</b>  |       | <b>6,765</b>                                 | 3,534                                        | 9,263                                   |
| Attributable to:              |       |                                              |                                              |                                         |
| Equity holders of the parent  |       | <b>5,826</b>                                 | 3,259                                        | 8,537                                   |
| Minority interest             |       | <b>939</b>                                   | 275                                          | 726                                     |
|                               |       | <b>6,765</b>                                 | 3,534                                        | 9,263                                   |
| <b>Earnings per share</b>     |       |                                              |                                              |                                         |
| Basic                         | 4     | <b>2.14p</b>                                 | 1.19p                                        | 3.07p                                   |
| Diluted                       | 4     | <b>2.03p</b>                                 | 1.16p                                        | 3.07p                                   |

All results are in respect of continuing operations.



# Consolidated Balance Sheet

As at 30 June 2006 (Unaudited)

|                                                                | Notes | As at<br>30 June 2006<br>£'000 | As at<br>30 June 2005<br>£'000 | As at<br>31 December 2005<br>£'000 |
|----------------------------------------------------------------|-------|--------------------------------|--------------------------------|------------------------------------|
| <b>Assets</b>                                                  |       |                                |                                |                                    |
| <b>Non Current Assets</b>                                      |       |                                |                                |                                    |
| Goodwill                                                       |       | 381                            | 381                            | 381                                |
| Property, plant and equipment                                  |       | 882                            | 539                            | 594                                |
| Available-for-sale investments                                 |       | 1,256                          | 1,045                          | 1,256                              |
| Deferred tax asset                                             |       | 1,884                          | –                              | –                                  |
|                                                                |       | <b>4,403</b>                   | <b>1,965</b>                   | <b>2,231</b>                       |
| <b>Current Assets</b>                                          |       |                                |                                |                                    |
| Bull positions and other holdings                              |       | 35,730                         | 28,343                         | 31,390                             |
| Trade and other receivables                                    |       | 58,040                         | 33,416                         | 33,871                             |
| Cash and cash equivalents                                      | 5     | 7,993                          | 7,276                          | 7,734                              |
|                                                                |       | <b>101,763</b>                 | <b>69,035</b>                  | <b>72,995</b>                      |
| <b>Total Assets</b>                                            |       | <b>106,166</b>                 | <b>71,000</b>                  | <b>75,226</b>                      |
| <b>Liabilities</b>                                             |       |                                |                                |                                    |
| <b>Current Liabilities</b>                                     |       |                                |                                |                                    |
| Bear positions                                                 |       | (2,480)                        | (1,721)                        | (1,840)                            |
| Trade and other payables                                       |       | (39,214)                       | (20,109)                       | (21,383)                           |
| Tax liabilities                                                |       | (4,011)                        | (3,782)                        | (1,918)                            |
| Bank overdraft                                                 | 5     | (7,360)                        | (5,854)                        | (5,092)                            |
|                                                                |       | <b>(53,065)</b>                | <b>(31,466)</b>                | <b>(30,233)</b>                    |
| <b>Non Current Liabilities</b>                                 |       |                                |                                |                                    |
| Provision for liabilities and charges                          |       | (932)                          | (680)                          | (1,017)                            |
| <b>Total Liabilities</b>                                       |       | <b>(53,997)</b>                | <b>(32,146)</b>                | <b>(31,250)</b>                    |
| <b>Net Current Assets</b>                                      |       | <b>48,698</b>                  | <b>37,569</b>                  | <b>42,762</b>                      |
| <b>Net Assets</b>                                              |       | <b>52,169</b>                  | <b>38,854</b>                  | <b>43,976</b>                      |
| <b>Equity</b>                                                  |       |                                |                                |                                    |
| <b>Capital and Reserves</b>                                    |       |                                |                                |                                    |
| Called up share capital                                        |       | 5,483                          | 5,373                          | 5,408                              |
| Share premium account                                          |       | 1,560                          | 846                            | 1,030                              |
| Capital redemption reserve                                     |       | 971                            | 971                            | 971                                |
| Other reserve                                                  |       | 555                            | 344                            | 422                                |
| Retained earnings                                              |       | 41,099                         | 30,002                         | 34,269                             |
| <b>Equity attributable to equity holders<br/>of the parent</b> |       | <b>49,668</b>                  | <b>37,536</b>                  | <b>42,100</b>                      |
| Minority interest                                              |       | 2,501                          | 1,318                          | 1,876                              |
| <b>Total Equity</b>                                            |       | <b>52,169</b>                  | <b>38,854</b>                  | <b>43,976</b>                      |

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006 (Unaudited)

|                                                       | Called up,<br>allotted and<br>fully paid up<br>share capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Other<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Minority<br>Interest<br>£'000 | Total<br>£'000 |
|-------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------|-------------------------------------------|---------------------------|-------------------------------|-------------------------------|----------------|
| <b>At 1 January 2005</b>                              | 5,270                                                                 | 82                                   | 971                                       | 322                       | 27,746                        | 1,043                         | 35,434         |
| Retained profit for the period                        | –                                                                     | –                                    | –                                         | –                         | 3,259                         | 275                           | 3,534          |
| Credit in relation to IFRS2 charge                    | –                                                                     | –                                    | –                                         | 22                        | –                             | –                             | 22             |
| Equity dividends paid                                 | –                                                                     | –                                    | –                                         | –                         | (1,003)                       | –                             | (1,003)        |
| Shares issued in respect of options exercised         | 103                                                                   | 764                                  | –                                         | –                         | –                             | –                             | 867            |
| <b>At 30 June 2005</b>                                | 5,373                                                                 | 846                                  | 971                                       | 344                       | 30,002                        | 1,318                         | 38,854         |
| Retained profit for the period                        | –                                                                     | –                                    | –                                         | –                         | 5,278                         | 451                           | 5,729          |
| Credit in relation to IFRS2 charge                    | –                                                                     | –                                    | –                                         | 67                        | –                             | –                             | 67             |
| Revaluation of available-for-sale investments         | –                                                                     | –                                    | –                                         | 84                        | –                             | –                             | 84             |
| Deferred tax charge related to above revaluation      | –                                                                     | –                                    | –                                         | (73)                      | –                             | –                             | (73)           |
| Equity dividends paid                                 | –                                                                     | –                                    | –                                         | –                         | (1,011)                       | –                             | (1,011)        |
| Shares issued in respect of options exercised         | 35                                                                    | 184                                  | –                                         | –                         | –                             | –                             | 219            |
| Shares issued to minority interest                    | –                                                                     | –                                    | –                                         | –                         | –                             | 107                           | 107            |
| <b>At 31 December 2005</b>                            | 5,408                                                                 | 1,030                                | 971                                       | 422                       | 34,269                        | 1,876                         | 43,976         |
| Retained profit for the period                        | –                                                                     | –                                    | –                                         | –                         | 5,826                         | 939                           | 6,765          |
| Credit in relation to IFRS2 charge                    | –                                                                     | –                                    | –                                         | 60                        | –                             | –                             | 60             |
| Current year tax credit recognised directly in equity | –                                                                     | –                                    | –                                         | –                         | 472                           | –                             | 472            |
| Deferred tax credit recognised directly in equity     | –                                                                     | –                                    | –                                         | 73                        | 1,884                         | –                             | 1,957          |
| Equity dividends paid                                 | –                                                                     | –                                    | –                                         | –                         | (1,352)                       | –                             | (1,352)        |
| Shares issued in respect of options exercised         | 75                                                                    | 530                                  | –                                         | –                         | –                             | –                             | 605            |
| Dividends paid to minority interest                   | –                                                                     | –                                    | –                                         | –                         | –                             | (314)                         | (314)          |
| <b>At 30 June 2006</b>                                | 5,483                                                                 | 1,560                                | 971                                       | 555                       | 41,099                        | 2,501                         | 52,169         |

# Consolidated Cash Flow Statement

For the six months ended 30 June 2006 (Unaudited)

| Notes | Six months<br>ended<br>30 June 2006<br>£'000                 | Six months<br>ended<br>30 June 2005<br>£'000 | Year ended<br>31 December 2005<br>£'000 |
|-------|--------------------------------------------------------------|----------------------------------------------|-----------------------------------------|
|       | <b>Cash flows from operating activities</b>                  |                                              |                                         |
|       | 9,601                                                        | 4,954                                        | 12,570                                  |
|       | Operating profit                                             |                                              |                                         |
|       | Adjustments for:                                             |                                              |                                         |
|       | 144                                                          | 92                                           | 188                                     |
|       | Depreciation charges                                         |                                              |                                         |
|       | 60                                                           | 22                                           | 89                                      |
|       | Share-based payment                                          |                                              |                                         |
|       | -                                                            | -                                            | 1                                       |
|       | Loss on sale of fixed assets                                 |                                              |                                         |
|       | Increase/(decrease) in provision for                         |                                              |                                         |
|       | 30                                                           | (27)                                         | 335                                     |
|       | NIC on options                                               |                                              |                                         |
|       | (23,022)                                                     | (14,012)                                     | (14,464)                                |
|       | Increase in trade and other receivables                      |                                              |                                         |
|       | 16,860                                                       | 6,397                                        | 7,671                                   |
|       | Increase in trade and other payables                         |                                              |                                         |
|       | 640                                                          | 480                                          | 599                                     |
|       | Increase in bear positions                                   |                                              |                                         |
|       | (4,340)                                                      | (3,855)                                      | (10,542)                                |
|       | Increase in bull positions                                   |                                              |                                         |
|       | -                                                            | 4,530                                        | 8,461                                   |
|       | Decrease in tradeable loan instruments                       |                                              |                                         |
|       | (27)                                                         | (1,419)                                      | 4,908                                   |
|       | <b>Cash (utilised)/generated by operations</b>               |                                              |                                         |
|       | (437)                                                        | (154)                                        | (324)                                   |
|       | Interest paid                                                |                                              |                                         |
|       | (172)                                                        | 384                                          | (3,344)                                 |
|       | Income tax (paid)/refunded                                   |                                              |                                         |
|       | (636)                                                        | (1,189)                                      | 1,240                                   |
|       | <b>Net cash (utilised)/generated by operating activities</b> |                                              |                                         |
|       | <b>Cash flows from investing activities</b>                  |                                              |                                         |
|       | (432)                                                        | (61)                                         | (212)                                   |
|       | Purchases of property, plant and equipment                   |                                              |                                         |
|       | -                                                            | -                                            | (137)                                   |
|       | Purchase of available-for-sale investments                   |                                              |                                         |
|       | -                                                            | 483                                          | 129                                     |
|       | Proceeds on disposal of available-for-sale investments       |                                              |                                         |
|       | 235                                                          | 258                                          | 402                                     |
|       | Interest received                                            |                                              |                                         |
|       | (197)                                                        | 680                                          | 182                                     |
|       | <b>Net cash (utilised)/generated by investing activities</b> |                                              |                                         |
|       | <b>Cash flows from financing activities</b>                  |                                              |                                         |
|       | 605                                                          | 867                                          | 1,086                                   |
|       | Shares issued following exercise of options                  |                                              |                                         |
|       | (115)                                                        | (133)                                        | (159)                                   |
|       | NIC paid on exercise of options                              |                                              |                                         |
|       | -                                                            | -                                            | 107                                     |
|       | Shares issued in subsidiary to Minority Interest             |                                              |                                         |
|       | (314)                                                        |                                              |                                         |
|       | Dividends paid to Minority Interest                          |                                              |                                         |
|       | (1,352)                                                      | (1,003)                                      | (2,014)                                 |
|       | Dividends paid to Equity Holders                             |                                              |                                         |
|       | (1,176)                                                      | (269)                                        | (980)                                   |
|       | <b>Net cash utilised by financing activities</b>             |                                              |                                         |
|       | <b>Net (decrease)/increase in cash and cash equivalents</b>  |                                              |                                         |
|       | (2,009)                                                      | (778)                                        | 442                                     |
|       | <b>Cash and cash equivalents at beginning of period</b>      |                                              |                                         |
|       | 2,642                                                        | 2,200                                        | 2,200                                   |
|       | <b>Cash and cash equivalents at end of period</b>            |                                              |                                         |
| 5     | 633                                                          | 1,422                                        | 2,642                                   |

# Notes to the Accounts

For the six months ended 30 June 2006

## 1. Financial information

The interim financial information for the six months ended 30 June 2006 has been prepared under International Financial Reporting Standards ("IFRS") using policies consistent with those applied to the year ended 31 December 2005 and the six months ended 30 June 2005. The interim information, together with the comparative information contained in this report for the year ended 31 December 2005, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. However, the information has been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report appears on page 13. The IFRS statutory accounts for the year ended 31 December 2005 have been reported on by the Company's auditors, Deloitte & Touche LLP, and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

## 2. Segmental information

|                                                              | Six months<br>ended<br>30 June 2006<br>£'000 | Six months<br>ended<br>30 June 2005<br>£'000 | Year ended<br>31 December 2005<br>£'000 |
|--------------------------------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------------------|
| <b>Revenue</b>                                               |                                              |                                              |                                         |
| Equity Capital Markets                                       | 14,581                                       | 7,479                                        | 16,486                                  |
| Asset management, principal finance and<br>own balance sheet | 5,921                                        | 4,628                                        | 11,158                                  |
|                                                              | <b>20,502</b>                                | <b>12,107</b>                                | <b>27,644</b>                           |
| <b>Profit before taxation</b>                                |                                              |                                              |                                         |
| Equity Capital Markets                                       | 6,455                                        | 2,052                                        | 4,628                                   |
| Asset management, principal finance and<br>own balance sheet | 2,969                                        | 3,006                                        | 8,022                                   |
|                                                              | <b>9,424</b>                                 | <b>5,058</b>                                 | <b>12,650</b>                           |

## 3. Taxation

The tax charge for the period to 30 June 2006 has been calculated by applying the estimated tax rate, for the current year ending 31 December 2006, to the profit before tax.

#### 4. Earnings per share

Basic earnings per share is calculated on the earnings after taxation and the weighted average number of shares in issue of 271,683,955 (6 months to 30 June 2005: 274,554,366; year to 31 December 2005: 277,794,808) being the average number in issue during the period.

Diluted earnings per share is calculated on the basis of full exercise of options resulting in a diluted weighted average number of ordinary shares of 286,910,406 (6 months to 30 June 2005: 279,960,551; year to 31 December 2005: 277,794,808).

#### 5. Analysis of changes in net funds

|                           | As at<br>1 January 2006<br>£'000 | Cashflows<br>£'000 | As at<br>30 June 2006<br>£'000 |
|---------------------------|----------------------------------|--------------------|--------------------------------|
| Cash and cash equivalents | 7,734                            | 259                | 7,993                          |
| Bank overdraft            | (5,092)                          | (2,268)            | (7,360)                        |
|                           | <b>2,642</b>                     | <b>(2,009)</b>     | <b>633</b>                     |

Further copies of this report are available on the Company's website at [www.shorecap.co.uk](http://www.shorecap.co.uk).

# Officers and Professional Advisers

## Directors

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

\*Non-executive

## Secretary

J S Paisner

## Registered Number

2089582

## Registered Office

Bond Street House  
14 Clifford Street  
London W1S 4JU

## Registrar

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

## Auditors

Deloitte & Touche LLP  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

## Solicitors

S J Berwin LLP  
10 Queen Victoria Place  
London EC4R 1BE

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London EC4R 9HA

## Bankers

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

Bank of Scotland  
New Uberior House  
11 Earl Grey Street  
Edinburgh EH3 9BN

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



Shore Capital Group plc  
Bond Street House  
14 Clifford Street  
London W1S 4JU  
[www.shorecap.co.uk](http://www.shorecap.co.uk)

Tel: 020 7408 4090  
Fax: 020 7408 4091  
email: [info@shorecap.co.uk](mailto:info@shorecap.co.uk)

The Atlantic Suite  
Ground Floor  
The Corn Exchange  
Fenwick Street  
Liverpool L2 7TP

Tel: 0151 600 3700  
Fax: 0151 600 3727