



Interim Report  
2016



# Highlights

## Interim 2016

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### Financial highlights

**Revenue up 7.8%\***

H1 2015

**£16.7m**

\*Excluding prior year impact of licence sales

H1 2016

**£18.0m**

**Profit before tax**

H1 2015

**£9.5m**

H1 2016

**£2.4m**

**Earnings per share**

H1 2015

**20.8p**

H1 2016

**6.5p**

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

"In a first half overshadowed by uncertainty preceding Britain's referendum on membership of the EU, it is pleasing to see the progress in our Capital Markets and Asset Management divisions, demonstrating the growth opportunity when market conditions improve.

The market malaise following Britain's vote to leave the EU appears to be short-lived helped by the speed with which a new Prime Minister and Cabinet was put in place and businesses and the investment community are starting to adapt to the new environment.

Given our independent status we believe we have the flexibility to take advantage of the opportunities that Brexit will create. We hope that Brexit will provide an opportunity to remove some of the regulations that impede the UK's ability to compete with the rest of the world."

### Operational highlights

- Capital Markets advised on four IPOs and five secondary fund raisings, including the second largest IPO fundraising of H1 2016, the Main Market listing of Motorpoint Group plc, raising £100 million
- Recent client wins included Dairy Crest Group plc; Chessara plc; Stride Gaming plc; and Earthport plc
- Puma Investments again achieved the largest limited life VCT fundraising of the tax year (over half of the total raised in its category) and significant inflows to its Private Client Investment offerings continued
- Brandenburg Realty made its second acquisition in May 2016 – a €32 million commercial and residential portfolio

# Chairman's Statement

## Introduction

In a first half overshadowed by uncertainty, particularly in the two months preceding Britain's referendum on membership of the EU, it is pleasing to see the progress in our Capital Markets and Asset Management divisions, demonstrating the growth opportunity when market conditions improve.



**Howard P. Shore**  
Executive Chairman

Stripping out the sale of German spectrum licenses in June 2015 to more accurately compare performance in 2016 versus 2015, the Group increased revenues by 7.8%. Revenues from the Capital Markets division increased by 4.9% to £13.1 million (2015: £12.4 million) generating profit before tax of £3.0 million, with a net margin of 23.0%. In Asset Management revenues increased 7.2% to £5.2 million (2015: £4.9 million), generating profit before tax of £1.3 million, representing a net margin of 25.0% (2015: 24.1%).

In Capital Markets we have added another eight retained clients; committed new investment to our research and sales capabilities; and again been active in transactions. The team advised on four IPOs, including London's second largest listing of the year and five secondary fund raisings. It acted as joint financial adviser and joint broker

to Market Tech Holdings Limited in connection with its move from AIM to the Main Market and, post period end, acted for Poundland Group on its c.£600 million offer by Steinhoff Europe.

We have expanded our core consumer and financial teams whilst developing our presence in digital technology; media; and house building and building materials. In market making, we continued to provide a principal source of liquidity for UK equities throughout the period, maintaining our position as the third largest market maker on the London Stock Exchange.

Our Capital Markets business has benefited from its reputation for high quality advice, ideas and execution. Consequently, there is much to be optimistic about in our business as market sentiment improves. In the short term, as the big banks digest the implications of Brexit for their

businesses, there will be opportunities for the Group. In the longer term, as the implications of the UK's decision to leave the EU become clearer and negotiations reach their conclusion, we can also look forward to the possibility of some EU-originated regulations that stifle growth in our sector being rolled-back, enabling us to compete more effectively with the rest of the world.

In Asset Management we again experienced substantial demand for our private client investment opportunities in VCTs and other tax-efficient structures; and continued to successfully advise institutional funds on their investment strategies. The diverse nature of revenue growth in the Asset Management division reflects the team's efforts to expand its offering and during the period it invested in additional operational capacity.

On the institutional advisory side of the Asset Management division's activities, Brandenburg Realty made its second acquisition in May 2016 of a €32 million commercial and residential portfolio located in the city of Potsdam near Berlin and continues to seek additional acquisition opportunities for the fund.

The latest of our successful Puma VCTs set a new fundraising record and accounted for over half of all funds raised in the 2015/16 limited life VCT market. Regardless of the tax-efficient structure into which private clients place their funds, the asset-backed investment strategy underpinning them has continued to achieve considerable success. With the withdrawal from our market of mainstream banks, our approach to SME funding continues to enjoy high demand, such that we have invested to expand our capabilities, underpinning continued growth in our private client activities.

It is also worth noting the success of Puma's AIM IHT Service, a discretionary portfolio that seeks to mitigate Inheritance Tax by investing in carefully selected AIM shares. It celebrated its two year anniversary at the end of the period, over which time it has delivered a 21.9% return, outperforming the FTSE AIM All Share Index by 31.8%.

Finally, in Principal Finance, having realised significant gains from the sale of a number of licences in 2015, DBD continues to hold its remaining 32 regional radio spectrum licences which cover many of Germany's largest metropolitan centres – including Berlin, Leipzig, Dresden, Düsseldorf and Hanover.

# Financial Review

## Income and expenditure

Revenue for the period decreased by 30.6% to £18.0 million (2015: £25.9 million) whilst administrative expenses decreased by 4.9% to £15.5 million (2015: £16.3 million), generating an operating profit of £2.5 million (2015: £9.6 million). Group profit before tax decreased by 74.5% to £2.4 million (2015: £9.5 million). Comparisons to the prior year are impacted by the sale of spectrum licences in June 2015; excluding this sale, revenue for the period increased 7.8% year-on-year.

Revenue from the Capital Markets division increased by 4.9% to £13.1 million (2015: £12.4 million). Profit before tax was down 1.4% to £3.0 million (2015: £3.1 million), with a net margin of 23.0% (2015: 24.7%).

Revenue from the Asset Management division was up 7.2% to £5.2 million (2015: £4.9 million), generating profit before tax of £1.3 million (up 11.2% from 2015: £1.2 million), representing a net margin of 25.0% (2015: 24.1%).

The Principal Finance division recorded a pre-tax loss of £1.2 million (2015: profit of £5.8 million).

## Basic Earnings per Share

The Group generated basic earnings per share of 6.5p (2015: 20.8p).

## Comprehensive Earnings per Share

On a comprehensive basis, the Group generated earnings of 7.6p per share (2015: 21.2p).

## Liquidity

As at the balance sheet date, available liquidity was £24.8 million (2015: £39.1 million), comprising £16.0 million (2015: £37.4 million) of cash and £8.8 million (2015: £1.7 million) of gilts and bonds. In addition, the Group has a £20 million working capital facility which was undrawn at the period end.

This liquidity underpins 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 £66.9 million (2015: £78.2 million), the reduction reflecting both a capital distribution to equity shareholders of £10 million and the minority interest share of a capital distribution paid by Spectrum Investments at the end of 2015.

In addition to the £16.0 million of cash and £8.8 million of gilts and bonds (as referred to above), at the period end the Group held £2.9 million in various of its Puma Funds; £2.9 million net in quoted equities; and a further £3.8 million in other unquoted holdings.

The remainder of the balance sheet was £32.5 million net, which included £23.5 million of net market and other debtors in the Company's stockbroking subsidiary. In addition, the remaining licences held in Spectrum Investments were valued at £2.1 million (on a gross basis, before allowing for minority interests).

## Net Asset Value per Share

Net asset value per share at the period end was 270.3p (2015: 277.7p).

## Dividend

The Board does not propose to pay an interim dividend for the period (2015: nil).

# Operating Review

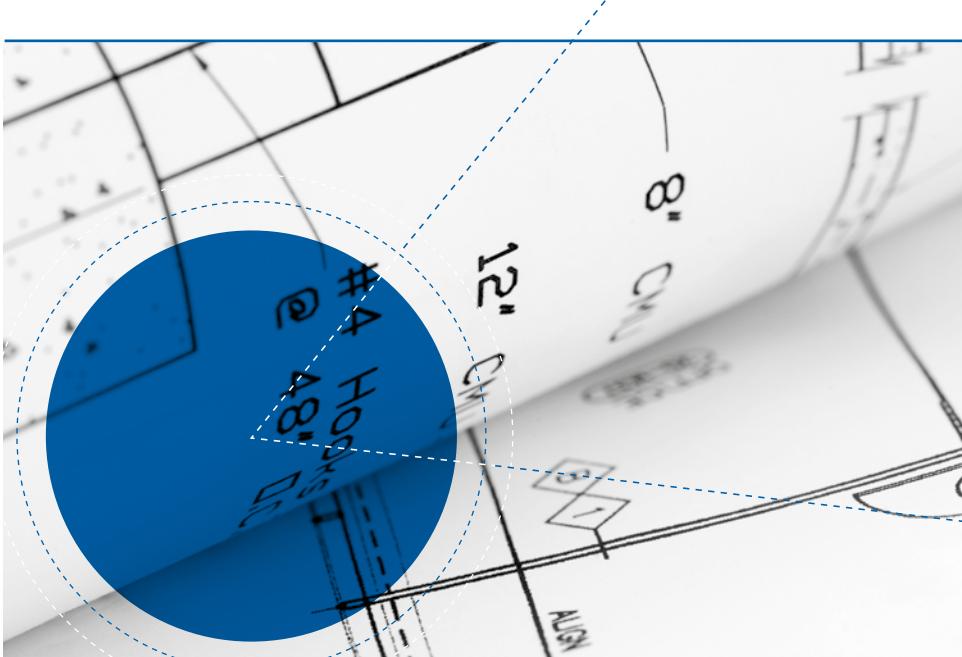
The following operating review reports on the Group's three main areas of focus: Capital Markets, Asset Management and Principal Finance.

## Capital Markets Overview

The Capital Markets division recorded a successful first half of 2016, increasing revenues in a tough market environment; growing its client base; and developing its service offering.

The team participated in a significant number of high-profile transactions, including the second largest London IPO in the second quarter, as well as adding eight new retained corporate clients. Post period end the team acted for Poundland Group plc on its c.£600 million offer by Steinhoff Europe AG.

Additional investment has been made to augment our research and distribution proposition, enhancing our sector coverage across core consumer; financials; digital technology; media; and house building and building materials.



The Fixed Income business has already made a positive contribution to the Group, having been profitable from its beginning, widening the Group's range of capital raising options for clients.

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

## Corporate Finance

During the period under review the team has been very active and participated in a number of significant transactions including four IPOs and five secondary fund raisings. Notable transactions completed during the period included:

- acting as co-bookrunner on the Main Market IPO of Motorpoint Group plc, the second largest IPO in London in Q2, raising £100 million;
- acting as joint bookrunner on the placing by Vernalis plc, raising £40 million; and
- acting as nominated adviser and sole broker on the IPOs of Cerillion plc and Yü Group plc.

In the advisory space, the team acted as joint financial adviser and joint broker to Market Tech Holdings Limited in connection with its move from AIM to the Main Market.

The Company continues to achieve success in growing its retained client list and during the period added eight new retained corporate clients, including FTSE 250 Dairy Crest Group plc, Chesnara plc, Stride Gaming plc, and Earthport plc.

## Research and Sales

The team's equity capital research and idea generation continued to grow its presence and reputation for high quality in challenging market conditions. The solidity, experience and stability of the Shore Capital research and sales team is

increasingly valued by the investment community where insight and opinions from established market practitioners is appreciated.

The breadth and depth of our equity research continues to increase. We have expanded our core consumer and financial teams whilst developing our presence in digital technology; media; and house building and building materials. The capability of our research team is evident in fund manager surveys where Shore Capital scores highly in general and across our core sectors in Thomson Extel; the quality of our forecasts and our stock picking continued to be recognised by Starmine.

The strong profile and warm reception for Shore Capital's overall research and distribution proposition also supports the Company's primary activities where we remain very active in our core segments. Strong primary activity in the healthcare, retail, natural resources and technology segments plus key brokership wins in the financial sector reflect the brand's growing presence in corporate markets.

# Operating Review

Continued

## Market Making

Despite difficult market conditions in the first half of the year, the Group's market making operation performed well, maintaining revenue and profits in line with the previous year. Trading volumes were 11% higher than the first half of 2015, a very commendable result in light of market uncertainty ahead of the Brexit vote.

The team positioned its inventory prudently throughout the period, including the period leading up to the Brexit vote, enabling us to provide significant liquidity in the immediate aftermath of the referendum result.

Although clearly sensitive to the overall market environment, Shore Capital remains focused and adaptable to changes in trading conditions and to the needs of clients. Market Making operations continue to benefit from the team's wide stock coverage and its reputation as a strong and trusted counterparty.

The market making team comprises highly experienced traders who are able to identify revenue opportunities despite challenging market conditions, whilst operating within a risk framework that ensures loss days are a rare occurrence.

## Fixed Income

The fixed income team enjoyed their first full six month period within the Group following their move from Edmond de Rothschild in late 2015 and has performed very credibly, making a positive contribution in what has been a highly challenging environment.

The fixed income team's extensive experience enables the Group to offer its clients a fuller range of financing options for mid-sized corporates, creating exciting opportunities for growth in the Capital Markets business.

## Asset Management Overview

The Asset Management division enjoyed notable successes during the period across both its Institutional and Private Client businesses.

In the Institutional business Brandenburg Realty completed its second acquisition for €32 million in the period. Puma Brandenburg completed a €90 million refinancing as well as making other advances in implementing its strategic objectives.

The Private Client division again achieved a record-breaking fundraise for its latest VCT, Puma VCT 12, as well as securing and allotting significant inflows to the Puma EIS Service. Puma Heritage and the Puma AIM Inheritance Tax Service celebrated their third and second anniversaries respectively, both continuing to deliver impressive levels of return for investors.

## Institutional Asset Management

### *Brandenburg Realty*

Brandenburg Realty (the "Fund") completed its final close on 30 June 2015, raising €150 million from institutional investors and family offices, (predominantly from the United States) and includes a co-investment commitment of €7.7 million from Puma Brandenburg Limited. Shore Capital has also made a commitment of €12.5 million to the Fund and is providing

advisory services at a local level, deploying its significant experience gained through the Group's work with Puma Brandenburg. The Fund focuses on German real estate, primarily on the acquisition of well-located, high quality residential buildings and offices in major German cities, especially in Berlin.

- the successful drawdown in June 2016 of an eight year, €90 million loan facility for the refinancing of a commercial portfolio. The portfolio includes the Hyatt Regency Cologne and IBIS Nuremberg and was refinanced with an all-in cost of 2.19%, including the cost of an eight year swap; and
- the execution of a further framework agreement for the refurbishment of four Lidl stores and the sale of three other stores to Lidl for €5.75 million.

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

SPPC announced its results for the year ended 31 March 2016 on 4 July 2016. As at that date, it had investments in 19 companies and reported that it had generated £588,000 from realisations since 1 April 2015.

The company reported that the majority of value in its investment portfolio now resided in its five largest investments and that whilst management of each of these five companies were delivering against their own milestones, each company remained susceptible to geo-political and/or financing challenges which were likely to determine their future success.

Achievements in the period with which the Group has assisted PBL include:

- the planning and execution of a capital project to add and enlarge conference and food and beverage facilities at the Hyatt Regency, Cologne. These works, which are co-funded by Hyatt, commenced in June 2016;

SPPC continues to seek liquidity opportunities and recognises that the majority of its shareholders will likely vote next year for an orderly winding-up of the company or for some other mechanism which will deliver shareholder value.

### *Private Client Investments*

The Group's private client investments business, Puma Investments, continues to make exciting progress. Of particular note are the successful launch of Puma VCT 12, which closed during the period having raised £31 million – accounting for more than half of the total funds raised in the limited-life VCT market in the 2015/16 tax year – and the continued expansion of Puma EIS, which was fully subscribed for the same period and now has £40 million in the service.

### *Puma Venture Capital Trusts ("VCTs")*

The Group's Puma VCTs are each limited-life vehicles, aiming to distribute the initial capital and returns to their investors after five years. Since 2005 over £220 million has been raised for Puma VCTs and £85 million has been distributed to their shareholders.

# Operating Review

## Continued

Puma's market-leading VCT track record is reflected in the fact that the most recently fully distributed fund, Puma VCT V, is the most successful limited-life VCT in the 20 year history of the industry. Puma VCTs 1 to 4 have each produced the highest total return of their respective peer groups. The current stable of funds are all performing well and have paid out tax-free dividends of between 5p and 7p per annum to shareholders.

Puma VCT 12 closed for subscriptions during the period, raising £31 million which accounted for more than half of the total funds raised in the limited-life VCT market in the 2015/16 tax year. The Group considers this fundraising to be a considerable achievement and an endorsement of Puma's standing in the VCT sector. The business is pleased to be launching its latest VCT for the current tax year, Puma VCT 13, and hopes to capitalise on its strong track record.

### **Puma Heritage plc**

Puma Heritage was launched in June 2013 to operate in a range of sectors, with a primary focus on secured lending. It focuses on capital preservation, whilst seeking to produce regular returns for shareholders intended

to counter long-term inflationary pressures. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years.

The company celebrated its third anniversary in June 2016, having recorded a significant acceleration in its net asset value ("NAV") during the period. Subscriptions from new shareholders and good levels of return generated from its diversified loan book have increased the NAV of the company to £25 million. The business has a strong pipeline of loans to deploy current and future funds and remains optimistic about the prospects for further NAV growth over the coming months and years.

During the period, Puma Investments advised Puma Heritage plc on the completion of several asset-backed loans across a number of sectors, all secured with a first charge over real estate at conservative lending ratios. The team continues to assist the business, helping it to source and analyse new lending opportunities. Puma Heritage remains open for investment and having reached critical mass, is in a position to grow more rapidly.

### **Puma EIS**

The Puma EIS portfolio service (the "EIS Service") was launched in November 2013 to offer investors the opportunity to invest in asset-backed Enterprise Investment Scheme qualifying companies utilising the team's strong track record and expertise in asset-backed investing gained from their experience running the Puma VCTs. Fundraising continued successfully through the 2015/16 tax year, raising the amount in the EIS Service to £40 million.

All of these funds were successfully allotted into qualifying companies ahead of the tax year end in their relevant year. The total amount in the EIS Service is now at £40 million with fundraising for the current year running ahead of the equivalent period in the previous year. The EIS Service has a good pipeline of deployment opportunities and remains open for investment.

### **Puma AIM Inheritance Tax Service**

The Puma AIM IHT Service (the "IHT Service") is a discretionary portfolio service that seeks to mitigate Inheritance Tax by investing in a carefully selected portfolio of AIM shares and is particularly attractive for those that wish to invest via an ISA. It celebrated its two year anniversary at the end of June 2016, over which time it has delivered a 21.9% return, outperforming the FTSE AIM All Share Index by 31.8%.

The IHT Service has grown customers and client assets during the period. Equity market volatility at the end of the period as a result of the EU referendum has not helped performance in UK focused smaller companies; however, the IHT Service's comparative performance against benchmark indices remains strong and we continue to be confident of growing the service given our impressive track record since inception and the significant potential tax benefits for clients.

### **Principal Finance Investment in German Telecoms Business**

DBD is an entity that holds radio spectrum licences in Germany in the 3.5 GHz frequency range, which is increasingly being deployed around the world by regulators, equipment manufacturers and operators as a frequency for 4G services. DBD is owned by Spectrum Investments Limited, ("Spectrum") in which the Group holds a 59.9% interest.

Having realised significant gains from the sale of a number of licences in 2015, DBD continues to hold its remaining 32 regional radio spectrum licences which cover many of Germany's largest metropolitan centres – including Berlin, Leipzig, Dresden, Düsseldorf and Hanover. The Company remains in discussions with the German Telecoms Regulator regarding the status of the licences and is in the process of presenting its plans for their potential future utilisation.

Shareholders will be updated in due course.

### **Current Trading and Prospects**

The market malaise following Britain's vote to leave the EU appears to be short-lived helped by the speed with which a new Prime Minister and Cabinet was put in place and businesses and the investment community are starting to adapt to the new environment.

Given our independent status we believe we believe we have the flexibility to take advantage of the opportunities that Brexit will create. We hope that Brexit will provide an opportunity to remove some of the regulations that impede the UK's ability to compete with the rest of the world.

**Howard P. Shore  
Executive Chairman**  
13 September 2016

# Independent Review Report to Shore Capital Group Limited (the “Group”)

We have been engaged by Shore Capital Group Limited to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

## Directors’ Responsibilities

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

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

## Our Responsibility

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

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial

and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, and the AIM rules of the London Stock Exchange.

**Deloitte LLP**  
**Chartered Accountants**  
**Guernsey, Channel Islands**

13 September 2016

# Consolidated Income Statement For the six months ended 30 June 2016 (unaudited)

	Notes	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
<b>Revenue</b>	3	<b>17,988</b>	25,912	41,952
Administrative expenditure		<b>(15,490)</b>	(16,325)	(30,129)
<b>Operating profit</b>		<b>2,498</b>	9,587	11,823
Interest income		<b>102</b>	109	191
Finance costs		<b>(159)</b>	(151)	(317)
<b>Profit before taxation</b>	3	<b>2,441</b>	9,545	11,697
Taxation		<b>(628)</b>	(607)	(1,002)
<b>Profit for the period</b>		<b>1,813</b>	8,938	10,695
<b>Attributable to:</b>				
Equity holders of the parent		<b>1,407</b>	5,028	6,445
Non-controlling interests		<b>406</b>	3,910	4,250
		<b>1,813</b>	8,938	10,695
<b>Earnings per share</b>				
Basic	4	<b>6.5p</b>	20.8p	27.1p
Diluted	4	<b>6.2p</b>	20.1p	26.1p

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 (unaudited)

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
<b>Profit for the period</b>	<b>1,813</b>	8,938	10,695
Losses on revaluation of available-for-sale investments taken to equity	(128)	(22)	(66)
(Losses)/Gains on cash flow hedges	(210)	(19)	31
Taxation	42	4	(6)
Exchange difference on translation of foreign operations	(168)	(15)	25
<b>Other comprehensive income for the period, net of tax, from continuing operations</b>	<b>609</b>	(17)	211
<b>Total comprehensive income for the period, net of tax</b>	<b>2,294</b>	8,899	10,840
Attributable to:			
Equity holders of the parent	<b>1,658</b>	5,116	6,599
Non-controlling interests	<b>636</b>	3,783	4,241
	<b>2,294</b>	8,899	10,840
Comprehensive earnings per share			
Basic	<b>7.6p</b>	21.2p	27.7p
Diluted	<b>7.4p</b>	20.4p	26.7p

# Consolidated Statement of Financial Position

As at 30 June 2016 (unaudited)

	Notes	As at 30 June 2016 £'000	As at 30 June 2015 £'000	As at 31 December 2015 £'000
<b>Non-current assets</b>				
Goodwill		<b>381</b>	381	381
Intangible assets		<b>2,091</b>	1,771	1,841
Property, plant & equipment		<b>11,721</b>	10,457	10,864
Available-for-sale investments		<b>7,020</b>	3,331	6,341
Deferred tax asset		—	275	128
		<b>21,213</b>	16,215	19,555
<b>Current Assets</b>				
Trading assets		<b>12,121</b>	7,388	9,344
Trade and other receivables		<b>124,974</b>	89,856	71,739
Derivative financial instruments		—	77	54
Cash and cash equivalents		<b>15,988</b>	37,435	22,113
		<b>153,083</b>	134,756	103,250
<b>Total assets</b>	3	<b>174,296</b>	150,971	122,805
<b>Current liabilities</b>				
Trading liabilities		<b>(773)</b>	(1,478)	(946)
Trade and other payables		<b>(94,085)</b>	(60,875)	(43,998)
Derivative financial instruments		<b>(688)</b>	—	(187)
Tax liabilities		<b>(805)</b>	(708)	(481)
Borrowings		<b>(401)</b>	(338)	(360)
		<b>(96,752)</b>	(63,399)	(45,972)
<b>Non-current liabilities</b>				
Borrowings		<b>(10,110)</b>	(8,858)	(9,256)
Deferred tax liability		<b>(318)</b>	—	—
Provision for liabilities and charges		<b>(176)</b>	(507)	(535)
		<b>(10,604)</b>	(9,365)	(9,791)
<b>Total liabilities</b>	3	<b>(107,356)</b>	(72,764)	(55,763)
<b>Net Assets</b>		<b>66,940</b>	78,207	67,042
<b>Capital and Reserves</b>				
Called up share capital		—	—	—
Share premium account		<b>336</b>	336	336
Merger reserve		<b>17,151</b>	27,198	17,151
Other reserves		<b>1,402</b>	2,177	2,164
Retained earnings		<b>39,955</b>	37,389	38,845
<b>Equity attributable to equity holders of the parent</b>		<b>58,844</b>	67,100	58,496
Non-controlling interests		<b>8,096</b>	11,107	8,546
<b>Total equity</b>		<b>66,940</b>	78,207	67,042

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 (unaudited)

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
<b>At 1 January 2015</b>	—	336	27,198	2,260	34,391	8,236	72,421
Retained profit for the period	—	—	—	—	5,028	3,910	8,938
Revaluation of available for sale investments	—	—	—	(22)	—	—	(22)
Foreign currency translation	—	—	—	—	122	(124)	(2)
Valuation change on cash flow hedge	—	—	—	(12)	—	(3)	(15)
Total comprehensive income	—	—	—	(34)	5,150	3,783	8,899
Decrease in deferred tax asset	—	—	—	(54)	—	—	(54)
Equity dividends paid	—	—	—	—	(1,208)	—	(1,208)
Dividends paid to non controlling interests	—	—	—	—	(944)	(998)	(1,942)
Credit in relation to share based payments	—	—	—	5	—	—	5
Investment by non controlling interest in subsidiaries other than Spectrum	—	—	—	—	—	86	86
<b>At 30 June 2015</b>	—	336	27,198	2,177	37,389	11,107	78,207
Retained profit for the period	—	—	—	—	1,417	340	1,757
Revaluation of available for sale investments	—	—	—	(44)	—	—	(44)
Foreign currency translation	—	—	—	—	78	110	188
Valuation change on cash flow hedge	—	—	—	37	—	9	46
Tax on cashflow hedge	—	—	—	(5)	—	(1)	(6)
Total comprehensive income	—	—	—	(12)	1,495	458	1,941
Dividends paid to non controlling interests	—	—	—	—	17	(17)	—
Repurchase/cancellation of Own shares	—	—	(10,047)	—	—	—	(10,047)
Capital distribution from Spectrum to non controlling interests	—	—	—	—	—	(3,316)	(3,316)
Credit in relation to share based payments	—	—	—	(1)	—	—	(1)
Investment by non controlling interest in subsidiaries other than Spectrum	—	—	—	—	—	258	258
Adjustment arising in non controlling interest	—	—	—	—	(56)	56	—
<b>At 31 December 2015</b>	—	336	17,151	2,164	38,845	8,546	67,042

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
<b>At 1 January 2016</b>	—	336	17,151	2,164	38,845	8,546	67,042
Retained profit for the year	—	—	—	—	1,407	406	1,813
Revaluation of available for sale investments	—	—	—	(128)	—	—	(128)
Foreign currency translation	—	—	—	—	537	240	777
Valuation change on cash flow hedge	—	—	—	(199)	—	(11)	(210)
Tax on cash flow hedge	—	—	—	—	40	—	42
Total comprehensive income	—	—	—	(287)	1,944	637	2,294
Decrease in deferred tax asset recognised directly in equity	—	—	—	(475)	—	—	(475)
Dividends paid to non controlling interests	—	—	—	—	(834)	(1,225)	(2,059)
Investment by non controlling interest in subsidiaries	—	—	—	—	—	138	138
<b>At 30 June 2016</b>	—	336	17,151	1,402	39,955	8,096	66,940

# Consolidated Cash Flow Statement

For the six months ended 30 June 2016 (unaudited)

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>			
Operating profit	<b>2,498</b>	9,587	11,823
Adjustments for:			
Depreciation charges	<b>495</b>	487	977
Amortisation charges	—	63	62
Share-based payment expense	—	5	4
Loss on available-for-sale investments	(135)	993	1,142
Other profit on sale of intangibles	—	—	(9,207)
Decrease in provision for NIC on options	(359)	(28)	—
<b>Operating cash flows before movement in working capital</b>	<b>2,499</b>	11,107	4,801
Increase in trade and other receivables	(53,181)	(29,821)	(11,681)
Increase in trade and other payables	<b>50,378</b>	30,871	14,231
Increase/(decrease) in bear positions	(173)	632	100
Increase in bull positions	(2,777)	(1,277)	(4,708)
<b>Cash (utilised)/generated by operations</b>	<b>(3,254)</b>	11,512	2,743
Interest paid	(159)	(151)	(317)
Corporation tax paid	(291)	(1,167)	(1,652)
<b>Net cash (utilised)/generated by operating activities</b>	<b>(3,704)</b>	10,194	774
<b>Cash flows from investing activities</b>			
Purchases of fixed assets	(283)	(579)	(363)
Sale of intangible assets	—	—	10,680
Purchase of AFS investments	(707)	—	(3,750)
Sale of AFS investments	35	37	—
Interest received	102	109	191
<b>Net cash utilised by investing activities</b>	<b>(853)</b>	(433)	6,758
<b>Cash flows from financing activities</b>			
Investment in non controlling interest in subsidiaries	<b>138</b>	86	344
Repurchase of shares	—	—	(10,047)
Capital distribution to non controlling interest	—	—	(3,316)
Decrease in borrowings	(200)	(169)	(360)
Dividends paid to non controlling interests	(2,059)	(1,942)	(1,942)
Dividends paid to Equity Holders	—	(1,208)	(1,208)
<b>Net cash utilised by financing activities</b>	<b>(2,121)</b>	(3,233)	(16,529)
<b>Net (decrease)/increase in cash and cash equivalents during the period</b>	<b>(6,678)</b>	6,528	(8,997)
Effects of exchange rate changes	<b>553</b>	249	452
<b>Cash and cash equivalents at beginning of period</b>	<b>22,113</b>	30,658	30,658
<b>Cash and cash equivalents at end of period</b>	<b>15,988</b>	37,435	22,113

# Notes to the Interim Financial Report

For the six months ended 30 June 2016 (unaudited)

## 1. Financial information

### Basis of preparation

The annual financial statements of Shore Capital Group Limited (the "Group") are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this interim financial report for the period ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

The information for the year ended 31 December 2015 does not constitute statutory accounts. The Annual Report and Accounts of the Group were issued on 30 March 2016. The auditor's report on those accounts was not qualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

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

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

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.

### Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as are applied in the Group's latest audited Annual Report and Accounts for the year ended 31 December 2015.

## 2. Principal risks and uncertainties

The Group's policies for managing the risks arising from its activities are set out in the last audited Annual Report and Accounts of the group that were issued on 30 March 2016. The Group's activities comprise equity market activities and investment in alternative assets and property, and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

## 3. Segmental information

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

- Capital Markets provides research in selected sectors, broking for institutional and professional clients, market-making in AIM and small cap stocks, fixed income broking and corporate finance for mid and small cap companies.
- Asset Management provides advisory services, and manages specialist funds.
- Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using our own balance sheet resources.
- Central Costs comprises the costs of the Group's central management team and structure.

# Notes to the Interim Financial Report

For the six months ended 30 June 2016 (unaudited)

Continued

## 3. Segmental information continued

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

	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Central costs £'000	Consolidated £'000
<b>6 months ended 30 June 2016</b>					
<b>Revenue</b>	<b>13,059</b>	<b>5,200</b>	<b>(271)</b>	–	<b>17,988</b>
<b>Profit/(loss) before tax</b>	<b>3,004</b>	<b>1,300</b>	<b>(1,173)</b>	<b>(690)</b>	<b>2,441</b>
Assets	<b>125,281</b>	<b>6,210</b>	<b>41,120</b>	<b>1,685</b>	<b>174,296</b>
Liabilities	<b>(95,874)</b>	<b>(2,726)</b>	<b>(7,948)</b>	<b>(808)</b>	<b>(107,356)</b>
<b>6 months ended 30 June 2015</b>					
<b>Revenue</b>	<b>12,449</b>	<b>4,853</b>	<b>8,610</b>	–	<b>25,912</b>
<b>Profit/(loss) before tax</b>	<b>3,076</b>	<b>1,169</b>	<b>5,785</b>	<b>(485)</b>	<b>9,545</b>
Assets	<b>81,694</b>	<b>6,283</b>	<b>61,017</b>	<b>1,977</b>	<b>150,971</b>
Liabilities	<b>(51,528)</b>	<b>(4,192)</b>	<b>(16,893)</b>	<b>(151)</b>	<b>(72,764)</b>
<b>Year ended 31 December 2015</b>					
<b>Revenue</b>	<b>23,350</b>	<b>9,500</b>	<b>9,102</b>	–	<b>41,952</b>
<b>Profit/(loss) before tax</b>	<b>4,693</b>	<b>2,653</b>	<b>5,139</b>	<b>(788)</b>	<b>11,697</b>
Assets	<b>76,213</b>	<b>5,522</b>	<b>39,324</b>	<b>1,746</b>	<b>122,805</b>
Liabilities	<b>(44,775)</b>	<b>(2,229)</b>	<b>(8,691)</b>	<b>(68)</b>	<b>(55,763)</b>

## 4. Earnings per share

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

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
<b>Earnings (£)</b>	<b>1,407,000</b>	5,028,000	6,445,000
<b>Number of shares</b>			
<b>Basic</b>	<b>21,768,791</b>	24,164,000	23,796,516
Weighted average number of shares			
<b>Diluted</b>	<b>787,412</b>	904,296	902,128
Dilutive effect of share option scheme			
	<b>22,556,203</b>	25,068,296	24,698,644
<b>Earnings per share</b>			
<b>Basic</b>	<b>6.5p</b>	20.8p	27.1p
Diluted	<b>6.2p</b>	20.1p	26.1p
<b>5. Dividends paid</b>			
	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2014 of 5.0p per share	–	1,208	1,208
	–	1,208	1,208

# Notes to the Interim Financial Report

For the six months ended 30 June 2016 (unaudited)

Continued

## 6. Called up share capital

Shore Capital Group Limited – ordinary shares of nil par value	Number of shares	£'000
At 1 January 2015 and 30 June 2015	24,164,000	–
Shares repurchased and cancelled	(2,395,209)	–
At 31 December 2015 and 30 June 2016	<b>21,768,791</b>	–

## 7. Events after the period

There were no significant events subsequent to the period end.

## 8. Financial instruments

### Fair value of financial instruments

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

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

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

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

## 8. Financial instruments continued

	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
<b>30 June 2016</b>				
Available-for-sale financial investments	<b>1,191</b>	–	<b>5,829</b>	<b>7,020</b>
Trading assets	<b>12,121</b>	–	–	<b>12,121</b>
<b>Total financial assets</b>	<b>13,312</b>	–	<b>5,829</b>	<b>19,141</b>

Trading liabilities	<b>773</b>	–	–	<b>773</b>
Derivative financial instruments	–	<b>688</b>	–	<b>688</b>
<b>Total financial liabilities</b>	<b>773</b>	<b>688</b>	–	<b>1,461</b>

	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
<b>30 June 2015</b>				
Available-for-sale financial investments	2,131	–	1,200	3,331
Trading assets	4,246	–	3,142	7,388
Derivative financial instruments	–	77	–	77
<b>Total financial assets</b>	<b>6,377</b>	77	<b>4,342</b>	<b>10,796</b>

Trading liabilities	1,478	–	–	1,478
<b>Total financial liabilities</b>	<b>1,478</b>	–	–	<b>1,478</b>

	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
<b>31 December 2015</b>				
Available-for-sale financial investments	1,298	–	5,043	6,341
Trading assets	9,344	–	–	9,344
Derivative financial instruments	–	54	–	54
<b>Total financial assets</b>	<b>10,642</b>	54	<b>5,043</b>	<b>15,739</b>

Trading liabilities	946	–	–	946
Derivative financial instruments	–	187	–	187
<b>Total financial liabilities</b>	<b>946</b>	<b>187</b>	–	<b>1,133</b>

# Notes to the Interim Financial Report

For the six months ended 30 June 2016 (unaudited)

Continued

## 8. 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 the manager of such instruments) and used judgement 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 have been no significant movements between level 1 and level 2 during the period.

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

	At 1 January 2016 £'000	Gains recorded in profit or loss £'000	Purchases and transfers £'000	Sales and transfers £'000	At 30 June 2016 £'000
<b>Total financial assets</b>	<b>5,043</b>	<b>635</b>	<b>186</b>	<b>(35)</b>	<b>5,829</b>

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.

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

# Officers and Professional Advisers

## Directors

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Lynn Bruce  
Dr Zvi Marom\*  
James Rosenwald III\*

\*Non-executive

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Lynn Bruce

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