



SHORE CAPITAL GROUP LIMITED

ANNUAL REPORT AND ACCOUNTS 2013

Report and Financial Statements 2013

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Highlights

Financial Highlights

- Revenue up 9.0% to £35.8 million (2012: £32.8 million)
- Profit before tax up 113.8% to £5.4 million (2012: £2.5 million)
- Earnings per share up 72.0% to 14.1p (2012: 8.2p*)
- Adjusted earnings per share up 82.9% to 15.0p excluding costs relating to share options (2012: 8.2p*)
- Aggregate dividend per share for the year of 8.0p (2012: 5.0p*), of which final dividend per share of 4.0p (2012: 5.0p*)
- Balance sheet remains strong with liquidity of £43.1 million, plus a further £20 million working capital facility which was unused at the period end

* adjusted to reflect the share reorganisation that took place in December 2013

Operational Highlights

- Equity Capital Markets operations continued to perform well, increasing pre-tax profits by 19.4% to £6.0 million (2012: £5.1 million)
- Named by Thomson Reuters StarMine as Europe's third most productive broker for 2013
- Corporate Finance completed 30 transactions in 2013; starting 2014 with a very strong pipeline
- Puma Investments brand established, targeting private investors, receiving FCA authorisation in May 2013
- Puma VCT 9 closed achieving the largest fundraising of its kind in the 2012/13 tax year
- Increase of holding in German Telecoms business Spectrum Investments Limited to 59.26%

Corporate Profile

Shore Capital is an independent investment group specialising in equity capital market activities, management of alternative assets, and principal finance. The ECM division offers a wide range of services for companies, institutions and other sophisticated clients including corporate finance, stockbroking and market-making. The Asset Management division manages specialist funds, with a particular focus on venture capital, real estate and alternative asset classes. In addition, the Group conducts principal finance activities using its own balance sheet.

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

Equity Capital Markets

- specialist sales to, and research for, institutions in selected sectors;
- corporate finance advice, including fund-raising, sponsorship on the London Stock Exchange, acting as nomad on AIM, takeovers and mergers;
- smaller company market-making. Shore Capital makes markets in approximately 1,380 stocks and is the third largest market-maker on AIM by volume of trades and third largest by value.

Asset Management

- growth capital, both quoted and unquoted, including pre-IPO finance;
- residential, mixed use and commercial property in Germany;
- structured vehicle investing in UK hotel property;
- innovative venture capital trusts (“VCTs”) providing investment to SMEs;

- portfolio service to invest in asset-backed EIS qualifying companies;
- adviser to a trading company with an initial focus on secured lending but anticipated to expand into other activities including asset leasing;
- aggregate funds under management are currently approximately £880 million.

Group overview

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

The Group was founded in 1985 and has become one of London’s leading independent investment groups. Since inception we have had a close affinity with entrepreneurial clients, whether individuals or businesses, and in investing in entrepreneurial businesses.

The emphasis throughout the Group is on a professional and personalised service and we seek to offer our expertise both responsively and pro-actively. We believe that our greatest asset is the experience, vigour and commitment of our people. Our management and employees own a significant proportion of the business, and are committed to success. We pride ourselves on our network of clients, institutions, companies and high net worth individuals including entrepreneurs, and on our research capability in the industry sectors where we are expert. Our market-making operation has established a reputation within the broking and institutional community for offering a pro-active and responsive service.

Our Services – an overview

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

Shore Capital offers a full range of complementary services as follows:

Equity Capital Markets

Institutional stockbroking and market-making

- highly ranked research-based institutional stockbroking, focusing on selected sectors where we have strong research expertise, corporate clients, fast growing companies and special situations, covering approximately 225 stocks;
- research coverage in retailing and consumer goods including general retailing, food retailing and food manufacturing; financials including banks, speciality finance, life assurance and general insurance; healthcare including pharmaceuticals, bio-technology and life sciences; leisure; real estate, construction, property; support services; information technology software and hardware; natural resources; mining and oil and gas; and overall investment strategy;
- secure and efficient settlement and custody arrangements through Pershing Securities, part of the Bank of New York Mellon Corporation group;
- highly competitive and client-orientated market-making in a broad range of smaller UK companies, listed on either the Official List or AIM. In all we currently cover approximately 1,380 stocks with electronic links enabling automatic execution to a wide range of retail stockbrokers through direct links and third party networks.

Corporate finance advice and deal structuring

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

- specialist expertise in sectors including retail, real estate & construction, financials, healthcare, IT & support services and natural resources.

Private Client Stockbroking

- stockbroking services, including ISA accounts, for active, often entrepreneurial, private investors on an advisory basis;
- specialist trading services designed for expert investors;
- personalised service and investment advice.

Asset Management

Retail offerings

- ten Puma VCTs established between 2005-14 which focus on providing investment and secured loans to well-run companies;
- Puma EIS launched in 2013 to invest in asset-backed EIS qualifying companies;
- Puma Heritage launched in 2013, a trading business with an initial focus on secured lending; an investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years;
- have raised over £150m in total across all investment offerings for the HNW and retail investment market;
- the new offerings launched in 2013 add to our commitment to invest/fund developing SMEs.

Institutional Products

Pre-IPO fund

- specialist fund, St Peter Port Capital, dedicated to development capital
- opportunities, pre-IPO and other defined exit investments;
- investing in companies with the potential for rapid growth, in both the ‘old’ and ‘new’ economies;
- providing funding and management advice to companies preparing to float in the future.

Real Estate

- commercial property fund raised in 2002 to invest £125m in UK property.

Last properties sold in 2006 and fund has been fully realised. Delivered IRR of 39 per cent p.a.

- established a specialist vehicle in 2004 to acquire portfolios of UK regional hotels. Puma Hotels now owns and operates 20 major hotel properties;
- launched Puma Brandenburg in 2006 to buy commercial, residential and mixed use property in Germany.

Shore Capital International

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

Principal Finance

Spectrum Investments Limited (“Spectrum”)

Together with other investors, we have formed Spectrum, which now holds, directly and indirectly, substantially all of the economic interest in DBD Deutsche Breitband Dienste GmbH (“DBD”), a German telecoms business. Shore Capital has a majority interest in Spectrum (59 per cent).

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

Chairman's Statement

It is pleasing to report a strong performance across the Group, with clients valuing Shore Capital's blend of advisory capabilities, excellent execution and range of products and services which deliver high quality opportunities for investors.

Introduction

Revenues for the period increased by 9.0% to £35.8 million (2012: £32.8 million), delivering increased profit before tax of £5.4 million (2012: £2.5 million), up 113.8%. Earnings per share increased 72.0% to 14.1p (2012: 8.2p). Spectrum generated a lower loss per share of 0.7p (2012: loss of 2.4p) which includes the release of historic provisions for potential liabilities within DBD which are no longer required.

The Group's Equity Capital Markets team delivered strong results, with profit before tax increasing 19.4% to £6.0 million (2012: £5.1 million).

Shore Capital continued to build on its position as the third largest market maker on the London Stock Exchange and is ideally positioned to continue benefiting from increased market activity as investors seek high quality equity opportunities.

Secondary commissions remained strong, demonstrating the continued strength of the broking team's expertise and high quality research product.

The Research and Sales team featured prominently in 2013's Thomson Extel Small to Mid-Cap survey, ranking in the top 10 with nine sectors voted in a top 10 position and five recorded in the top five by fund managers.

The Group has started 2014 with a very strong pipeline and the team has participated in a number of large fundraisings, including the IPO of Poundland plc; IPO of Circassia Pharmaceuticals plc and a secondary placing of £326 million on behalf of the

largest shareholder in Playtech plc. It also acted for Premier Foods on its equity raise of £353 million through a placing and rights issue.

During the year, the Group consolidated its retail investment activities under the Puma Investments name, bringing its activities under one management and investment team to consolidate its leading market position with private investors.

Puma Investments received FCA authorisation in May 2013. Puma Investments holds some of the Group's most exciting investment opportunities, including the market-leading Puma VCT funds and with the newly launched Puma EIS and Puma Heritage plc (a business focussing on providing secured loans to SMEs and property finance). This division has an exciting future ahead of it.

In Principal Finance, the Group's German telecoms asset, Spectrum Investments ("Spectrum"), offers an increasingly attractive solution to the growing bandwidth challenges faced by telecommunications operators in that market. During the year, the Group increased its net economic interest in Spectrum/DBD from just under 30% to 59.26%. The Company remains confident that this asset can lead to a profitable realisation.

Financial Review

Income and expenditure

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

Revenue for the year increased by 9.0% to £35.77 million (2012: £32.82 million) whilst administrative expenses increased by only 1.3% to £30.36 million (2012: £29.97 million) leading to an operating profit of £5.40 million (2012: £2.85 million). Interest income was £0.33 million (2012: £0.31 million), whilst finance costs were £0.32 million (2012: £0.64 million), providing net finance income of £0.01 million (2012: cost of £0.32 million).

Profit before tax of the Group increased by 113.8% to £5.41 million (2012: £2.53 million). This is net of a loss before tax from Spectrum/DBD of £0.24 million (2012: loss of £1.16 million). The result for the year includes a credit of £1.11 million (£0.66 million net of minority interests) in respect of historic provisions for potential liabilities of DBD which are no longer required.

The Group excluding Spectrum/DBD

Revenue for the year increased by 13.6% to £34.81 million (2012: £30.64 million).

Administrative expenses were up 9.6% at £29.17 million (2012: £26.63 million) generating an operating profit of £5.64 million (2012: £4.01 million).

Profit before tax increased by 53.0% to £5.65 million (2012: £3.69 million). The net margin before tax was 16.2% (2012: 12.0%).

Revenue from Equity Capital Markets ("ECM") increased by 13.9% to £25.80 million (2012: £22.65 million). Profit before tax from ECM was up 19.4% to £6.04 million (2012: £5.06 million), with a net margin of 23.4% (2012: 22.3%). Revenue

from Asset Management was up 15.8% to £7.33 million (2012: £6.33 million) with a net margin of 27.3% (2012: 15.1%). Balance sheet holdings contributed a net gain of £0.65 million (2012: £0.86 million).

Basic Earnings per Share

The Group generated earnings per share of 15.0p (2012: 8.2p*), excluding the effects of a charge relating to share options as a result of the increase in share price during the year. Including the charge relating to share options the earnings per share was 14.1p (2012: 8.2p*).

Comprehensive Earnings per Share

On a Comprehensive basis, the Group generated earnings of 15.7p per share (2012: 8.2p*).

* adjusted to reflect the share reorganisation that took place in December 2013

Liquidity

As at the balance sheet date, available liquidity was £43.1 million (2012: £31.8 million), comprising £41.4 million (2012: £30.4 million) of cash and £1.7 million (2012: £1.4 million) of gilts and bonds. In addition, the Group has a £20 million working capital facility which was unutilised at the period end.

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

Balance Sheet

The Group's balance sheet remains strong. Total equity at the period end was £69.0 million (2012: £66.4 million).

In addition to the £41.4 million of cash and £1.7 million of gilts and bonds (as referred to above), the Group held £4.2 million in its series of Puma Funds, £1.0 million net in quoted equities, £0.7 million net in the Lily Partnership and a further £1.3 million in other unquoted holdings. In addition, the licence held in Spectrum Investments was valued at £4.0 million (on a gross basis, before allowing for minority interests).

The remainder of the balance sheet was £14.7 million net, which included £15.2 million of net market debtors in the Company's stockbroking subsidiary, less various net accruals.

Net Asset Value per Share

Net asset value per share at the period end was 253.5p (2012: 247.4p*).

Dividend

The Board proposes a final dividend of 4.0p per share (2012 H2: 5.0p*). In addition to the interim dividend of 4.0p (2012 H1: nil), the total dividend for the year will be 8.0p (2012: 5.0p*).

The final dividend of 4.0p per share is expected to be paid on Thursday, 10 April 2014 to shareholders on the register as at Friday, 28 March 2014.

* adjusted to reflect the share reorganisation that took place in December 2013

Operating Review

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

Equity Capital Markets ("ECM")

Overview

In ECM Shore Capital provides research in selected UK sectors; broking for institutional and professional clients; market-making in approximately 1,380 UK equities – with a strong presence on the AIM market – and corporate finance advisory services for mid and small-cap companies.

The division delivered another strong performance in 2013, achieving a profit before tax of £6.0 million (2012: £5.1 million).

It is pleasing to note that at a time when secondary commission rates remain under pressure the business's revenues in this area remained strong, demonstrating the continued strength of the broking team's expertise and high quality research product.

The Group's Corporate Finance business continues to grow rapidly, starting 2014 with a very strong pipeline and will continue to add senior, experienced individuals and teams where opportunities for incremental growth are identified.

Research and Sales

High quality analysis remains the core currency of Shore Capital's equity research capability. The ECM business has a highly experienced and effective research team which is increasingly well respected by fund managers and the leaders of those industries its analysts cover.

The team's thematic work resulted in the staging of a number of successful sector-focused events for investors, including on agri-food and UK shale energy. Furthermore, major (including many FTSE-100) companies continue to choose Shore Capital as a trusted partner for investor road shows to keep fund managers up-to-date with their performance and future direction.



We arranged a secondary placing for Judges Scientific plc in 2013.

Chairman's Statement

continued

Shore Capital was pleased to see notable ongoing recognition from fund manager surveys for the high quality of its research output. In 2013's Thomson Extel Small to Mid-Cap survey, Shore Capital featured in the top 10 for UK Small & Mid-Cap brokers with nine sectors voted in a top 10 position and five recorded in the top five by fund managers. The business also received the accolade of being named Europe's third most productive broker in 2013's StarMine Awards.

The Company's research is also widely and increasingly referenced in high quality financial journals, raising its brand profile and sustaining a positive reputation which is contributing to its growing corporate broking capability and excellent participation in the growing London listings market.

Market Making

The Group's Market Making team enjoyed a busy and successful 2013 with trading volumes and revenues approximately 20% ahead of 2012. The resurgence of interest in the small to mid-cap arena was a key theme for the year. Of particular note were changes to the ISA rules allowing AIM securities to be included in individuals' portfolios for the first time. Shore Capital continued to build on its position as the third largest market maker on the London Stock Exchange.

Corporate Finance

The overall level of corporate finance and corporate broking activity continued to accelerate during the course of 2013. Shore Capital's corporate finance team completed four admissions (comprising two IPOs, one reverse takeover and one transfer to AIM); completed sixteen fund raisings; advised on two takeovers; and a number of other advisory led transactions.

Notable transactions completed during the period include: a £35 million placing for Mar City plc to fund future land purchases and an acquisition of eight land plots for a total consideration of £30.8 million; a £9 million placing for Wynnstay Group plc; a £8.13 million placing for Judges Scientific plc; a £20 million placing for Telford Homes plc; advising Serviced Office Group plc on its acquisition of Avanta Managed Offices Limited for £15 million and associated placing of £12 million; and a £25 million placing for Randall & Quilter Investment Holdings Limited.

The Company's natural resources team worked through challenging sector sentiment, advising on a number of transactions, including Zoltav Resources Inc. on its US\$26 million reverse takeover simultaneously raising US\$20 million. Additionally, the team completed a £10 million placing for Fastnet Oil & Gas plc.

After the period end, we have participated in a number of large fundraisings, including the IPO of Poundland plc; IPO of Circassia Pharmaceuticals plc and a secondary placing amounting to £326 million on behalf of the largest shareholder in Playtech plc. We also acted for Premier Foods on its equity raise of £353 million through a placing and rights issue. The ECM business continues to grow rapidly with a very strong pipeline.

Alternative Asset Management

Overview

The asset management division continues to explore innovative new products to build on its established institutional and retail fund platforms. Total funds under management as at 31 December 2013 were £0.88 billion, compared to £0.87 billion at 31 December 2012.

During the period, the Puma Investments brand was established, targeting private investors and building on our market-leading Puma VCT funds. Puma Investments launched two new innovative offerings: the Puma EIS seeking to deploy a similar asset-backed investment strategy to that of the Puma VCTs; and Puma Heritage plc, a business with a primary focus on secured lending and adopting a conservative underwriting approach. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years.

Institutional Asset Management

Puma Brandenburg Limited ("PBL")

PBL reported its year end results in November 2013, which valued its investment properties at €483.4 million. The residential valuation increase of €29.7 million more than offset the reduction in commercial valuation of €13.8 million, which was mainly attributable to the decline in the value of the Lidl portfolio resulting from the decline in the average lease length. Operating results remain strong and have been assisted by a number of rent increases implemented during the period. The Hyatt Regency Hotel in Cologne



We arranged a secondary placing for Telford Homes Plc in 2013.

continues to perform very well and has retained its position as the market leader among luxury hotel brands in the city. At another hotel held by PBL, the Ibis in Nuremberg, a new 20 year lease took effect at the start of the period after an extensive refurbishment jointly funded by PBL. The work was completed in July 2013 and has been extremely well received. During the year the Group has assisted PBL with the refinancing of a number of its loan facilities. The bulk of the residential portfolio has been refinanced with two new lenders for a period of seven years to the end of April 2021; and in September 2013 the loan with Pfandbriefbank secured against the Lidl portfolio was extended until 31 January 2017. The terms of this agreement allow for funds from operating cash flows to be utilised for the renovation of certain Lidl stores. The Group also assisted PBL in concluding a Framework Agreement with Lidl in respect of these renovations. The agreement provides that for those stores receiving funding from PBL, the leases will be automatically extended for a period of 10 years, together with consequent rental increases.

The team will continue to assist PBL as it focusses on generating long term value through improving core assets with proactive asset management. At the same time the team is developing plans to utilise the platform to create new investments vehicles to invest in this asset class.

St Peter Port Capital (“SPPC”)

St Peter Port Capital is a pre-IPO fund which also provides bridging finance ahead of trade sales and is an opportunistic investor in development capital situations. As set out in its latest interim report, as at 30 September 2013, it had investments in 39 companies and a NAV per share of 100.2p.

During the year, St Peter Port successfully realised its holding in Iona Energy, a Canadian listed oil and gas company operating in the North Sea, generating



The Puma VCTs are investing in Brewhouse and Kitchen to enable the roll-out of its pub business.

£1.19 million. It also realised several smaller holdings, including Eden Energy, Hayward Tyler and Tuscany International Drilling, generating a further £167,000.

SPPC made a number of new investments during the year, including a £500,000 investment in Nektan Limited, a software developer in the growing mobile and tablet gaming industry. In addition, it made two follow-on investments during the period totalling £678,000.

The St Peter Port portfolio of companies continues to develop well and a considerable number of investments in the portfolio are approaching maturity. SPPC reported that it is very encouraged by the progress made at companies in its portfolio, including Red Flat Nickel (which holds licences over two nickel laterite deposits); Mediatainment (the developer of a 3D TV platform); Global Atomic (which has discovered a high-grade uranium deposit in Niger); Seven Energy (a Nigerian oil and gas producer); Brazil Potash; and Astrakhan Oil. SPPC has recently reported that such investments

offer the possibility of very large further gains if recent progress continues.

Puma Hotels plc (“PHP”)

During the year PHP extended its £323 million senior debt facility with Irish Bank Resolution Corporation in Special Liquidation until 30 May 2014 with revised covenants reflecting the operating environment at the time. In 2013, PHP also sold a plot of unused land in Harrogate to the British Steel Pension Fund with a view to building a new Whitbread Premier Inn hotel on it. Under the terms of the transaction the Group has provided British Steel Pension Fund with a guarantee that the hotel’s construction will be delivered, for which it will receive a fee commensurate with the development project’s risk exposure.

As previously reported, since taking over PHP’s operations, the existing team has been augmented through a number of senior appointments and been effective in mitigating the challenges that arise in taking over a business of this scale. The

Chairman's Statement continued



Our asset management business has launched Puma VCT 10, Puma EIS and Puma Heritage, all of which provide investment/funding to SMEs.

Group's current management contract is due to expire on 31 May 2014. Should the management contract not be extended, the net impact on the Group would not be material.

Retail Asset Management

During the year, the Group unified its retail investment activities under the Puma Investments name, bringing its activities under one management and investment team to consolidate its leading market position with private investors. Puma Investments received FCA authorisation in May 2013.

Puma Venture Capital Trusts ("VCTs")

The ongoing effects of the credit crisis mean that SMEs are still finding it difficult to access the funding they need from traditional lenders. The Company's VCTs seek to meet that demand and focus on providing secured loans to well-run

companies. In particular, it is seeing many established businesses which have substantial assets or predictable revenue streams, over which a first charge can be taken, thereby reducing the risks usually associated with venture capital investing. Puma's VCTs are each limited-life vehicles, aiming to distribute the initial capital and returns to their investors after five years.

Since 2005 over £140 million has been raised for Puma VCTs, and more than £70 million has been distributed back to shareholders.

Puma's market-leading VCT track record is reflected in the fact that the early Puma VCTs were the first limited-life VCTs to have reached the milestone of returning 100p per share in cash distributions to shareholders and Puma VCTs 1 to 4 have each produced the highest total return of their respective peer groups.

Puma VCT V recently passed its five year period and is the process of completing the return of capital to its shareholders. It has already paid out 80p per share, compared with an original net cost of investment for a higher rate taxpayer of 70p per share, and is on course to return a further 26p per share in cash to shareholders, which would make it the most successful limited-life VCT to date, significantly beating the Group's limited life VCT record.

Puma High Income VCT (launched in 2010), Puma VCT 7 (launched in 2011) and Puma VCT 8 (launched in 2012) have all started well and have paid out dividends to date of 28p, 15p and 10p respectively.

Puma VCT 9 closed during the period, raising over £28.1 million, making it the largest single company VCT fundraise in the 2012/13 tax year and accounting for over 10% of the total funds raised in the VCT market in that year (excluding enhanced share buy-backs). The Company considers this fundraising to be a considerable achievement and an endorsement of Puma's standing in the VCT sector.

Puma VCT 10 is currently open for subscriptions and hopes to capitalise on the investment team's excellent track record. It has received strong support, having already raised over £10 million with the key sales period over the next three weeks. It has already been highly rated by leading commentators and included on the recommended panels of many leading private banks, wealth managers and independent financial advisers. For the second year running, Puma was the only investment house offering a limited life VCT to be shortlisted for the "VCT House of the Year" at the Unquote British Private Equity Awards.

Puma Heritage plc

Puma Heritage was launched in June 2013 to operate in a range of sectors, with a primary focus on secured lending. Puma Heritage focuses on capital preservation, whilst seeking to produce regular returns for shareholders intended to counter long-term inflationary pressures. It is anticipated that Puma Heritage will expand into other activities as opportunities arise. In particular, the Board of Puma Heritage envisages that it will offer asset leasing services, as well as, in the medium to long term, purchasing and operating profitable trading businesses with asset-backing and established management teams. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years. Puma Investments has been appointed as the trading adviser to Puma Heritage to advise the company in executing its business strategy.

During the period, the Group advised Heritage Square Limited, a wholly-owned subsidiary of Puma Heritage plc, in the completion of its first transaction, participating in a £5 million loan facility to Citrus PX, which operates a property part exchange service, facilitating the rapid purchase of properties for developers and homeowners. The investment team continues to assist the business in helping the company to source and analyse property investment and development loans, as well as secured lending to SMEs.

Puma EIS

Puma Investments has launched a portfolio service offering investors the opportunity to invest in asset-backed EIS qualifying companies utilising the team's strong track record and experience in asset-backed investing gained over the life of the first nine Puma VCTs. The Group is excited about the

prospects for its Puma EIS, based on the demand for EIS investments which can provide downside protection through asset-backing.

Principal Finance

Investment in German Telecoms Business

DBD holds radio spectrum licences in Germany in the 3.5 GHz range, a band established by regulators, equipment manufacturers and operators as a frequency for 4G services, for which it is increasingly being deployed around the world. UK Broadband in the UK and Softbank in Japan, (one of Japan's leading mobile operators) have announced plans to launch 4G mobile services using the 3.5GHz band in their respective countries. There are currently some 15 consumer devices which operate at this frequency and the first smart phone supporting the frequency was unveiled at the Mobile World Congress in Barcelona last month.

The German mobile market is the largest in Europe, with approximately 115 million subscribers recorded in 2012, generating the largest sector revenues in Europe. As in other European mobile markets, the deployment of 4G in Germany continues to drive revenue growth as subscribers demand greater levels of data capacity. DBD's spectrum is ideally placed to provide mobile operators in Germany with additional data capacity for smart phones, tablet devices and mobile computing.

Spectrum Investments Limited (in which Shore Capital holds its interest) acquired its original holding in DBD in March 2011. The other two companies holding 3.5 GHz licences in Germany were acquired in 2012 by E-Plus, the fourth largest mobile operator in Germany. In early 2013, Spectrum raised a further €3.3 million in new equity from its investors, including

Shore Capital (€2.13 million), to fund its acquisition of further loan stock and equity in DBD. As a result Spectrum now holds, directly and indirectly, substantially all of the economic interest in DBD; Shore Capital holds 59.26% of Spectrum. As was anticipated at the time of the original acquisition, DBD has closed its WiMax based consumer business. Consequently, ongoing basic operating costs have been reduced to approximately £0.5 million per year. In addition, DBD has sold both tangible and intangible assets of the WiMax business and is in the process of completing further sales.

In the year the loss arising from this investment was £0.2 million (2012: loss of £1.2 million). The loss for the year is net of a credit in respect of the release of historic provisions for potential liabilities within DBD, which are no longer required. The Group remains confident that this asset can lead to a profitable realisation.

Current Trading and Prospects

Shore Capital has continued to perform strongly, growing revenues and more than doubling profits. The Group's businesses have seen increased confidence returning to its markets as entrepreneurial management teams running businesses at all stages of development look to raise growth capital.

Based on the strong trading across the Group and its pipeline, the Board looks to the future with confidence.

Howard Shore

Executive Chairman
17 March 2014

Board of Directors, Key and Senior Management

Board of Directors



Howard Shore
Executive Chairman

Howard Shore founded Shore Capital in 1985. He began his career in private client discretionary fund management with Grieveson Grant & Co (later part of Dresdner Kleinwort Wasserstein). After obtaining a degree in Economics from Cambridge, he worked as a financial futures broker when LIFFE was being established. As Executive Chairman he is responsible for the strategy of the Group. He is also a director of Puma Brandenburg Limited and Chairman of Spectrum Investments Limited.



Dr Zvi Marom
Non-executive Director

Dr Marom is founder and CEO of BATM Advanced Communications Limited. A former first lieutenant in the Israeli Navy, he graduated first (with excellence) in electronics from the Naval Academy and first (with excellence) from the Advanced Naval Command Course. He has a post-graduate degree in medicine from the Sackler School of Medicine, Israel and an MSc in industrial electronics. Dr Marom is on the boards of several national and international academic committees for computing and communications. He has close links with Governmental bodies funding research for Israeli high tech companies. He is a member of the Audit Committee and the Remuneration Committee.



James Rosenwald III
Non-executive Director

James Rosenwald is a co-founder and the managing partner of Dalton Investments, LLC, an asset management company. He has more than thirty five years experience of investing in the Pacific Rim. He formerly co-managed Rosenwald, Roditi & Company Ltd. which he founded in 1992 with Nicholas Roditi. James advised a number of Soros Group funds between 1992 and 1998. He commenced his investment career with the Grace Family of the United States at their securities firm Sterling Grace & Co. He is a CFA charter holder and a director of numerous investment funds. He is also a member of the Los Angeles Society of Financial Analysts and the CFA Institute.

In addition to securities investments, James has invested in real estate since 1997. He co-founded Beach Front Properties in California in February 1997, Grand River Properties in Shanghai in June 2003 and Dalton REIT 1 GmbH & Co. KG, which in 2005 acquired three investment properties in Berlin. James holds an MBA from New York University and is an adjunct Professor of Finance at New York University's Stern Graduate Business School. He is a member of the Audit Committee and is Chairman of the Remuneration Committee.



Lynn Bruce
Director

Lynn Bruce is a Chartered Accountant (Scotland) having trained at KPMG. She was the CFO of an international wealth management group, Stenham Limited, for 11 years where she was also a member of both their Risk and Audit Committees. Prior to that she was the CFO for The Leasing Corporation plc and Financial Controller at AT&T Capital Europe. She chairs the Audit Committee.

Key Management



Michael van Messel
Head of Finance and Tax

Michael van Messel graduated from Imperial College, London, with a degree in Physics after which he joined Hacker Young and qualified as a Chartered Accountant. He then worked as a specialist in their tax department and subsequently for Coopers & Lybrand within its financial services group. He joined Shore Capital in 1993 as Group Financial Controller and became Operations Director in 2000. He is a Fellow of the Institute of Chartered Accountants, is the head of the Group's finance team and is also responsible for all operations at Shore Capital Group.



David Kaye
Head of Asset Management

David Kaye graduated from Oxford University with a degree in law and was called to the Bar in 2000. David practised as a barrister at a leading London set of chambers for five years, specialising in advising on a range of complex commercial legal issues with a particular focus on financial investments and real estate. He joined Shore Capital in January 2006 and having been Commercial Director and General Counsel for the Group, became CEO of the asset management division in May 2012.

Senior Management



Simon Fine

Chief Executive of Shore Capital Markets

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



Dr Clive Black

Head of Research

Dr Clive Black has been highly ranked in fund manager surveys for many years. In 2011 he was No. 3 in the whole market in the Thomson Reuters UK survey and in 2012 he was voted 'Analyst of the Year' at the prestigious City AM awards. Clive holds a Ph.D from The Queen's University of Belfast on the Northern Ireland food industry. He followed this to become Head of Food Policy at the NFU in London before joining Northern Foods plc. He moved into equity research with Charterhouse Tilney in Liverpool where he then became Head of Pan-European Retail research when it was acquired by ING Financial Markets. He joined Shore Capital in 2003 as Head of Research.



Rupert Armitage

Head of Stockbroking Sales

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



Thomas Marlinghaus

Shore Capital Germany – Chief Operating Officer

Thomas Marlinghaus graduated with a degree in business administration and began his career at Berliner Bank, where he became an investment manager in the bank's private equity unit. In 1995, he joined a family-owned private equity and management group as managing director. In this role, Thomas acted as the CFO of ProMarkt, at the time Germany's second largest consumer electronic retail chain, which was sold to Kingfisher in 1998. Thomas was also directly responsible for identifying acquisition and disposal opportunities including in real estate. Thomas is Chief Operating Officer of Shore Capital's German team and also responsible for asset management, having helped to establish Shore Capital's Berlin office in 2006.



Eamonn Flanagan

Head of the Liverpool Office

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



Dru Danford

Chief Executive of Shore Capital and Corporate Limited

Dru Danford is an experienced corporate financier who joined Shore Capital and Corporate Limited in November 2004 and was appointed Head of Corporate Finance in April 2012. Dru qualified as a Chartered Accountant (South Africa) at Ernst & Young (Cape Town) in 1997 and then spent two years at Ernst & Young (London) working in the Investment Management Group before moving into investment banking in 1999. Since that time Dru has specialised in advising small and mid-cap companies in a wide range of sectors and transactions including IPOs, secondary fundraisings, takeovers, acquisitions, disposals and restructurings.

Corporate Governance

General

Shore Capital Group Limited (the “Company” or the “Group”) has sought to comply with a number of provisions contained in the UK Corporate Governance Code, issued by the Financial Reporting Council (the “Code”) in relation to matters for which the Board is accountable to shareholders, so far as is considered appropriate for a company of its size and nature. Further explanation of how the principles and supporting principles have been applied is set out below.

Board of Directors

The Board currently comprises two executive and two non-executive directors. It carries ultimate responsibility for the conduct of the business of the Group. The Board maintains full control and direction over appropriate strategic and financial issues through regular meetings and reports to ensure that the Board is supplied with all the information it needs. The Board considers each of the non-executive directors, Dr Zvi Marom and James Rosenwald III, to be independent in character and judgement. Whilst both Dr Z Marom and Mr J B Rosenwald III own shares in the Company, they each have significant other business interests and activities. The Board as a whole considers their shareholdings in the Company to be an advantage for the shareholders as in addition to their fiduciary duties, their interests are aligned with shareholders generally. The terms and conditions of appointment of the non-executive directors are available for inspection by any person at the Company’s registered office and also at the Company’s AGM.

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

Howard Shore is Executive Chairman of the Board and also undertakes the function of full-time Chief Executive. In view of the size and nature of the Group, the Board does not consider it in the best interests of the Group to split the roles. The Board has two committees, the Audit Committee and the Remuneration Committee (see below). The Board does not have a Nominations Committee or a senior independent director. This is because with two non-executive directors and a Board of only four in total, nominations can be readily handled without a committee by the Board as a whole, whilst the non-executive directors are accessible to shareholders in the event of issues arising.

The Board has an informal annual review process to assess how each of the Directors is performing. The performance of the executive director is reviewed by the Chief Executive against

previously agreed objectives and the Chief Executive’s performance is in turn appraised by the non-executive directors. Remuneration is directly linked to these reviews and determined by the Remuneration Committee. Remuneration is set at the level required to attract, retain and motivate high calibre directors and a significant proportion of total remuneration is linked to corporate and individual performance.

The Board of Shore Capital Group Limited met 8 times during 2013. The number of meetings of the Board and the Audit and Remuneration Committees and individual attendance by members is set out in the following table.

	Board	Audit	Remuneration
Total number of meetings in 2013	8	4	2
Number of meetings attended in 2013:			
Howard Shore	8	n/a	n/a
Lynn Bruce	8	4	n/a
Dr Zvi Marom	8	4	2
James Rosenwald III	7	3	2

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

Audit Committee

The Board has appointed an Audit Committee with written terms of reference. The terms of reference of the Audit Committee are available for inspection by any person at the Company’s registered office during normal business hours and for 15 minutes prior to and during the forthcoming Annual General Meeting. It comprises two non-executive directors, Dr Zvi Marom and James Rosenwald III, together with Lynn Bruce and is chaired by Lynn Bruce. The Audit Committee undertakes a detailed review of the Company’s half yearly and annual financial reports, is responsible for reviewing whether the accounting policies are appropriate and for monitoring internal compliance and external audit functions, including the cost effectiveness, independence and objectivity of the auditor. The committee meets periodically with the auditor to receive a report on matters arising from their work.

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

Remuneration Committee

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

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 10, together with the financial position of the group, its liquidity position and borrowing facilities. In addition note 25 to the financial statements includes policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

Internal control

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

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

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

Relations with shareholders

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

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

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the financial year ended 31 December 2013.

Activities and business review

The main activities of the Group consist of investment related activities, including stockbroking, market-making, corporate finance advice, asset management including specialist fund management and principal finance.

A review of the year and future developments is contained in the Chairman's statement on pages 2 to 10. The statement also includes details of the key performance indicators which management use.

Results and dividends

The results for the financial year are set out on page 19. An interim dividend of 4.0p per share (2012: nil) was paid during the year. The directors propose a final dividend of 4.0p per share (2012: 5.0p*) making a total for the year of 8.0p per share (2012: 5.0p*).

Capital structure

Details of the issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 24 of the financial statements. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

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

Fixed assets

Movements in fixed assets are set out in note 15 to the financial statements.

Risk management

The Group's policies for managing the financial risks arising from its activities, including the use of derivative instruments, are set out in note 25. In addition the Group has policies and procedures in place to mitigate the other risks to which it is exposed, including reputational risk, operational risk and insurance risk. The Group's activities comprise equity market

activities, asset management in alternative assets and principal finance, and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

Directors

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

	Ordinary shares of Nil par value	
	31 December 2013	31 December 2012*
Howard Shore	10,179,369	10,179,370
Lynn Bruce	30,000	30,000
Dr Zvi Marom	50,152	50,152
James Rosenwald III	253,200	253,200

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

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

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

Charitable donations

The Group made charitable donations of £132,000 (2012: £85,000) during the year.

Acquisition of the company's own shares

No shares were repurchased during the year or prior year.

Events after the balance sheet date

Details of events after the balance sheet date are set out in note 27.

Going concern

The Group's liquidity position is set out in note 19 and its borrowing facilities in note 21. In addition, note 25 includes details of policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

Environmental policy

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

Major shareholdings

Other than directors, the following shareholders had notified the company of holdings of 3% or more of the shares of the company as at 20 March 2014:

	Ordinary Shares	%
GB Shore (direct and beneficial interest)	2,179,916	9.02
JP Morgan Asset Management Holdings (UK) Limited	1,906,400	7.89
Aralon Resources and Investment Limited	1,408,200	5.83
Investec Wealth & Investment Limited	915,400	3.79
Helium Special Situations Fund Limited	823,656	3.41

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s249(2) of the Companies (Guernsey) Law, 2008.

Deloitte LLP have expressed their willingness to continue in office. A resolution to re-appoint them as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Lynn Bruce

Company Secretary
20 March 2014

Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable rules and regulations.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Shore Capital Group Limited

We have audited the consolidated financial statements of the Shore Capital Group Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands
20 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue	1, 2	35,765	32,821
Administrative expenditure		(30,364)	(29,973)
Operating profit	3	5,401	2,848
Interest income	4	330	314
Finance costs	5	(322)	(635)
		8	(321)
Profit before taxation	2	5,409	2,527
Taxation	7	(1,100)	(494)
Retained profit for the year		4,309	2,033
Attributable to:			
Equity holders of the parent		3,398	1,987
Non controlling interests		911	46
		4,309	2,033
Earnings per share			
Basic	10	14.1p	8.2p*
Diluted	10	13.9p	8.2p*

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Retained profit after tax for the year		4,309	2,033
Items that will not be reclassified subsequently to profit and loss			
Gains on revaluation of available-for-sale investments taken to equity		151	–
Gains on cash flow hedges		302	68
Income tax thereon		(105)	(17)
Exchange difference on translation of foreign operations		197	51
		(18)	(62)
Other comprehensive loss for the year, net of tax		179	(11)
Total comprehensive income for the year, net of tax		4,639	2,022
Attributable to:			
Equity holders of the parent		3,805	1,971
Non controlling interests		834	51
		4,639	2,022
Comprehensive earnings per share			
Basic	10	15.7p	8.2p*
Diluted	10	15.5p	8.1p*

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Goodwill	13	381	381
Intangible assets	14	4,025	4,055
Property, plant & equipment	15	10,897	11,669
Available-for-sale investments	16	4,598	4,105
		19,901	20,210
Current assets			
Bull positions and other holdings at fair value	17	4,557	4,058
Available-for-sale investments	16	16	16
Trade and other receivables	18	65,217	65,819
Tax assets		–	99
Cash and cash equivalents	19	41,395	30,443
		111,185	100,435
Total assets	2	131,086	120,645
Current liabilities			
Bear positions		(1,033)	(1,395)
Trade and other payables	20	(50,445)	(41,146)
Derivatives		(186)	(573)
Tax liabilities		(898)	–
Borrowings	21	(321)	(327)
		(52,883)	(43,441)
Non-current liabilities			
Borrowings	21	(8,892)	(10,549)
Deferred tax liability	7	(18)	(224)
Provision for liabilities and charges	22	(331)	(44)
		(9,241)	(10,817)
Total liabilities	2	(62,124)	(54,258)
Net assets		68,962	66,387
Capital and reserves			
Called up share capital	24	–	–
Share premium		336	336
Merger reserve		27,198	27,198
Other reserves		2,014	1,282
Retained earnings		31,706	30,954
Equity attributable to equity holders of the parent		61,254	59,770
Non controlling interest		7,708	6,617
Total equity		68,962	66,387

Approved by the Board of Directors on 20 March 2014. Signed on behalf of the Board of Directors.

Lynn Bruce
Director

James Rosenwald
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 2012	-	336	27,198	1,187	29,867	6,841	65,429
Retained profit for the year	-	-	-	-	1,987	46	2,033
Credit in relation to share based payments	-	-	-	54	-	-	54
Foreign currency translation	-	-	-	-	(58)	(4)	(62)
Valuation change on cash flow hedge	-	-	-	55	-	13	68
Tax on cash flow hedge	-	-	-	(14)	-	(3)	(17)
Equity dividends paid	-	-	-	-	(604)	-	(604)
Dividends paid to non controlling interests	-	-	-	-	(238)	(528)	(766)
Investment by non controlling interest in subsidiaries other than DBD/Spectrum	-	-	-	-	-	252	252
At 1 January 2013	-	336	27,198	1,282	30,954	6,617	66,387
Retained profit for the year	-	-	-	-	3,398	911	4,309
Revaluation of available for sale investments	-	-	-	151	-	-	151
Increase in deferred tax asset recognised directly in equity	-	-	-	423	-	-	423
Foreign currency translation	-	-	-	-	98	(116)	(18)
Valuation change on cash flow hedge	-	-	-	242	-	60	302
Tax on cash flow hedge	-	-	-	(84)	-	(21)	(105)
Equity dividends paid	-	-	-	-	(2,175)	-	(2,175)
Dividends paid to non controlling interests	-	-	-	-	(239)	(753)	(992)
Adjustment arising from change in non controlling interest in Spectrum/DBD (note 8)	-	-	-	-	(330)	792	462
Investment by non controlling interest in subsidiaries other than DBD/Spectrum	-	-	-	-	-	218	218
At 31 December 2013	-	336	27,198	2,014	31,706	7,708	68,962

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating profit		5,401	2,848
Adjustments for:			
Depreciation charges	15	956	871
Amortisation charges	14	146	243
Share-based payment expense		-	54
Other (Gains)/losses on AFS investments		(309)	871
Increase in provision for National Insurance on options		287	8
Operating cash flows before movements in working capital		6,481	4,895
Decrease/(increase) in trade and other receivables		602	(23,138)
Increase in trade and other payables		9,214	16,160
(Decrease)/increase in bear positions		(362)	609
(Increase)/decrease in bull positions		(499)	2,990
Cash generated by operations		15,436	1,516
Interest paid		(322)	(635)
Corporation tax paid		9	(35)
Net cash generated by operating activities		15,123	846
Cash flows from investing activities			
Purchase of fixed assets		(340)	(614)
Acquisition of further holding in DBD	8	(1,731)	-
Purchase of additional intangible assets		-	(190)
Purchase of AFS investments		(146)	(82)
Sale of AFS investments		113	51
Interest received		330	314
Net cash utilised by investing activities		(1,774)	(521)
Cash flows from financing activities			
Investment by non controlling interest in subsidiaries other than DBD/Spectrum		218	252
Shares/participations issued in subsidiaries to non controlling interests	8	1,004	-
Increase/(decrease) in borrowings	8	(321)	(16,079)
Dividends paid to Equity shareholders		(2,175)	(604)
Dividends paid to Non Controlling Interests		(992)	(766)
Net cash utilised by financing activities		(2,266)	(17,197)
Net increase/(decrease) in cash and cash equivalents		11,083	(16,872)
Effects of exchange rate changes		(131)	10
Cash and cash equivalents at the beginning of the year	19	30,443	47,305
Cash and cash equivalents at the end of the year	19	41,395	30,443

Notes to the Financial Statements

For the financial year ended 31 December 2013

1. Accounting Policies

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”).

Going concern

The Group continues to adopt the going concern basis in preparing the financial statements.

Presentation of the financial statements and financial information

In accordance with Section 244(5) of the Companies (Guernsey) Law, 2008, the accounts of the parent company are not presented as part of these financial statements.

Adoption of new and revised standards

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Annual Improvements to:

IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IAS 19	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 7 (amended) will increase the disclosure requirements where netting arrangements are in place for financial assets and financial liabilities;
- IFRS 9 will impact both the measurement and disclosures of Financial Instruments; and
- IFRS 12 will impact the disclosure of interests the Group has in other entities.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

General information

The Group is incorporated and registered in Guernsey. These financial statements are presented in pounds sterling, this being the currency of the primary economic environment in which the Group operates.

Basis of accounting

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

Basis of consolidation

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest’s share of changes in equity since the date of the combination.

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

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

1. Accounting Policies continued

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements

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

Taxation

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

Deferred tax assets

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

Estimates and assumptions

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

Fair value of unquoted equity instruments

Where there is no available representative external valuation, judgement is required to determine the most appropriate valuation method for unquoted equity instruments. Further details are set out later in this note 1 and in notes 16, 17 and 25(f).

Share-based payments

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

Intangibles

Where there is no available representative external valuation, judgement is required to determine the fair value at each balance sheet date. Where the asset does not currently generate cash flows, the Group estimates the future cash flows discounted to their present values using a pre-tax discount rate.

Revenue

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1. Accounting Policies continued

Foreign currency translation

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

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

Pension costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Share-based payments

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

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

1. Accounting Policies continued

Share-based payments continued

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

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

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

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

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

Negative Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

1. Accounting Policies continued

Intangible assets

Intangible assets purchased are measured initially at purchase cost, unless they are acquired as part of a business combination in which case they are measured initially at fair value which has been calculated on the basis of arm's length transactions.

Where such intangible assets have a remaining life of less than 20 years, they are amortised on a straight line basis over their estimated useful lives.

Where such intangible assets have a remaining life of over 20 years, they are subject to an annual impairment test in accordance with the Group's accounting policy for the treatment of its non-financial assets.

Impairment of goodwill and other non-financial assets

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

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

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

Property, plant and equipment

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

Leasehold premises – over the unexpired term of the lease
Fixtures and equipment – 25-33% per annum
Asset rental – 4% per annum
Motor vehicles – 16.7% per annum

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

Property and operating leases

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

Financial instruments

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

Financial assets and liabilities

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

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

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

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

1. Accounting Policies continued

Financial assets and liabilities at FVTPL

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

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

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

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

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

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

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

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

Available-For-Sale investments

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

Loans and receivables

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

Effective interest method

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

Derecognition of financial assets

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

1. Accounting Policies continued

Impairment of financial assets

At each balance sheet date, the Group reviews whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Cash flow hedges

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

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

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

1. Accounting Policies continued

Cash flow hedges continued

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

Cash and cash equivalents

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

Trade and other payables

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

Equity instruments

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Provisions

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

Merger reserve

This reserve comprises the capital reserves acquired by the Company when it acquired the entire share capital of Shore Capital Group plc on 26 March 2010.

Repurchase of share capital (own shares)

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

Other reserves

This reserve comprises amounts taken to equity in respect of i) share based payments; ii) deferred tax movements; and iii) revaluations of available for sale investments.

2. Segment Information

Additional analysis of revenue and results is presented in the Chairman's Statement on pages 2 to 10.

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

- Equity Capital Markets provides research in selected sectors, broking for institutional and professional clients, market-making in AIM and small cap stocks and corporate finance for mid and small cap companies.
- Asset Management provides advisory services, and manages specialist funds invested in alternative asset classes.
- Central Costs comprises the costs of the Group's central management team and structure
- Balance Sheet/Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using our own balance sheet resources.
- Spectrum/DBD comprises the Group's investment in a German based telecoms business

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 arm's-length basis in a manner similar to transactions with third parties.

2. Segment Information continued

	Equity Capital Markets £'000	Asset Management £'000	Central costs £'000	Balance Sheet and Principal Finance £'000	Spectrum/ DBD £'000	Consolidated £'000
Year ended 31 December 2013						
Revenue	25,796	7,334	–	1,682	953	35,765
Results						
Depreciation	268	112	58	518	–	956
Interest expense	28	–	2	292	–	322
Profit/(loss) before tax	6,037	2,005	(2,037)	(359)	(237)	5,409
Assets	79,501	4,374	2,175	39,715	5,321	131,086
Liabilities	(51,451)	(1,035)	(2,764)	(5,889)	(985)	(62,124)

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

	Equity Capital Markets £'000	Asset Management £'000	Central costs £'000	Balance Sheet and Principal Finance £'000	Spectrum/ DBD £'000	Consolidated £'000
Year ended 31 December 2012						
Revenue	22,653	6,331	10	1,646	2,181	32,821
Results						
Depreciation	157	153	50	511	–	871
Interest expense	72	–	11	552	–	635
Profit/(loss) before tax	5,056	955	(2,018)	(303)	(1,163)	2,527
Assets	63,792	3,830	1,179	46,314	5,530	120,645
Liabilities	(37,965)	(1,184)	(966)	(10,875)	(3,268)	(54,258)

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

3. Operating Profit

	2013 £'000	2012 £'000
Operating profit has been arrived at after charging:		
Depreciation	956	871
Property lease rentals	662	628
Loss on disposal of fixed assets	–	–
Exchange differences, excluding those arising on financial instruments		
Exchange differences	6	30

4. Interest Income

	2013 £'000	2012 £'000
Bank interest	323	256
Other interest receivable	7	58
	330	314

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

5. Finance Costs

	2013 £'000	2012 £'000
Interest on bank overdrafts and loans	322	552
Other interest payable	–	83
	322	635

6. Employees and Directors

a) Employee numbers

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

	2013 No.	2012 No.
Equity Capital Markets – Securities	72	71
– Corporate Advisory	14	14
Asset Management	38	36
	124	121

b) The costs incurred in respect of these employees comprise

	2013 £'000	2012 £'000
Salaries and commission	13,726	12,907
Social security costs	1,607	1,191
Pension costs	454	224
	15,787	14,322

c) Employee Share Option Plan

The Group maintains a Share Option Plan (the “Plan”) under which present and future employees of the Group may be granted options to subscribe for new share capital of the Group. The Plan is used to attract and retain high-calibre employees to continue to develop and expand the business of the Group. Such options are granted by the Board at a price no less than the average quoted market price of the company’s share on the date of grant. Options granted under the Plan are subject to vesting periods which are based on continuing service. Thereafter the options may be exercised for the rest of their 10 year life without further test. Options are forfeited if the employee chooses to leave the Group before the options vest. If an employee holding vested options leaves the group, the options held must be exercised within 6 months of the date of leaving. As at 31 December 2013, and after allowing for the effects of the share reorganisation that took place in December 2013, there were 1,649,073 (2012: 1,675,010*) options in issue under the Plan that were exercisable at prices ranging from 110p to 290p. Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options	Weighted average exercise price	Number of share options*	Weighted average exercise price*
Outstanding at beginning of year	1,675,010	187p	1,925,010	197p
Granted during the year	–	n/a	125,000	250p
Forfeited during the year	(25,937)	205p	(375,000)	250p
Exercised during the year	–	n/a	–	n/a
Outstanding at the end of the year	1,649,073	187p	1,675,010	187p
Exercisable at the end of the period	1,609,073		1,565,010	

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 2 years 11 months (2012: 3 years 11 months).

6. Employees and Directors continued

c) Employee Share Option Plan continued

No options were granted in the year. Using a Black-Scholes option pricing model, the aggregate of the estimated fair value of the options granted in the prior year was £59,000. The inputs into the Black-Scholes model were as follows:

	2013	2012
Weighted average exercise price	n/a	250p*
Expected volatility	n/a	0.2575
Expected life	n/a	10 years
Risk-free rate	n/a	0.50%
Expected dividend yields	n/a	1.00%

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

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

d) Emoluments of the Directors of the Company

2013	Gross salary £'000	Bonus, commission and other income £'000	Pension Contributions £'000	Benefits £'000	Total £'000
Howard Shore	200	800	–	41	1,041
Lynn Bruce	40	–	–	–	40
Dr Zvi Marom	40	–	–	–	40
James Rosenwald	40	–	–	–	40
	320	800	–	41	1,161

2012	Gross salary £'000	Bonus, commission and other income £'000	Pension Contributions £'000	Benefits £'000	Total £'000
Howard Shore	200	430	–	41	671
Lynn Bruce	40	–	–	–	40
Dr Zvi Marom	40	–	–	–	40
James Rosenwald	40	–	–	–	40
	320	430	–	41	791

e) The following options over unissued ordinary shares of nil par value have been granted to the directors:

	Number of options over unissued ordinary shares	Date of grant	Exercise price per ordinary share	Exercise date
Howard Shore	592,199	15 January 2002	205p	Before 31 December 2015

The closing price of the shares at 31 December 2013 was 335.0p (2012: 177.5p) and the range during the year was 177.5p to 335.0p.

f) Related party transactions

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

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

Transactions between Group companies comprise management charges for central overheads which are recharged throughout the Group.

The Group has a loan of €3,500,000 that is due from Puma Brandenburg Limited ("PBL"). PBL is a related party as it has a high degree of common ownership following its de-merger from the Group. The loan is held on arm's length terms and conditions.

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

6. Employees and Directors continued

g) Compensation of key management personnel

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

	2013 £'000	2012 £'000
Salaries and other short-term benefits	3,132	2,610
	3,132	2,610

7. Tax on Profit on Ordinary Activities

	2013 £'000	2012 £'000
The tax charge comprises:		
Provision for United Kingdom corporation tax charge at 23.25% (2012: 24.5%)	1,146	566
Prior year overprovision	–	–
Movement in deferred tax	(46)	(72)
	1,100	494

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 23.25% (2012: 24.5%) as detailed below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	5,409	2,527
Tax thereon at 23.25% (2012: 24.5%)	1,258	619
Effects of:		
Expenses not deductible for tax purposes	132	141
(Income)/losses not (chargeable)/deductible to tax	(323)	(156)
Share based payments	–	13
Capital allowances in excess of depreciation	(85)	(154)
Temporary differences	92	195
Prior year adjustment	32	(165)
Other	(6)	1
	1,100	494

With effect from 1 April 2013, the rate of UK corporation tax reduced from 24% to 23%. As a result the average tax rate on the profit before tax for the Group's UK activities for 2013 was 23.25% (2012: 24.5%). It has been announced that the UK corporation tax rate will reduce to 21% with effect from 1 April 2014.

Deferred Taxation

	Share-based payments £'000	Temporary differences £'000	Total £'000
At 1 January 2013	66	(290)	(224)
Charge to income	–	(112)	(112)
Credit/(charge) to equity	423	(105)	318
At 31 December 2013	489	(507)	(18)

8. Further investment in subsidiary

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

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

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

9. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 5.0p* per share (2011 final dividend: 2.5p*)	1,208	604
Interim dividend for the year ended 31 December 2013 of 4.0p* per share (2012: nil)	967	–
	2,175	604
Proposed final dividend for the year ended 31 December 2013 of 4.0p per share (2012: final dividend of 5.0p*)	967	

* adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

10. Earnings per Share

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

	2013		2012*	
	Basic	Diluted	Basic	Diluted
Earnings (£)	3,398,000	3,398,000	1,987,000	1,987,000
Number of shares	24,164,000	24,526,304	24,163,960	24,336,101
Earnings per share (p)	14.1	13.9	8.2	8.2
Comprehensive earnings (£)	3,805,000	3,805,000	1,971,000	1,971,000
Number of shares	24,164,000	24,526,304	24,163,960	24,336,101
Earnings per share (p)	15.7	15.5	8.2	8.1

Calculation of number of shares

	2013		2012*	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	24,164,000	24,164,000	24,163,960	24,163,960
Dilutive effect of share option schemes	–	362,304	–	172,141
	24,164,000	24,526,304	24,163,960	24,336,101

As at 31 December 2013 there were 24,164,000 ordinary shares in issue (2012*: 24,163,960). Movements in the number of shares in issue during the year are set out in note 24.

* the number of shares in issue and EPS as at 31 December 2012 has been adjusted to reflect the share reorganisation that took place in December 2013 (see note 24)

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

11. Lease Commitments

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised as an expense during the year	662	628

At 31 December 2013 the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

Operating leases

	2013 £'000	2012 £'000
Amounts payable in under one year	698	628
Amounts payable between one and five years	2,044	1,193
Amounts after five years	138	328
	2,880	2,149

Operating lease payments represent rentals payable by the Group for its office properties.

12. Categories of Financial Assets and Liabilities

As at 31 December 2013	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available- for-sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Financial assets						
Cash and cash equivalents	-	-	-	-	41,395	41,395
Trading assets (bull positions)	1,098	3,459	-	-	-	4,557
Trade receivables in the course of collection	-	-	-	-	58,653	58,653
Loans	-	-	3,211	-	-	3,211
Financial investments	-	-	-	4,614	-	4,614
Other assets	-	-	-	-	2,017	2,017
	1,098	3,459	3,211	4,614	102,065	114,447
Tax assets						-
Accrued income						1,336
Goodwill						381
Intangible assets						4,025
Property, plant & equipment						10,897
Deferred tax asset						-
Total assets per balance sheet						131,086
Financial liabilities						
Bank overdrafts and borrowings	-	-	-	-	9,213	9,213
Trading positions (bear positions)	-	1,033	-	-	-	1,033
Trade creditors in the course of collection	-	-	-	-	1,287	1,287
Derivatives	-	186	-	-	-	186
Other liabilities	-	-	-	-	48,065	48,065
	-	1,219	-	-	58,565	59,784
Accruals						1,093
Tax liabilities						898
Provision for liabilities and charges						331
Deferred tax liability						18
Total liabilities per balance sheet						62,124

12. Categories of Financial Assets and Liabilities continued

	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available- for-sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
As at 31 December 2012						
Financial assets						
Cash and cash equivalents	–	–	–	–	30,443	30,443
Trading assets (bull positions)	37	4,021	–	–	–	4,058
Trade receivables in the course of collection	–	–	–	–	59,102	59,102
Loans	–	–	3,166	–	–	3,166
Financial investments	–	–	–	4,121	–	4,121
Other assets	–	–	–	–	2,756	2,756
	37	4,021	3,166	4,121	92,301	103,646
Tax assets						99
Accrued income						795
Goodwill						381
Intangible assets						4,055
Property, plant & equipment						11,669
Total assets per balance sheet						120,645
Financial liabilities						
Bank overdrafts and borrowings	–	–	–	–	10,876	10,876
Trading positions (bear positions)	–	1,395	–	–	–	1,395
Trade creditors in the course of collection	–	–	–	–	2,368	2,368
Derivatives	–	573	–	–	–	573
Other liabilities	–	–	–	–	37,478	37,478
	–	1,968	–	–	50,722	52,690
Accruals						1,300
Tax liabilities						–
Provision for liabilities and charges						44
Deferred tax liability						224
Total liabilities per balance sheet						54,258

13. Goodwill

	Goodwill arising on the acquisition of non controlling interest in subsidiary £'000
Cost	
At 1 January and 31 December 2013	381

There has been no impairment in the value of the asset.

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

14. Intangible assets

	£'000
Cost	
On acquisition of DBD	4,174
Additions post acquisition	295
Retranslation movement	(218)
At 31 December 2011	4,251
Additions post acquisition	190
Retranslation movement	(143)
At 31 December 2012	4,298
Additions post acquisition	7
Retranslation movement	109
At 31 December 2013	4,414
Amortisation	
At 1 January 2012	–
Charge for the year	243
At 31 December 2012	243
Charge for the year	146
At 31 December 2013	389
Carrying amount	
At 31 December 2013	4,025
At 31 December 2012	4,055

The intangible assets represent the spectrum licences acquired through the acquisition of DBD. There has been no impairment in the value of the asset.

DBD owns two separate spectrum licences in Germany, a national licence that runs to 2021, and a regional licence that runs into perpetuity. The national licence is being amortised on a straight line basis over its remaining life.

15. Property, Plant and Equipment

	Leasehold premises £'000	Fixtures and equipment £'000	Asset rental £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2013	890	2,798	12,517	214	16,419
Additions	–	340	–	–	340
Disposals	–	–	–	–	–
Retranslation movement	–	6	(233)	2	(225)
At 31 December 2013	890	3,144	12,284	216	16,534
Depreciation					
At 1 January 2013	766	1,496	2,390	98	4,750
Charge for the year	58	380	518	–	956
Retranslation movement	–	4	(73)	–	(69)
Disposals	–	–	–	–	–
At 31 December 2013	824	1,880	2,835	98	5,637
Net Book Value					
At 31 December 2013	66	1,264	9,449	118	10,897
At 31 December 2012	124	1,302	10,127	116	11,669

16. Investments

Available-for-Sale Investments

	Current			Non current		
	Listed investments £'000	Unlisted investments £'000	Total £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost						
At 1 January 2013	–	5,482	5,482	3,530	1,698	5,228
Additions	–	–	–	99	47	146
Disposals	–	–	–	(139)	(42)	(181)
At 31 December 2013	–	5,482	5,482	3,490	1,703	5,193
Revaluation						
At 1 January 2013	–	(5,466)	(5,466)	(737)	(386)	(1,123)
Revaluation in the year	–	–	–	527	(24)	503
Disposals	–	–	–	25	–	25
Impairment loss	–	–	–	–	–	–
At 31 December 2013	–	(5,466)	(5,466)	(185)	(410)	(595)
Valuation						
At 31 December 2013	–	16	16	3,305	1,293	4,598
At 31 December 2012	–	16	16	2,793	1,312	4,105

Additional information on principal subsidiaries.

Subsidiary	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held
Trading Companies			
Shore Capital Group Treasury Limited	Guernsey	Treasury company	100%
Shore Capital Group Investments Ltd	Guernsey	Holds investments	100%
Puma Property Investment Advisory Ltd	Guernsey	Property advisory services	100%
Shore Capital Finance Limited	Guernsey	Credit provider	100%
Spectrum Investments Limited ¹	Guernsey	Holds investments	59.3%
DBD Deutsche Breitband Dienste ¹	Germany	Telecoms	80.1%
Shore Capital Markets Limited ²	England and Wales	Intermediate Holding Co.	79.5%
Shore Capital Stockbrokers Limited ³	England and Wales	Broker/dealer	79.5%
Shore Capital and Corporate Limited ³	England and Wales	Corporate advisers	79.5%
Puma Investment Management Limited ⁴	England and Wales	Fund Management	81.8%
Shore Capital Limited	England and Wales	Fund Management	100%
Shore Capital Group plc	England and Wales	Intermediate Holding Co.	100%
Shore Capital Investments Limited	England and Wales	Holds investments	100%
Shore Capital Treasury Limited	England and Wales	Treasury company	100%
Shore Capital International Limited	England and Wales	Advisory services	100%
Shore Capital Management Limited	England and Wales	Member of an LLP	100%
Shore Capital (Japan) Limited	England and Wales	Credit provider	100%
Pebble Investments Limited	Guernsey	Holds investments	100%
Puma Property Advisers Limited	Guernsey	Property advisory services	100%
JellyWorks Limited	England and Wales	Dormant	100%
Limited Liability Partnerships			
The Lily Partnership LLP	England and Wales	Asset rental business	80%
Nominee Company			
Puma Nominees Limited	England and Wales	Nominee company	100%

¹ Spectrum Investments Limited is the intermediate holding company of, and held 80.1% of the ordinary shares and voting rights in, DBD Deutsche Breitband Dienste. As at 31 December 2013, the Company had a direct holding of 59.26% in Spectrum Investments Limited. The balance of the shares in each of Spectrum Investments Limited and DBD Deutsche Breitband Dienste were held by external investors.

² Shore Capital Markets Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, each of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited. The Company currently has a direct holding of 79.5% in Shore Capital Markets Limited. The balance of the shares in Shore Capital Markets Limited were bought by senior executives of that company and its subsidiaries.

³ The Group's interest in each of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited is held indirectly through Shore Capital Markets Limited (see note 2 above).

⁴ Shore Capital Limited is the intermediate holding company of, and holds 81.8% of, the ordinary shares and voting rights in Puma Investment Management Limited. The Company currently has a direct holding of 100% in Shore Capital Limited. The balance of the shares in Puma Investment Management Limited were bought by senior executives of that company.

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

17. Bull Positions and Other Holdings at fair value

	2013 £'000	2012 £'000
Held for Trading		
Listed holdings at market value		
Equities	1,803	2,711
Debt instruments	1,656	1,310
	3,459	4,021
Designated at fair value		
Listed holdings at market value:		
Debt instruments	-	-
Unlisted holdings:		
Equities	1,000	-
Debt	-	-
Invested in own fund and products	-	-
Other (including hedge funds)	98	37
	1,098	37
	4,557	4,058

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

1. for listed holdings the fair value is determined, in whole, by reference to published price quotations; and
2. for unlisted holdings fair value is estimated wherever possible using observable market prices or rates. Where none exist, the fair value is determined by the directors at the most recent available representative arm's length price or valuation. The fair value of the largest holding has been estimated based on the net asset value of the investee company which itself is based on external professional property valuations.

18. Trade and Other Receivables

	2013 £'000	2012 £'000
Trade receivables	58,653	59,102
Other receivables	2,017	2,756
Loans	3,211	3,166
Prepayments and accrued income	1,336	795
	65,217	65,819

The directors consider that the carrying value of trade and other receivables approximates to their fair value. Trade receivables are shown net of provision for doubtful debts amounting to £153,000 (2012: £103,000).

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

	2013 £'000	2012 £'000
Between 30 and 60 days	80	229
Between 60 and 90 days	-	-
Greater than 90 days	-	11
	80	240
Amounts not yet due	65,137	65,579
Trade receivables	65,217	65,819

19. Cash and Cash Equivalents

	As at 1 January 2013 £'000	Cash flows £'000	As at 31 December 2013 £'000
Cash at bank and in hand	30,443	10,952	41,395
Overdraft	–	–	–
	30,443	10,952	41,395

20. Trade and Other Payables

	2013 £'000	2012 £'000
Trade creditors	44,105	34,822
Other creditors	4,230	4,412
Other taxation and social security	1,017	612
Accruals and deferred income	1,093	1,300
	50,445	41,146

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

21. Borrowings

	2013 £'000	2012 £'000
Borrowings at amortised cost		
Bank loans	9,213	9,714
Other loans	–	1,162
Total Borrowings	9,213	10,876
Amount due to be repaid within 12 months	321	327
Amount due to be repaid after 12 months	8,892	10,549

	Multi- currency loan facility £'000	Amortising USD loan facility £'000	Spectrum/ DBD £'000	Total £'000
As at 31 December 2013				
Bank loans	–	9,213	–	9,213
Other loans	–	–	–	–
	–	9,213	–	9,213

	Multi- currency loan facility £'000	Amortising USD loan facility £'000	Spectrum/ DBD £'000	Total £'000
As at 31 December 2012				
Bank loans	–	9,714	–	9,714
Other borrowings	–	–	1,162	1,162
	–	9,714	1,162	10,876

The Group has a GBP facility comprising a multi-option overdraft facility and a revolving credit facility which are secured by a floating charge over the assets of the Group's stockbroking subsidiary.

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

21. Borrowings continued

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

	2013 %	2012 %
Bank overdrafts	2.50	2.31
Bank loans	2.90	5.31

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

- (i) Sterling based facilities of £20,000,000 in total comprising a multi-option overdraft facility of £15,000,000 and a revolving credit facility of £5,000,000. Under this facility, the Group has the option to draw down a fixture for a fixed maturity or an overdraft which is repayable on demand. The average effective interest rate on bank overdrafts was approximately 2.25% per annum (2012: 2.25%) and was determined on a base rate plus a margin. Both facilities were undrawn as at 31 December 2013.
- (ii) an amortising loan of \$15,259,000 (2012: \$15,791,000) for which the Group has liability for 80%. Principal is repayable in quarterly instalments with final repayment due on 31 March 2018. The loan is secured by a charge over the Group's rental asset. The loan carries an interest rate at 1.0% above 3 month USD LIBOR.

Undrawn Facilities

The Group's sterling based loan facility of £20,000,000 is structured as a multi-option facility of £15,000,000 and a revolving credit facility of £5,000,000. As at the year end, £15,000,000 (2012: £15,000,000) was undrawn on the multi-option facility and £5,000,000 (2012: £5,000,000) was undrawn on the revolving credit advance facility.

22. Provision for Liabilities and Charges

Provision for National Insurance contributions on share options

	2013 £'000	2012 £'000
At 1 January	44	36
Credit in the year	287	8
At 31 December	331	44

This provision will be utilised when staff exercise their options during the period of 1 January 2014 to 31 January 2022.

23. Capital Commitments

As at 31 December 2013, there were no amounts which were contracted for but not provided in the financial statements (2012: £nil).

24. Called Up Share Capital

	Number of shares	£'000
Shore Capital Group Limited – ordinary shares of nil par value		
At 1 January 2012	241,639,601	–
Shares issued in respect of options exercised	–	–
Shares repurchased and cancelled	–	–
At 31 December 2012	241,639,601	–
Shares issued in respect of options exercised	–	–
Shares repurchased and cancelled	–	–
Shares issued as part of the reorganisation of share capital	399	–
Cancelled on reorganisation	241,640,000	–
	Number of shares	£'000
Shore Capital Group Limited – new ordinary shares of nil par value		
Shares issued following the share capital reorganisation	24,164,000	–
Shares issued in respect of options exercised	–	–
Shares repurchased and cancelled	–	–
At 31 December 2013	24,164,000	–

In 2013 there were no (2012: nil) ordinary shares of nil par value which were issued as the result of the exercise by employees of share options granted in prior years under the terms of the Share Option Plan.

25. Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (see note 21), cash and cash equivalents (see note 19), and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings (see Consolidated Statement of Changes in Equity).

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

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

	Designated at fair value £'000	Held for trading £'000	Available- for-sale securities £'000	Total £'000
Net gains or losses arising from dealings in financial instruments				
2013				
Equities	-	11,092	525	11,617
Debt	-	-	-	-
Alternative Assets	-	-	50	50
	-	11,092	575	11,667
2012				
Equities	(35)	8,916	(252)	8,629
Debt	775	-	-	775
Alternative Assets	-	-	-	-
	740	8,916	(252)	9,404

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

a) Market Risk

The Group is exposed to market risk in respect of its trading in equities and other holdings. The fair value at the year end of positions arising from these activities is disclosed in the Financial Statements in note 17 for bull positions and the carrying value of the bear positions as disclosed on the face of the balance sheet is equal to the fair value.

Other holdings mainly comprise seeding of own Funds which have been launched (details of which are set out in the Chairman's statement on pages 4 to 9).

The year end positions arising from market-making activities are in line with those maintained throughout 2013. Both the permitted size of each trading book and the size of individual positions are predetermined and dealers are set prescribed limits within which they can deal. Day-to-day risk monitoring is carried out by the Head of the Shore Capital Markets division and the Compliance Department.

a) Market Risk continued

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

	2013			2012		
	Net equity £'000	Change in price of UK equities %	Effect on profit and on equity £'000	Net equity £'000	Change in price of UK equities %	Effect on profit and on equity £'000
Listed equities (net)	770	10%	77	1,316	10%	132
Listed holdings in own funds and products	-	10%	-	-	10%	-
Listed investments	3,305	10%	331	2,793	10%	279

b) Currency Risk

Other than borrowings as set out in note 21, the Group's foreign currency cash and bank balances at the year end were not material and are not separately disclosed in the Financial Statements. Where relevant, currency is bought or sold at the time of trading in order to meet the funds due or receivable on settlement.

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

25. Financial Instruments continued

b) Currency Risk continued

The fair value at the year end of available-for-sale investments, bull positions and other holdings which were denominated in foreign currencies was:

	2013 £'000	2012 £'000
Held in United States dollars	–	–
Held in Euros	3	3
	3	3

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

The amount taken to the Income Statement during the year was a loss of £24,000 (2012: £7,000 loss).

As at the year end the fair value of forward contracts which were hedging bull positions and other holdings was a net asset of £50,000 (2012: £35,000 net liability). The related notional contracts as at 31 December 2013 were £8,205,000 (2012: £5,609,000). These are all due to mature in January 2013.

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

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

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

	2013		2012	
	Euro £'000	US Dollar £'000	Euro £'000	US Dollar £'000
5% Stronger against GBP	316	(472)	139	(438)
5% Weaker against GBP	(286)	427	(126)	396

Profits shown as positives, losses as negatives.

c) Interest Rate Risk

The Group's exposure to long-term fixed borrowings is set out in note 21.

The interest bearing financial assets and liabilities of the Group comprise cash and cash equivalents, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Cash and cash equivalents receive, and bank overdrafts pay, interest at floating rates linked to either bank base rates or money market rates. The Group has a £15m overdraft facility and a £5m revolving credit facility which are both renewable annually. These facilities pay interest at rates linked to money market rates. The Group also has an amortising loan of \$15,259,000 for which there is a cash flow hedge to fix the rate of interest. The bank borrowings are described in more detail in note 21.

Interest rate sensitivity analysis

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

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

	2013 £'000	2012 £'000
+100 basis point movement in interest rates	12	36
As percentage of total shareholders' equity	0.020%	0.060%

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

25. Financial Instruments continued

d) Credit Risk

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

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

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

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

	2013 £'000
TD Waterhouse	5,949
Hargreaves Lansdown	1,677
Redmayne Bentley	1,604
Merrill Lynch	1,546
Barclays Bank	801
	11,577
	2012 £'000
TD Waterhouse	2,667
Pershing Securities Limited	680
Redmayne Bentley	301
Jarvis Investment Management Plc	221
Barclays Bank plc	250
	4,119

e) Liquidity Risk

Ultimate responsibility for liquidity management rests with the board of directors. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and borrowing facilities to meet its actual and forecast cash flows and matching maturity profiles of financial assets and liabilities. Note 21 includes details of undrawn facilities available to the Group.

Maturity profile of financial liabilities

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

	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
2013						
Bear Positions	–	1,033	–	–	–	1,033
Trade payables	44,105	–	–	–	–	44,105
Derivatives	–	(50)	–	207	29	186
Bank loans and overdrafts	–	147	437	1,836	7,906	10,326
Other liabilities	–	5,247	–	–	–	5,247
Tax liabilities	–	–	898	–	–	898
Accruals	–	1,093	–	–	–	1,093
	44,105	7,470	1,335	2,043	7,935	62,888

Notes to the Financial Statements continued

For the financial year ended 31 December 2013

25. Financial Instruments continued

e) Liquidity Risk continued

2012	Repayable on demand	Due within 3 months	Due between 3 months and 12 months	Due between 1 year and 5 years	Due after 5 years	Total
Bear Positions	–	1,395	–	–	–	1,395
Trade payables	34,822	–	–	–	–	34,822
Derivatives	–	35	–	345	193	573
Bank loans and overdrafts	–	152	453	2,326	8,196	11,127
Other liabilities	–	5,024	–	–	–	5,024
Accruals	–	1,300	–	–	–	1,300
	34,822	7,906	453	2,671	8,389	54,241

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

f) Fair value of financial instruments

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

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

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

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

	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
2013				
Available-for-sale financial investments	3,305	16	1,293	4,614
Bull positions and other holdings at fair value	3,557	–	1,000	4,557
Total financial assets	6,862	16	2,293	9,171
Bear positions	1,033	–	–	1,033
Derivatives	–	186	–	186
Total financial liabilities	1,033	186	–	1,219
2012				
Available-for-sale financial investments	2,793	16	1,312	4,121
Bull positions and other holdings at fair value	4,058	–	–	4,058
Total financial assets	6,851	16	1,312	8,179
Bear positions	1,395	–	–	1,395
Derivatives	–	573	–	573
Total financial liabilities	1,395	573	–	1,968

25. Financial Instruments continued

f) Fair value of financial instruments continued

Included in the fair value of financial instruments carried at fair value in the statement of financial position are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates (level 3). For such financial instruments, the Directors have generally made reference to published net asset values (derived by the manager of such investments) and used judgment over the use of those net asset values. The net asset values are generally derived from the underlying portfolios which are themselves valued using unobservable inputs. The significant unobservable inputs comprise the long term revenue growth rate, long term pre-tax operating margin and discounts for lack of marketability. A change in any of these inputs may result in a change in the fair value of such investments.

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

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

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

	At 1 January 2013 £'000	Losses recorded in profit or loss £'000	Purchases and transfers £'000	Sales and transfers £'000	At 31 December 2013 £'000
Total financial assets	1,312	(24)	1,047	(42)	2,293

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

26. Regulatory Capital

Capital resources*, capital requirements and surplus capital at the balance sheet dates were as follows:

	2013 £'000	2012 £'000
Group		
Capital resources per statement of financial position	68,962	66,387
Less non EU resources*	(37,498)	(34,174)
Capital resources*	31,464	32,213
Less Capital Resources Requirement	(7,258)	(8,062)
Surplus capital resources	24,206	24,151

The Group's lead regulator is the Financial Conduct Authority (FCA) in the UK. Four of the Group's operating subsidiaries are regulated by the FCA which imposes a minimum level of regulatory capital which must be maintained by each company and also an overall level of regulatory capital which must be maintained by the Group's UK businesses*. The Group has maintained a surplus throughout the year over its regulatory capital requirements.

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

Capital resources are largely comprised of share capital and reserves, net of intangible assets. Capital requirements are derived from credit risk, market risk and operational risk considerations.

* The calculation of Capital Resources for the purposes of these rules only permits the inclusion of resources that are located in EU countries. Accordingly, the amount of Capital resources as presented in the table above excludes the assets and liabilities that are held by the Group's Guernsey based companies.

27 Subsequent events

Dividend

The Company has proposed a final dividend of 4.0p per share (see note 9).

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*Non-executive

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