

Shore Capital Group Limited

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

Interim results for the six months ended 30 June 2022

Shore Capital, the independent investment group specialising in capital markets, asset management and principal finance, presents its interim results for the period ended 30 June 2022.

Financial highlights

	Six months ended 30 June 2022	Six months ended 30 June 2021
Revenue	£31.1m	£38.0m
Profit before tax	£2.2m	£9.7m
Basic earnings per share	6.5p	30.3p

Chairman's Statement

The Group has recorded revenues of £31.1m and pre-tax profits of £2.2m for the six-month period to 30 June 2022, delivering basic earnings per share of 6.5p.

In a period that has been marked by significant macroeconomic headwinds and geopolitical instability, we have continued to see the value of our diversified business model.

Our Asset Management business has continued to record excellent inflows, growing assets under management by 25% year-on-year to £1.8bn, as well as securing a new £300 million institutional funding line in our Puma Property Finance division and delivering a market-leading performance in our flagship evergreen Venture Capital Trust.

Our Capital Markets business has inevitably been impacted by the material weakening of investor sentiment during the period, but has achieved some important strategic gains including the securing of a number of high-quality new retained corporate clients, as well as acting on one of the few IPOs to date in 2022.

Capital Markets

The Capital Markets business recorded revenues of £16.4 million in the period, delivering pre-tax profits of £1.1 million.

The reduction in revenue reflects the macroeconomic headwinds and geopolitical instability that impacted global equity markets throughout the period. Notwithstanding this, our Corporate Advisory and Broking business has been relatively active within the market, acting on M&A deals worth in total over £1 billion, completing one of the few IPOs of the year so far and raising over £150 million new capital for our clients and realising value for existing management. During the period we added 11 new clients, including J Sainsbury plc, Hilton Food Group plc and H&T Group plc.

Revenue and profits in our Market Making division were reduced as they were directly impacted by the reduction in trading and liquidity in the period. The team has remained adept at managing risk appropriately in the face of rapidly evolving trading conditions.

Our Research analysts continue to seek to be idea generators for our asset and wealth management clients as they navigate a volatile and uncertain trading environment, well supported by our Equity Sales team.

We continued to build our analytical capabilities with additional hires in a number of different research sectors, with a particular focus on industries that we see as increasingly relevant in the coming years – healthcare; life sciences; and the digital and technology worlds – as well as the green agenda through the addition of dedicated ESG specialists to our team.

Asset Management

The Asset Management division recorded a very strong performance in the period, growing AUM to £1.8 billion, increasing revenues by 34% to £14.2 million and nearly doubling pre-tax profits to £2.8 million.

Puma Investments, the UK fund management business, recorded important strategic gains, the highlight of which was the securing of a new £300 million funding line from US based Waterfall Asset Management for deployment by the Puma Property Finance business as part of its ongoing growth.

The new funding line has provided the business with the ability to fund larger loans of up to £50m at attractive rates to professional developers across all sectors and geographies in the UK and Ireland. The first two loans from this funding line were signed during the period, helping to take the Puma Property Finance business past £1 billion of funding provided to UK development projects.

Fundraising demand across the Puma Investments business has remained high, with the flagship evergreen Venture Capital Trust, Puma VCT 13, filling its initial and extended fundraising target in the 2021/22 tax year. Inflows for the Puma Heritage Estate Planning Service and Puma AIM Service have also been recorded at more than double the equivalent period in the prior year.

This demand has continued to be complemented by the investment performance. Puma VCT 13 has performed strongly, delivering a 19.3% NAV per Share uplift in the last financial year and 60.6% NAV per Share uplift over the last 3 financial years (including dividends). Despite the headwinds in equity markets generally, the Puma AIM Service has maintained its strong record against its key benchmarks, having recorded a lifetime outperformance as at June 2022 of over 65% against both the AIM Index and the FTSE All Share Index and a compound annual growth rate, again since inception in July 2014, of 7.4% p.a.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, continued to implement their targeted asset management initiatives and deliver value for investors. We assisted with the ongoing sales of condo and commercial assets in Germany, which allowed a further return of capital to shareholders in Brandenburg Realty in the period, such that 96% of capital contributed by investors has now been repaid.

Principal Finance

In relation to our 3.700-3.730 GHz frequency band German regional radio spectrum licences, subsequent to the period end, the German Federal Network Agency has issued us with a notification of revocation of the licences. We strongly reject the grounds on which the revocation has been issued and have issued a formal appeal, however in light of the notification we have made a full impairment against the value of the licences, previously held at £2.1m gross, £1.38m net of minority interests.

Other Principal Finance investments have recorded net upward valuations of £0.5 million in the period, comprising a £1.4m gain in our holding in Brandenburg Realty and a £0.9m reduction in our investment in Nippon Active Value Fund, resulting in an overall loss for the Principal Finance division of £1.6 million gross, £0.9m net of minority interests.

Current Trading and Prospects

As we belatedly come to grips with controlling inflation, challenging market conditions are likely to prevail for some time. However, our Asset Management business can benefit from being an active debt and venture finance provider at a time when other forms of more conventional finance are less available. Equally, our Capital Markets business continues to be adept at finding suitable opportunities where allocators still wish to invest. In this context we completed two fund raisings in September, raising over £200m of proceeds for clients via secondary placings. Finally, it is worth noting that Capital Market sentiment can 'turn on a sixpence' when least expected and normally in advance of an economic downturn ending.

We therefore continue to invest across our business in people to take advantage of new opportunities as they arise.

Howard Shore
Chairman

22 September 2022

Financial Review

Income and Expenditure

Revenue for the period decreased by 18.2% to £31.1 million (period ended 30 June 2021: £38.0 million), whilst administrative expenses decreased by 5.6% to £26.5 million (period ended 30 June 2021: £28.1 million).

Operating profit before impairment decreased by 54.0% to £4.6 million (period ended 30 June 2021: £9.9 million). An impairment of £2.1m has been made against the Group's spectrum licences during the period. This was an adjusting post balance sheet event. Statutory profit before tax decreased by 76.8% to £2.2 million (period ended 30 June 2021: £9.7 million).

Divisional performance before impairment was as follows:

- Capital Markets: revenue of £16.4 million (period ended 30 June 2021: £26.4 million). Profit before tax of £1.1 million (period ended 30 June 2021: £7.7 million) with a net margin of 6.5% (period ended 30 June 2021: 29.3%).
- Asset Management: revenue of £14.1 million (period ended 30 June 2021: £10.6 million). Profit before tax of £2.8 million (period ended 30 June 2021: £1.5 million) with a net margin of 19.8% (period ended 30 June 2021: 14.4%).
- Principal Finance: pre-tax profit of £0.5 million (period ended 30 June 2021: £1.1 million).

Basic Earnings Per Share

The Group generated basic earnings per share of 6.5p (period ended 30 June 2021: 30.3p).

Liquidity

As at the balance sheet date, available liquidity was £24.2 million (30 June 2021: £32.4 million), comprising cash of £21.4 million (30 June 2021: £29.6 million) and £2.8 million (30 June 2021: £2.8 million) of gilts and bonds. In addition, the Group had a £20 million working capital facility which was unused at the period end and prior period ends. The facility is renewable annually and pays interest at rates linked to money market rates.

Balance Sheet

The Group's balance sheet remains strong, with total equity at the period end of £70.3 million (30 June 2021: £75.8 million).

In addition to the £21.4 million of cash and £2.8 million of gilts and bonds referred to above, at the period end the Group held £4.5 million (30 June 2021: £7.1 million) in various of its Puma Funds; £7.1 million (30 June 2021: £6.8 million) net in quoted equities and a further £1.5 million (30 June 2021: £2.1 million) in other unquoted holdings. The licences held as part of the Group's Spectrum Investments are now carried, after impairment, at £nil (30 June 2021: £2.1 million). Other non-current assets included £3.5 million (30 June 2021: £3.8 million) of fixed assets, and £2.6 million (2021: £2.8 million) of investment properties.

The remainder of the balance sheet was £26.9 million net (30 June 2021: £18.7 million), which included £23.3 million (30 June 2021: £20.7 million) of net market and other debtors in the Group's stockbroking subsidiary.

Net Asset Value Per Share

Net asset value per share at the period end was 284.0p (30 June 2021: 302.8p).

Dividend

The Board does not propose to pay an interim dividend (six months ended 30 June 2021: 7.5p per share).

Independent review report to Shore Capital Group Limited (the “Group”)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the unaudited consolidated income statement, the unaudited consolidated statement of comprehensive income, the unaudited consolidated statement of financial position, the unaudited consolidated statement of changes in equity and the unaudited consolidated cash flow statement.

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.

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 in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company 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 Financial Reporting Council 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 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 2022 is not prepared, in all material respects, in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
Date: 22 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Unaudited Condensed Consolidated Income Statement
For the six months ended 30 June 2022

	Notes	Six months ended 30 Jun 22 £'000	Six months ended 30 Jun 21 £'000	Year ended 31 Dec 21 £'000
Revenue	3	31,112	38,035	73,464
Administrative expenditure		(26,554)	(28,132)	(53,897)
Impairment loss		(2,108)	-	-
Operating profit		2,450	9,903	19,567
Interest income		2	1	4
Finance costs		(218)	(243)	(500)
Profit before taxation	3	2,234	9,661	19,071
Taxation		(605)	(1,428)	(2,800)
Profit for the period/ year		1,629	8,233	16,271
Attributable to:				
Equity holders of the parent		1,404	6,544	13,254
Non-controlling interests		225	1,689	3,017
		1,629	8,233	16,271
Earnings per share				
Basic	4	6.5p	30.3p	61.4p
Diluted	4	6.4p	30.1p	61.0p

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

	Six months ended 30 Jun 22 £'000	Six months ended 30 Jun 21 £'000	Year ended 31 Dec 21 £'000
Profit after tax for the period/ year	1,629	8,233	16,271
Items that may be reclassified to the income statement			
Exchange difference on translation of foreign operations	178	(162)	(373)
Other comprehensive income /(loss) for the period/ year, net of tax	178	(162)	(373)
Total comprehensive income for the period/ year, net of tax	1,807	8,071	15,898
Attributable to:			
Equity holders of the parent	1,546	6,425	12,947
Non-controlling interests	261	1,646	2,951
	1,807	8,071	15,898

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2022

	Notes	As at 30 Jun 22 £'000	As at 30 Jun 21 £'000	As at 31 Dec 21 £'000
Non-current assets				
Intangible assets		-	2,146	2,101
Property, plant & equipment		3,480	3,790	3,534
Right of use assets		6,607	7,728	7,159
Investment properties		2,587	2,799	2,587
Investments		8,071	11,017	13,818
Deferred tax asset		1,728	1,886	1,429
		22,473	29,366	30,628
Current assets				
Trading assets		8,318	9,716	8,983
Trade and other receivables		92,782	120,552	86,466
Derivative financial instruments		-	-	90
Cash and cash equivalents		21,429	29,602	38,092
		122,529	159,870	133,631
Total assets	3	145,002	189,236	164,259
Current liabilities				
Trading liabilities		(563)	(1,948)	(852)
Trade and other payables		(66,195)	(101,801)	(73,754)
Derivative financial instruments		(136)	(21)	(4)
Tax liabilities		(499)	(1,089)	(462)
Lease liabilities		(1,346)	(1,314)	(1,321)
		(68,739)	(106,173)	(76,393)
Non-current liabilities				
Lease liabilities		(5,910)	(7,255)	(6,592)
Provision for liabilities and charges		(59)	(46)	(59)
		(5,969)	(7,301)	(6,651)
Total liabilities	3	(74,708)	(113,474)	(83,044)
Net assets		70,294	75,762	81,215
Capital and Reserves				
Share capital		-	-	-
Share premium		1,866	1,866	1,866
Merger reserve		14,903	14,903	14,903
Other reserves		1,572	1,572	1,572
Retained earnings		42,918	46,986	51,857
Equity attributable to equity holders of the parent		61,259	65,327	70,198
Non-controlling interests		9,035	10,435	11,017
Total equity		70,294	75,762	81,215

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 January 2021	-	1,866	14,903	1,572	43,198	9,753	71,292
Profit for the period	-	-	-	-	6,544	1,689	8,233
Foreign currency translation	-	-	-	-	(119)	(43)	(162)
Total comprehensive income	-	-	-	-	6,425	1,646	8,071
Equity dividends paid	-	-	-	-	(2,157)	-	(2,157)
Dividends paid to/rebalancing of non-controlling interests	-	-	-	-	(480)	(868)	(1,348)
Capital distribution from subsidiary to non-controlling interests	-	-	-	-	-	(96)	(96)
At 30 June 2021	-	1,866	14,903	1,572	46,986	10,435	75,762

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 30 June 2021	-	1,866	14,903	1,572	46,986	10,435	75,762
Profit for the period	-	-	-	-	6,710	1,328	8,038
Foreign currency translation	-	-	-	-	(187)	(24)	(211)
Total comprehensive income	-	-	-	-	6,523	1,304	7,827
Equity dividends paid	-	-	-	-	(1,618)	-	(1,618)
Dividends paid to/rebalancing of non-controlling interests	-	-	-	-	(34)	(722)	(756)
At 31 December 2021	-	1,866	14,903	1,572	51,857	11,017	81,215

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 January 2022	-	1,866	14,903	1,572	51,857	11,017	81,215
Profit for the period	-	-	-	-	1,404	225	1,629
Foreign currency translation	-	-	-	-	142	36	178
Total comprehensive income	-	-	-	-	1,546	261	1,807
Equity dividends paid	-	-	-	-	(9,708)	-	(9,708)
Dividends paid to/rebalancing of non-controlling interests	-	-	-	-	(777)	(2,573)	(3,350)
Investment by non-controlling interest in subsidiaries	-	-	-	-	-	330	330
At 30 June 2022	-	1,866	14,903	1,572	42,918	9,035	70,294

Unaudited Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2022

	Six months ended 30 Jun 22 £'000	Six months ended 30 Jun 21 £'000	Year ended 31 Dec 21 £'000
Cash flows from operating activities			
Profit for the period/ year	1,629	8,233	16,271
Adjustments for:			
Depreciation and impairment charges	3,076	995	1,974
Fair value gains on Principal Finance investments	(3,080)	(729)	(4,001)
Interest income	(2)	(1)	(4)
Finance costs	218	243	500
Increase in provision for national insurance on options	-	13	26
Tax expense	605	1,428	2,800
Operating cash flows before movement in working capital	2,446	10,182	17,566
Increase in trade and other receivables	(6,226)	(20,628)	13,368
Decrease in trade and other payables	(7,427)	17,577	(10,566)
(Decrease)/ increase in trading liabilities	(289)	879	(217)
Decrease/ (increase) in trading assets	665	(1,850)	(1,117)
Cash (utilised)/ generated by operations	(10,831)	6,160	19,044
Corporation tax paid	(867)	(1,115)	(2,588)
Net cash (utilised)/ generated by operating activities	(11,698)	5,045	16,456
Cash flows from investing activities			
Purchases of property, plant & equipment	(380)	(178)	(344)
Sale of property, plant & equipment	-	-	8
Disposal of investment property	-	-	212
Distributions/proceeds from Investments	8,827	9	480
Interest received	2	1	4
Net cash generated/ (utilised) by investing activities	8,449	(168)	360
Cash flows from financing activities			
Capital distribution to non-controlling interests	-	(96)	(96)
Investment in non-controlling interest in subsidiaries	330	-	-
Payment of lease liabilities	(657)	(647)	(1,303)
Interest paid on lease liabilities	(193)	(222)	(435)
Other interest paid	(25)	(21)	(66)
Dividends paid to equity shareholders	(9,708)	(2,157)	(3,775)
Dividends paid to non-controlling interests	(3,350)	(1,348)	(2,104)
Net cash utilised by financing activities	(13,603)	(4,491)	(7,779)
Net (decrease)/ increase in cash and cash equivalents during the period/ year	(16,852)	386	9,037
Effects of exchange rate changes	189	(60)	(221)
Cash and cash equivalents at beginning of period/ year	38,092	29,276	29,276
Cash and cash equivalents at end of period/ year	21,429	29,602	38,092

Notes to the Condensed Interim Financial Report

For the six months ended 30 June 2022 (unaudited)

1. Financial information

Basis of preparation

The annual financial statements of Shore Capital Group Limited, the 'company' and its subsidiaries (the "Group") for the year ended 31 December 2021, and the condensed set of financial statements included in this interim financial report for the period ended 30 June 2022, are prepared in accordance with international accounting standards (in conformity with the requirements of the Companies (Guernsey) Law, 2008) other than for the full disclosure requirements of those standards

The Annual Report and Accounts of the Group for the year ended 31 December 2021 were issued on 12 April 2022. 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. 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 revenue and expenses for the period. However, the nature of estimation means that actual outcomes could differ from those estimates. In preparing the condensed financial statements, the judgement and estimates made by the Directors are consistent with those reported in the December 2021 annual 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 directors consider that the Group has the financial resources to continue in operation for at least 12 months from the date of this interim financial report. 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 these condensed set of financial statements as are applied in the Group's latest audited Annual Report and Accounts for the year ended 31 December 2021. There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2022. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

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 12 April 2022. The Group's activities comprise equity market activities, fund management 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

Additional analysis of revenue and results is presented in the Chairman's Statement.

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 small and mid-cap stocks, fixed income broking and corporate broking and advisory for large, mid and small cap companies.
- Asset Management provides advisory services, and manages specialist funds.
- Central Costs comprises the costs of the Group's central management team and structure
- Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using the Group's own balance sheet resources.

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

Six months ended 30 June 2022	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	16,389	14,178	-	545	31,112
Profit/(loss) before tax before impairments	1,058	2,814	(28)	498	4,342
Impairment loss	-	-	-	(2,108)	(2,108)
Profit/(loss) before tax	1,058	2,814	(28)	(1,610)	2,234
Assets	108,393	10,994	1,089	24,526	145,002
Liabilities	(66,744)	(6,267)	(490)	(1,207)	(74,708)
Six months ended 30 June 2021	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	26,404	10,573	-	1,058	38,035
Profit/(loss) before tax	7,742	1,521	(700)	1,098	9,661
Assets	145,169	12,884	1,241	29,942	189,236
Liabilities	(105,433)	(5,918)	(936)	(1,187)	(113,474)
Year ended 31 December 2021	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	47,970	21,698	-	3,796	73,464
Profit/(loss) before tax	13,594	3,374	(2,006)	(4,109)	19,071
Assets	118,191	13,224	2,983	29,861	164,259
Liabilities	(73,792)	(6,602)	(2,040)	(610)	(83,044)

4. Earnings per share

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

	Six months ended 30 Jun 22	Six months ended 30 Jun 21	Year ended 31 Dec 21
Earnings (£)	1,404,000	6,544,000	13,254,000
Number of shares			
Basic			
Weighted average number of shares	21,573,322	21,573,322	21,573,322
Diluted			
Dilutive effect of share option scheme	212,727	151,059	169,968
	21,786,049	21,724,381	21,743,290
Earnings per share			
Basic	6.5p	30.3p	61.4p
Diluted	6.4p	30.1p	61.0p

5. Dividends paid

	Six months ended 30 Jun 22 £'000	Six months ended 30 Jun 21 £'000	Year ended 31 Dec 21 £'000
Amounts recognised as distributions to equity holders in the period/year:			
Final dividend for the year ended 31 December 2020 of 10.0p per share	-	2,157	2,157
Interim dividend for the year ended 31 December 2021 of 7.5.0p per share	-	-	1,618
Final dividend for the year ended 31 December 2021 of 10.0p per share	2,157	-	-
Special dividend for the year ended 31 December 2021 of 35.0p per share	7,551	-	-
	9,708	2,157	3,775

The directors do not propose an interim dividend for the year ending 31 December 2022.

The interim report will be posted in due course to shareholders on the register. Further copies of this report are available on the Company's website at www.shorecap.gg.