SHORE CAPITAL
EXCELLENCE INTEGRATED

Shore Capital Group Limited

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

Interim results for the six months ended 30 June 2019

Shore Capital, the independent investment group specialising in capital markets, asset management and principal finance, today announces its interim results for the six months ended 30 June 2019.

Financial highlights

- Revenue up 12.2% to £24.3 million, (2018: £21.6 million)
- Profit before tax, excluding reorganisation costs* associated with the acquisition of Stockdale Securities, up 7.5% to £2.7 million, (2018: £2.6 million)
- Earnings per share, excluding reorganisation costs associated with the acquisition of Stockdale Securities, up 33.8% to 9.9p, (2018: 7.4p)
- Statutory profit before tax of £1.3 million, (2018: £2.6 million)
- Statutory earnings per share 5.1p, (2018: 7.4p)
- Dividend of 5.0p, (2018: 5.0p)
  **Reorganisation costs of £1.4 million associated with the acquisition of Stockdale Securities*

Operational highlights

- Capital Markets completed the acquisition of Stockdale Securities on 31 March 2019, elevating the Group to become London's fourth largest corporate broking and advisory business, with 123 retained clients
- Strong mix of M&A and fundraising mandates for clients including Marks & Spencer plc, Safecharge International Group Ltd and Dairy Crest Group plc. 58 clients added, comprising the 52 joining with the acquisition of Stockdale Securities, and six new clients, including Arbuthnot Banking Group plc
- Asset Management AUM surpassed £1 billion as the business continued to grow and asset valuations improved
- Continued momentum in Puma Investments, where Puma Property Finance has passed £500 million of loans and construction projects executed, the evergreen Puma Alpha VCT has been launched and Puma AIM celebrated its five-year anniversary
- Strong valuations from recent 5G spectrum licence auctions in Germany are very encouraging for prospects of good future returns from the investment in DBD

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

"The Group continued to demonstrate the strength of its diversified business model, exploiting opportunities for growth across its primary areas of operation as larger market participants retrench, and produced an excellent outcome, given the market conditions.

"Capital Markets completed the acquisition of Stockdale Securities, increasing the scale and scope of its services and worked on a range of mandates, in addition to organically growing its retained client base. Asset Management continues its recent growth, surpassing £1 billion of AUM. In Principal Finance we were very encouraged by the results of the 5G auction in Germany and the future prospects of good returns from the investment in DBD."

– Ends –

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About Shore Capital

Shore Capital is an AIM quoted independent investment group. Founded and majority owned by entrepreneurs, for three decades Shore Capital has been helping entrepreneurial businesses reach their full potential, find committed long-term investors and develop into significant enterprises. The business offers innovative corporate advice; a leading market making business; some of the most respected investment research available in the UK; and a diverse range of high-quality investment opportunities, including its hugely successful VCTs and principal finance activities.

The Group is based in Guernsey, London, Liverpool, Edinburgh and Berlin. Shore Capital Stockbrokers Limited, Shore Capital and Corporate Limited, Shore Capital Limited and Puma Investment Management Limited are each authorised and regulated by the Financial Conduct Authority. Shore Capital Stockbrokers Limited is a member of the London Stock Exchange.

www.shorecap.gg

Chairman's statement

Introduction

I am pleased to report strong progress across the Group's main operating divisions during the first half of the year. Our strategy of targeted investment has enabled us to enter a new phase of development, giving us confidence that we can continue to grow despite subdued capital markets and political uncertainty.

Our Capital Markets business completed the acquisition of Stockdale Securities, adding new clients organically and through the acquisition, broadening its capabilities and future opportunities. Similarly, our Asset Management operations surpassed £1 billion of assets under management, driven by improved valuations in our institutional portfolios and strong inflows to our compelling Puma Investments offerings.

During the period, Group revenues grew by 12.2% to £24.3 million, (2018: £21.6 million) whilst profits before tax increased by 7.5% to £2.7 million, (2018: £2.6 million) excluding costs of £1.4 million resulting from the Group's reorganisation and move to new premises associated with the acquisition of Stockdale Securities. The Group generated basic earnings per share excluding these costs of 9.9p, (2018: 7.4p).

The Stockdale Securities team has integrated into the Group very well, enhancing the Capital Markets division's capabilities and achieving resilient trading against a backdrop of subdued market sentiment. Revenues in the division grew by 11.3% to £15.0 million, (2018: £13.5 million) with profit before tax excluding reorganisation costs steady at £2.7 million.

The acquisition elevated Shore Capital Markets to become London's fourth largest corporate broking and advisory business by retained quoted clients, with enhanced corporate broking, advisory, investment funds and research expertise. We serve 123 retained corporate clients, including eight FTSE 350 companies.

The division acted on a diverse mix of M&A and fundraising mandates, including Marks & Spencer plc's £601 million rights issue to fund its joint venture with Ocado Group plc; the US$899 million takeover of Safecharge International Group Limited by Nuvei Corporation; and Dairy Crest Group plc's £975 million takeover by Saputo Dairy UK Ltd. During the period we added six new clients, including Arbuthnot Banking Group plc and AFH Financial plc.

Our highly regarded research team has continued to enhance its offering, with the addition of investment funds coverage and the commencement of professional services coverage. The Group's market making team continued to deliver a strong performance for the business and sustained its strong counterparty reputation and continues to benefit from being one of the three largest market makers on the London Stock Exchange.

In Asset Management we maintained momentum, growing revenues by 10.8% to £8.1 million, (2018: £7.3 million) with a profit before tax excluding reorganisation costs of £1.5 million, (2018: £1.3 million). A combination of strong fundraisings and beneficial valuations took the division's assets under management through the £1 billion barrier, from where we expect previous investments in infrastructure and expertise will enable continued growth.

In the Puma Investments business, there has been good progress across the three focus areas of private equity, property finance and listed equities. Puma Private Equity launched its evergreen Puma Alpha VCT – the Group's 14th VCT – building on our substantial experience in the VCT and EIS arena. Since 2005, the Group has raised nearly £320 million for its VCT and EIS offerings and invested into more than 50 qualifying companies.

Puma Property Finance has now passed the landmark of having executed on £500 million of loans and construction projects since inception and concluded an excellent six months of deal flow, executing nearly £100 million of loans during the period and deploying £50 million of the £200 million institutional funding line from RoundShield Partners LLP. In addition, our Puma Heritage lending business has also grown to approximately £100 million from a combination of strong lending returns and new subscriptions.

Meanwhile, the Puma AIM Service celebrated its five-year anniversary and has continued to attract inflows, growing assets under management to approximately £30 million at the time of writing having widened its availability through inclusion on the Fidelity investment platform. Since launch it has delivered compound annual growth of 7.8% net of management and dealing fees, outperforming the FTSE AIM All Share Index by 5.4%.

In the Institutional asset management business, the Group continued to assist Brandenburg Realty and Puma Brandenburg, to implement their strategies, supporting a variety of asset management and value creation initiatives.

In Principal Finance we were very encouraged by the results of the 5G auction in Germany and the potential impact on the future returns of our investment in DBD.

Finally, subject to approval by shareholders at a forthcoming General Meeting, we propose to cancel the Group's admission of ordinary shares to trading on AIM. The lack of liquidity in the Group's shares has, in our view, led to an undervaluation of the Company which contradicts our belief in the prospects of a business that is doing well and continuing to grow, as evidenced by Directors and senior management increasing their holding in the business by c.14% since the beginning of 2017 to a total of over 67%. In addition, we have sufficient capital to meet our growth ambitions, obviating the need to access new equity capital in the London markets by being admitted to trading on AIM. The Company is retaining its listing on the Bermuda Stock Exchange.

Financial review

Income and expenditure

Revenue for the period increased by 12.2% to £24.3 million, (2018: £21.6 million) whilst administrative expenses increased by 12.9% to £21.4 million, (2018: £18.9 million). Group profit before tax excluding reorganisation costs of £1.4 million increased by 7.5% to £2.7 million, (2018: £2.6 million). Statutory profit before tax, (including reorganisation costs) was £1.3 million, (2018: £2.6 million).

Reorganisation costs of £1.4 million incurred in the period relate to the acquisition expenses and post-acquisition integration of the Stockdale business and associated move to new London premises.

Revenue from the Capital Markets division increased by 11.3% to £15.0 million, (2018: £13.5 million). Profit before tax excluding reorganisation costs was £2.7 million, (2018: £2.7 million) with a net margin of 17.9%, (2018: 20.3%).

Revenue from the Asset Management division was up 10.8% to £8.1 million, (2018: £7.3 million) with a profit before tax excluding reorganisation costs of £1.5 million, (2018: £1.3 million) representing a net margin of 18.5%, (2018: 17.7%).

The Principal Finance division recorded a pre-tax loss of £0.5 million, (2018: loss of £0.7 million).

Basic earnings per share

The Group generated adjusted basic earnings per share excluding reorganisation costs of 9.9p, (2018: 7.4p). Statutory earnings per share was 5.1p.

Liquidity

As at the balance sheet date, available liquidity was £17.8 million, (2018: £27.6 million) comprising £15.0 million, (2018: £24.8 million) of cash and £2.8 million, (2018: £2.8 million) of gilts and bonds. The Group repaid borrowings of £6.5 million in the period since 30 June 2018. In addition, the Group has a £20 million working capital facility which was undrawn at the period end.

Balance sheet

The Group's balance sheet remains strong. Total equity at the period end was £66.9 million, (2018: £68.1 million) the decrease reflecting the profits for the period less dividend payments.

In addition to the £15.0 million of cash and £2.8 million of gilts and bonds, (as referred to above) at the period end the Group held £5.2 million in various of its Puma Funds; £4.7 million net in quoted equities; and a further £1.7 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at a cost of £2.3 million on a gross basis, before allowing for minority interests. Other non-current assets included £8.9 million of fixed assets, £3.7 million of goodwill of which £3.4m arises from the acquisition of Stockdale Securities and £2.6 million of investment properties.

The remainder of the balance sheet was £20.0 million net, which included £17.5 million of net market and other debtors in the Company's stockbroking subsidiary.

Net Asset Value per Share

Net asset value per share at the period end was 266.3p, (2018: 270.5p).

Dividend

On 24 April 2019 a final dividend for the year ending 31 December 2018 of 5.0p per share was paid to shareholders making the total for the year 10.0p per share.

The Board proposes to pay an interim dividend of 5.0p per share, (2018: 5.0p per share). The interim dividend is expected to be paid on Wednesday 30 October 2019 to shareholders on the register as at Friday 11 October 2019. Shares will be marked ex-dividend on 10 October 2019.

Operating review

Capital Markets

Overview

The Stockdale Securities team has integrated into the Group very well, enhancing the Capital Markets division's capabilities and achieving a resilient trading performance against a backdrop of subdued capital markets activity and continued domestic political uncertainty.

The acquisition completed on 31 March 2019, adding 52 retained corporate clients together with an established investment funds franchise and elevating Shore Capital to become London's fourth largest corporate broking and advisory business by retained businesses.

Elsewhere, we have continued to grow our retained client base organically and to enhance our corporate broking and equity research offering. This places the business in a stronger position to weather further market uncertainty and take advantage of opportunities as they arise.

Corporate Broking & Advisory

During the period under review the corporate advisory team has participated in a number of significant transactions spanning M&A and multiple secondary fundraisings. Notable transactions during the period include:

- Joint Corporate Broker and Co-Bookrunner to FTSE 250 Marks & Spencer plc on the £601 million rights issue to fund its joint venture with Ocado Group plc;
- Joint bookrunner on the £107 million placing and open offer by Randall & Quilter Investment Holdings Limited;
- Sole bookrunner to Arbuthnot Banking Group plc in respect of a £15.3 million secondary placing of its stake in Secure Trust Bank plc; and
- Broker to Dairy Crest Group plc in relation to its £975 million takeover by Saputo Dairy UK Ltd.

During the period we added 58 clients, comprising 52 joining as a result of the Stockdale Securities acquisition and six new clients, including Arbuthnot Banking Group plc. Following completion of the acquisition of Stockdale Securities, Shore Capital now has 123 corporate retained clients including eight FTSE 350 companies.

After the period end we completed our mandate as Rule 3 Adviser to Safecharge International Group Limited in relation to its US$899 million takeover by Nuvei Corporation and have also been appointed as broker to Greencore plc.

Research and distribution

Shore Capital Markets continues to believe that its communication with the market is an integral feature of the business, which has sustained its robust operating performance. We do that through our growing independent and house stock equity and investment funds research plus the idea generation and stock broking of our expanded distribution team.

The acquisition of Stockdale Securities has added a high-quality coverage of investment funds, expands our house analysis, bolsters our institutional relationships and also enables us to commence independent coverage of professional services' stocks. Additionally, the sales reach and idea generation activities of Shore Capital Markets have been further augmented and widened.

Market Making

The Market Making business continued to deliver a strong performance for the business, with underlying revenue growth and the highly welcome addition of the Investment Funds business following the Stockdale acquisition. We are proud of our reputation as a robust and trusted counterparty, ensuring market liquidity across a broad range of equities.

Although clearly sensitive to the overall market environment, Shore Capital remains focused and adaptable to changing trading conditions and client needs. The team comprises highly experienced traders who can identify revenue opportunities whilst operating within a risk framework that ensures loss days are a rare occurrence.

Asset Management

Overview

The Asset Management division enjoyed a strong period, growing revenues and underlying profits. Overall AUM for the Asset Management division passed the £1 billion mark during the period, driven by fundraising in the Puma Investments operations and increased valuations in our Institutional portfolios.

Puma Investments

Overview

Puma Investments, our UK fund management business, has enjoyed an active period in which revenues have grown by over 10%. Profits are in line with the equivalent period last year, reflecting the recent investments in headcount and infrastructure and the one-off costs associated with our London office move.

There has been good progress in all three of the business's focus areas of private equity, property finance and listed equities. Puma Private Equity has recently launched its new evergreen VCT, Puma Alpha VCT – the Group's 14th VCT – building on our substantial experience in the VCT and EIS arena. Puma Property Finance has recorded a very strong six months of deal flow, closing nearly £100 million of loans in the period and deploying substantial amounts from our new institutional funding line. The Puma AIM Service has recorded further good inflows during the period and has widened its availability to financial advisers' clients through inclusion on the Fidelity investment platform, alongside Ascentric, Standard Life and Transact.

Following the investment in recent years, the business is well-resourced and strategically well-placed to take advantage of the opportunities available to continue growing.

Puma Private Equity

Puma Private Equity offers retail investors access to tax efficient private equity strategies through our long-standing Venture Capital Trust ("VCT") and Enterprise Investment Scheme ("EIS") offerings. We are sector-agnostic and seek to back well-positioned businesses led by high-quality, credible management teams who have the potential and aspiration to deliver material growth.

Since 2005, the Group has raised nearly £320 million for its Puma VCT and Puma EIS offerings. Currently available offerings are Puma Alpha EIS and the newly launched Puma Alpha VCT.

Across its VCT and EIS offerings, the Group has now invested into more than 50 qualifying companies, offering substantial support to the UK SME sector alongside the Group's other activities.

Puma Property Finance

Puma Property Finance offers investors access to secured first charge loans on UK real estate across a range of sectors. The platform provides lending solutions to professional borrowers throughout the lifecycle of property development, via three principal offerings: pre-development bridge loans; development finance; and development exit loans. Transaction sizes typically range from £3 million to £30 million and the team is active across residential, commercial and more specialist areas of real estate, including hotels, student accommodation and healthcare. At the time of writing, Puma Property Finance had recently passed the landmark of £500 million loans executed since inception.

For a number of years, Private Client investors have been able to access these activities through an investment into Puma Heritage plc, which utilises its diversified loan book, (totalling over 450 loans to date) to generate regular returns for shareholders intended to counter long-term inflationary pressures. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after being held for two years.

The net asset value of Puma Heritage has grown to approximately £100 million at the time of writing from a combination of strong lending returns and additional subscriptions. The business has a strong pipeline of loan opportunities to drive future growth.

In December 2018 we were delighted to agree an institutional funding line of up to £200 million from funds advised by RoundShield Partners LLP and affiliates ("RoundShield") for deployment in our Puma Property Finance business. The RoundShield deal confirms the institutional quality of our real estate activities and enables us to engage with the high level of demand we face for our development finance product as well as investing in our infrastructure and high-quality, experienced lending team.

We have been active in deploying our available funds during the period, closing nearly £100 million of new loans, including almost £50 million of the RoundShield committed funds.

Listed Equities
The business offers retail investors access to a discretionary equity portfolio service through its Puma AIM IHT Service, (the "AIM Service") which seeks to mitigate Inheritance Tax by investing in a carefully selected portfolio of AIM shares. The AIM Service is particularly attractive for those that wish to utilise these tax advantages whilst also investing within their ISA wrapper. At the end of June 2019, the AIM Service celebrated its fifth anniversary. Since launch it has delivered a compound annual growth of 7.8% net of management and dealing fees, outperforming the FTSE AIM All Share Index by 5.4%.

The AIM Service also delivered positive performance for the first half of 2019, comfortably outperforming its FTSE AIM All Share Index benchmark. We continued to grow assets under management reaching approximately £30 million at the time of writing. A proportion of our growth was generated as a result of our availability on the Ascentric, Standard Life and Transact platforms. We have also added the Fidelity platform during the period with the first financial advisers already signed-up.

Social Care
The business continues to identify opportunities for revenue generation in the social care sector, leveraging our many years of experience providing development funding in this area. Our broad range of relationships has enabled us to partner with external funds investing in the supported living sector, where we are providing a holistic service to source, structure and negotiate acquisitions. This strategy has again delivered additional revenues to our core operations during the period, albeit at a lower level than in the previous year.

We are exploring possibilities to build a further pipeline of opportunities in the broader social care sector and remain optimistic about prospects for further revenues in this space.

Institutional Asset Management

Brandenburg Realty
Brandenburg Realty, (the "Fund") continues to expand its investments in high-quality real estate opportunities and implement its asset management programme to enhance value creation across the portfolio.

During the period, the Fund took possession of the two assets notarised in December 2018 and also notarised the acquisition of a further asset in May 2019. All three assets are in prime, central locations in Berlin. The completion of the asset notarised in May has subsequently taken place.

The team also continues to assist the Fund's implementation of its strategy for the other commercial and residential assets. At several assets the condominium separation process is either completed or at an advanced stage and sales are expected to commence during Q3 of 2019. Condominium sales at the Monumentenstrasse asset are also ongoing.

The team continues to assist Mixer Global to identify and evaluate new co-working sites, especially in Germany and the US. Mixer's third location in Israel, Mixer Herzliya, is now open and has attracted a number of high-quality tenants including Samsung. Construction work has commenced at the fourth site, City Garden, which is in the heart of Tel Aviv and a new lease for Mixer's first location outside of Israel was signed on 24 April 2019 for premises at 600 Massachusetts Ave, Washington D.C.

Puma Brandenburg Limited ("PBL")
PBL is now wholly owned by Howard and Andrée Shore. The Group has continued to assist PBL to execute its strategy, including:

- The signing of a new financing facility with LBBW covering a substantial proportion of PBL's residential portfolio; and
- PBL's participation in the Mixer Global investment, as noted above.

St Peter Port Capital ("SPPC")
SPPC announced its results for the year ended 31 March 2019 on 14 June. As at that date, it had investments in six companies, (excluding companies in the portfolio it had written down to zero).

SPPC reported that a number of the companies in the portfolio continued to report new developments during the year, but were no closer to an exit or liquidity event. For these reasons, further write downs were recorded in respect of some of the companies.

On 2 September 2019, SPPC reported the board's proposal to terminate its discretionary investment management agreement with St Peter Port Investment Management Limited with immediate effect and become a self-managed fund. The effect of these changes is to reduce investment management costs by more than half from their current, already reduced, level.

SPPC intends in the near future to convene a general meeting to enable shareholders to vote on continuing the life of the company.

Principal Finance

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

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

Following previous updates in respect of communications with the German Telecoms Regulator, ("BNetzA") the Licences have now been reallocated from the 3.5 GHz frequency band to the 3.700-3.730 GHz frequency band at no cost. The licences will continue to be for perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage. The flexibilisation will enable their use for modern services such as 4G and 5G.

During the period we were encouraged to see strong results from German 5G spectrum licence auctions, giving us increased confidence in the future prospects for DBD's business and the value that can accrete from it.

Current trading and prospects

The Group continued to demonstrate the strength of its diversified business model, exploiting opportunities for growth across its primary areas of operation as larger market participants retrench, and produced an excellent outcome, given the market conditions.

Capital Markets completed the acquisition of Stockdale Securities, increasing the scale and scope of its services and worked on a range of mandates, in addition to organically growing its retained client base. Asset Management continues its recent growth, surpassing £1 billion of AUM. In Principal Finance we were very encouraged by the results of the 5G auction in Germany and the future prospects of good returns from the investment in DBD .

Howard P Shore
Chairman

26 September 2019

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

Introduction
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 2019 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 interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Group’s annual accounts having regard to the accounting standards applicable to such annual accounts.

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.

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement has been expressly authorised to do so by our 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.

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 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO Limited
Chartered Accountants
Place Du Pre,
Rue Du Pre,
St Peter Port,
Guernsey,
Channel Islands

26 September 2019

Unaudited Consolidated Income Statement
For the six months ended 30 June 2019

	Notes	**Six months ended 30 Jun 19 £'000**	Six months ended 30 Jun18 £'000	Year ended 31 Dec 18 £'000
Revenue	4	**24,271**	21,641	43,334
Administrative expenditure		**(21,368)**	(18,923)	(38,929)
Operating profit before reorganisation costs		**2,903**	2,718	4,405
Reorganisation costs	5	**(1,411)**	-	-
Operating profit		**1,492**	2,718	4,405
Interest income		**16**	20	43
Finance costs		**(164)**	(174)	(380)
Profit before taxation	3	**1,344**	2,564	4,068
Taxation		**(167)**	(451)	(485)
Profit for the period/ year		**1,177**	2,113	3,583
Attributable to:				
Equity holders of the parent		**1,109**	1,603	2,727
Non-controlling interests		**68**	510	856
		1,177	2,113	3,583
Earnings per share				
Basic	6	**5.1p**	7.4p	12.6p
Diluted	6	**5.1p**	7.3p	12.5p
Adjusted earnings per share				
Basic (excluding reorganisation costs)	6	**9.9p**	7.4p	12.6p
Diluted (excluding reorganisation costs)	6	**9.8p**	7.3p	12.5p

Unaudited Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	Six months ended 30 Jun 19 £'000	Six months ended 30 Jun 18 £'000	Year ended 31 Dec 18 £'000
Profit after tax for the period/ year	**1,177**	2,113	3,583
Items that may be reclassified to the income statement			
Gains/(losses) on cash flow hedges	**9**	11	(201)
Tax thereon	**(2)**	(2)	38
	7	9	(163)
Exchange difference on translation of foreign operations	**132**	381	299
Other comprehensive income for the period/ year, net of tax	**139**	390	136
Total comprehensive income for the period/ year, net of tax	**1,316**	2,503	3,719
Attributable to:			
Equity holders of the parent	**1,243**	1,947	2,785
Non-controlling interests	**73**	556	934
	1,316	2,503	3,719

Unaudited Consolidated Statement of Financial Position
As at 30 June 2019

	Notes	As at 30 Jun 19 £'000	As at 30 Jun 18 £'000	As at 31 Dec 18 £'000
Non-current assets				
Goodwill		**3,740**	381	381
Intangible assets		**2,255**	2,232	2,263
Property, plant & equipment		**8,866**	7,633	7,653
Right of use assets	8	**11,002**	-	-
Investment properties		**2,643**	2,643	2,643
Principal Finance investments		**5,894**	7,315	5,357
Deferred tax asset		**141**	139	108
		34,541	20,343	18,405
Current assets				
Trading assets		**9,569**	8,326	9,837
Trade and other receivables		**80,948**	78,263	42,058
Cash and cash equivalents		**15,044**	24,789	31,015
		105,561	111,378	82,910
Total assets	3	**140,102**	131,721	101,315
Current liabilities				
Trading liabilities		**(1,126)**	(564)	(708)
Trade and other payables		**(60,149)**	(55,832)	(27,877)
Derivative financial instruments		**(268)**	(173)	(135)
Tax liabilities		**(324)**	(837)	(165)
Borrowings	9	**-**	(4,191)	(4,299)
Lease liabilities	8	**(1,446)**	-	-
		(63,313)	(61,597)	(33,184)
Non-current liabilities				
Borrowings	9	**-**	(1,862)	-
Lease liabilities	8	**(9,791)**	-	-
Provision for liabilities and charges		**(67)**	(198)	(68)
		(9,858)	(2,060)	(68)
Total liabilities	3	**(73,171)**	(63,657)	(33,252)
Net assets		**66,931**	68,064	68,063
Capital and Reserves				
Share capital		**-**	-	-
Share premium		**1,866**	1,866	1,866
Merger reserve		**14,903**	14,903	14,903
Other reserves		**1,348**	1,651	1,348
Retained earnings		**39,329**	39,943	39,992
Equity attributable to equity holders of the parent		**57,446**	58,363	58,109
Non-controlling interests		**9,485**	9,701	9,954
Total equity		**66,931**	68,064	68,063

Unaudited Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	Share capital	Share Premium	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	-	1,866	14,903	1,596	39,882	8,923	67,170
Transition adjustment - IFRS 9 Financial Instruments	-	-	-	48	(48)	-	-
At 1 January 2018 (as restated)	-	1,866	14,903	1,644	39,834	8,923	67,170
Profit for the period	-	-	-	-	1,603	510	2,113
Foreign currency translation	-	-	-	-	337	44	381
Valuation change on cash flow hedge	-	-	-	9	-	2	11
Tax on cash flow hedge	-	-	-	(2)	-	-	(2)
Total comprehensive income	-	-	-	7	1,940	556	2,503
Equity dividends paid	-	-	-	-	(1,079)	-	(1,079)
Dividends paid to/rebalancing of non-controlling interests	-	-	-	-	(752)	(1,054)	(1,806)
Investment by non-controlling interest in subsidiaries	-	-	-	-	-	1,276	1,276
At 30 June 2018	-	1,866	14,903	1,651	39,943	9,701	68,064

	Share capital	Share Premium	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2018	-	1,886	14,903	1,651	39,943	9,701	68,064
Profit for the period	-	-	-	-	1,124	346	1,470
Foreign currency translation	-	-	-	-	(113)	31	(82)
Valuation change on cash flow hedge	-	-	-	(212)	-	-	(212)
Tax on cashflow hedge	-	-	-	40	-	-	40
Total comprehensive income	-	-	-	(172)	1,011	377	1,216
Equity dividends paid	-	-	-	-	(1,079)	-	(1,079)
Dividends paid to/rebalancing of non-controlling interests	-	-	-	-	117	(254)	(137)
Credit in relation to share based payments	-	-	-	(131)	-	-	(131)
Investment by non-controlling interest in subsidiaries	-	-	-	-	-	130	130
At 31 December 2018	-	1,866	14,903	1,348	39,992	9,954	68,063

	Share capital	Share Premium	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	**-**	**1,866**	**14,903**	**1,348**	**39,992**	**9,954**	**68,063**
Transition adjustment - IFRS 16	**-**	**-**	**-**	**-**	**(84)**	**-**	**(84)**
At 1 January 2018 (as restated)	**-**	**1,866**	**14,903**	**1,348**	**39,908**	**9,954**	**67,979**
Profit for the period	**-**	**-**	**-**	**-**	**1,109**	**68**	**1,177**
Foreign currency translation	**-**	**-**	**-**	**-**	**127**	**5**	**132**
Valuation change on cash flow hedge	**-**	**-**	**-**	**-**	**9**	**-**	**9**
Tax on cash flow hedge	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,243**	**73**	**1,316**
Equity dividends paid	**-**	**-**	**-**	**-**	**(1,079)**	**-**	**(1,079)**
Dividends paid to/rebalancing of non controlling interests	**-**	**-**	**-**	**-**	**(743)**	**(711)**	**(1,454)**
Investment by non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**169**	**169**
At 30 June 2019	**-**	**1,866**	**14,903**	**1,348**	**39,329**	**9,485**	**66,931**

Unaudited Consolidated Cash Flow Statement
For the six months ended 30 June 2019

	Six months ended 30 Jun 19 £'000	Six months ended 30 Jun 18 £'000	Year ended 31 Dec 18 £'000
Cash flows from operating activities			
Operating profit	**1,492**	**2,718**	4,405
Adjustments for:			
Depreciation and impairment charges	**1,382**	**409**	1,262
Share-based payment credit	**-**	**-**	(131)
Fair value gains on Principal Finance investments	**(326)**	**(41)**	(367)
(Decrease)/increase in provision for national insurance on options	**(1)**	**132**	(36)
Operating cash flows before movement in working capital	**2,547**	**3,218**	5,133
(Increase)/decrease in trade and other receivables	**(37,726)**	**(25,436)**	11,787
Increase/(decrease) in trade and other payables	**31,548**	**21,372**	(6,833)
Decrease in trading liabilities	**(7,046)**	**(453)**	(309)
Decrease/(increase) in trading assets	**6,059**	**(172)**	(1,683)
Cash (utilised)/generated by operations	**(4,618)**	**(1,471)**	8,095
Interest paid	**(164)**	**(174)**	(380)
Corporation tax paid	**(299)**	**(572)**	(1,207)
Net cash (utilised)/generated by operating activities	**(5,081)**	**(2,217)**	6,508
Cash flows from investing activities			
Purchases of property, plant & equipment	**(1,448)**	**(192)**	(882)
Acquisition of subsidiary, net of cash acquired	**(2,248)**	**(826)**	(826)
Purchase of Principal Finance investments	**(382)**	**(803)**	(803)
Sale of Principal Finance investments	**171**	**4**	1,270
Investment in non-controlling interest in subsidiaries	**169**	**1,201**	1,331
Interest received	**16**	**20**	43
Net cash (utilised)/generated by investing activities	**(3,722)**	**(596)**	133
Cash flows from financing activities			
Payment of lease liability	**(519)**	-	-
Decrease in borrowings	**(4,239)**	**(9,944)**	(12,192)
New borrowings	**-**	**4,313**	4,458
Dividends paid to equity shareholders	**(1,079)**	**(1,079)**	(2,158)
Dividends paid to non-controlling interests	**(1,454)**	**(1,806)**	(1,943)
Net cash utilised by financing activities	**(7,291)**	**(8,516)**	(11,835)
Net decrease in cash and cash equivalents during the period/ year	**(16,094)**	**(11,329)**	(5,194)
Effects of exchange rate changes	**123**	**445**	536
Cash and cash equivalents at beginning of period/ year	**31,015**	**35,673**	35,673
Cash and cash equivalents at end of period/ year	**15,044**	**24,789**	31,015

Notes to the Interim Financial Report
For the six months ended 30 June 2019 (unaudited)

1. Financial information

Basis of preparation
The annual financial statements of Shore Capital Group Limited, the 'company' and its subsidiaries (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 2019 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 2018 does not constitute statutory accounts. The Annual Report and Accounts of the Group were issued on 22 March 2019. 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 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 2018, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019, and will be adopted in the 2019 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ending 31 December 2019, and which have given rise to changes in the Group's accounting policies are:
- IFRS 16 Leases

Details of the impact this standard has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 Leases
This standard has been adopted on its mandatorily effective date of 1 January 2019 and applied on a modified retrospective basis which recognises the cumulative effect of initially applying the standard as an adjustment to equity at the date of initial application. There impact of applying the standard resulted in an adjustment of £84,000 which reduced the opening balance of retained earnings. Adoption of IFRS 16 has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease.

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 4.50%.

The aggregate lease liability recognised in the statement of financial position at 1 January 2019 and the group's operating lease commitment at 31 December 2018 can be reconciled as follows:

	£'000
Operating lease commitment at 31 Dec 2018	1,947
Effect of discounting those lease commitments at an annual rate of 4.50%	(60)
Lease liability at 1 Jan 2019	1,887

On 12 March 2019 the Group signed a 10-year occupational lease with a five-year break clause for its new London office. The signing of this new lease has resulted in a right of use asset of £9,120,000 and lease liability of £8,910,000 being recorded. A further right of use asset and lease liability of £752,000 was recorded upon acquisition of Stockdale Securities Limited. A breakdown of the movement in the period of the right of use asset and lease liabilities is shown in note 8.

All leases are accounted for by recognising a right of use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:
- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense. Goodwill arising on acquisitions is 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.

Revenue
Where the Group has contracts with customers which include an element of variable consideration in the transaction price, the Group has adopted the “expected value” method to constrain the revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised.

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 22 March 2019. 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

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

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

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.

Six months ended 30 Jun 19	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	15,028	8,074	-	1,169	24,271
Profit/(loss) before tax excluding reorganisation costs	2,696	1,496	(985)	(452)	2,755
Reorganisation costs	(1,165)	(196)	(50)	-	(1,411)
Profit/(loss) before tax	1,531	1,300	(1,035)	(452)	1,344
Assets	99,127	10,721	1,430	28,824	140,102
Liabilities	(67,034)	(3,866)	(312)	(1,959)	(73,171)

Six months ended 30 Jun 18	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	13,507	7,290	-	844	21,641
Profit/(loss) before tax	2,742	1,292	(772)	(698)	2,564
Assets	86,209	12,080	1,318	32,114	131,721
Liabilities	(54,131)	(7,482)	(233)	(1,811)	(63,657)

Year ended 31 Dec 18	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	25,452	15,843	-	2,039	43,334
Profit/(loss) before tax	4,058	3,166	(1,637)	(1,519)	4,068
Assets	56,658	10,018	1,599	33,040	101,315
Liabilities	(23,337)	(3,651)	(855)	(5,409)	(33,252)

4. Revenue

a) Revenue disaggregated by division and geographical market below:

Six months ended 30 Jun 19	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
UK	15,028	6,403	904	22,335
Rest of Europe	-	1,671	265	1,936
	15,028	8,074	1,169	24,271

Six months ended 30 Jun 18	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
UK	13,507	5,823	489	19,819
Rest of Europe	-	1,467	355	1,822
	13,507	7,290	844	21,641

Year ended 31 Dec 18	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
UK	25,452	12,489	1,185	39,126
Rest of Europe	-	3,354	854	4,208
	25,452	15,843	2,039	43,334

b) Revenue disaggregated by division and timing of recognition below:

Six months ended 30 Jun 19	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
Point in time	12,566	3,296	1,169	17,031
Over time	2,462	4,778	-	7,240
	15,028	8,074	1,169	24,271

Six months ended 30 Jun 18	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
Point in time	11,811	3,182	844	15,837
Over time	1,696	4,108	-	5,804
	13,507	7,290	844	21,641

Year ended 31 Dec 18	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Total £'000
Point in time	21,319	7,982	2,039	31,340
Over time	4,133	7,861	-	11,994
	25,452	15,843	2,039	43,334

5. Reorganisation costs

During the period, the Group has incurred costs outside of its normal operating expenses.

	Six months ended 30 Jun 19 £'000
Acquisition expenses	266
Post-acquisition restructuring costs	583
Pre-opening office costs	562
	1,411

Acquisition expenses relate to legal and due diligence costs incurred as part of the Stockdale acquisition.

Post-acquisition restructuring costs relate to redundancy and early contract termination costs following the Stockdale acquisition.

Pre-opening costs relate to rent and rates on the Group’s new London premises incurred subsequent to the signing of the lease but prior to occupation, while the Group remained in occupation of its previous premises.

6. Earnings per share

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

	Six months ended 30 Jun 19	Six months ended 30 Jun 18	Year ended 31 Dec 18
Earnings (£)	**1,109,000**	1,603,000	2,727,000
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	**234,978**	452,242	267,032
	21,808,300	22,025,564	21,840,354
Earnings per share			
Basic	**5.1p**	7.4p	12.6p
Diluted	**5.1p**	7.3p	12.5p
Earnings (£)	**1,109,000**	1,603,000	2,727,000
Reorganisation costs attributable to equity shareholders (£)	**1,020,000**	-	-
Adjusted earnings (£)	**2,129,000**	1,603,000	2,727,000
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	**234,978**	452,242	267,032
	21,808,300	22,025,564	21,840,354
Adjusted earnings per share			
Basic	**9.9p**	7.4p	12.6p
Diluted	**9.8p**	7.3p	12.5p

7. Dividends paid

	Six months ended 30 Jun 19 £'000	Six months ended 30 Jun 18 £'000	Year ended 31 Dec 18 £'000
Amounts recognised as distributions to equity holders in the period/ year:			
Final dividend for the year ended 31 December 2017 of 5.0p per share	**-**	1,079	1,079
Interim dividend for the year ended 31 December 2018 of 5.0p per share	**-**	-	1,079
Final dividend for the year ended 31 December 2018 of 5.0p per share	**1,079**	-	-
	1,079	1,079	2,158

The directors propose an interim dividend for the year ending 31 December 2019 of 5.0p per share.

8. Right of use assets and Lease liabilities

Right of use assets	Land & Buildings £'000	Total £'000
At 1 January 2019	1,803	1,803
Additions	9,120	9,120
Amortisation	(673)	(673)
Acquisition	752	752
At 30 June 2019	**11,002**	**11,002**

Lease liabilities	Land & Buildings £'000	Total £'000
At 1 January 2019	1,887	1,887
Additions	8,911	8,911
Interest expense	163	163
Lease payments	(476)	(476)
Acquisition	752	752
At 30 June 2019	**11,237**	**11,237**

On 12 March 2019 the Group signed a 10-year occupational lease with a five-year break clause for its new London office. The signing of this new lease has resulted in a right of use asset of £9,120,000 and lease liability of £8,910,000 being recorded. If the five year break clause is exercised, the right of use asset and the lease liability would be reduced to £5,157,000 and to £4,948,000 respectively. A further right of use asset and lease liability of £752,000 was recorded upon acquisition of Stockdale Securities Limited.

The table below reflects the contractual maturities including interest, of the Group's lease liabilities:

At 30 June 2019

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 year £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	366	1,080	2,228	6,162	6,216

9. Borrowings

On 25 June 2019, the Group repaid in full its borrowings of $5,485,000 (£4,299,000).

10. Share capital

Ordinary shares of nil par value	Number of shares	£'000
At 1 January 2018, 31 December 2018	21,573,322	-
At 30 June 2019	**21,573,322**	**-**

11. Business combination

On 31 March 2019 the Group acquired 100% of the ordinary share capital of Stockdale Securities Limited ("Stockdale"), a limited company registered in the United Kingdom, whose primary activity is offering corporate advisory and corporate broking, equity research, sales and trading services to an institutional and corporate client base.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book value	**Fair value adjustments**	**Fair value of assets and liabilities acquired**
	£'000	**£'000**	**£'000**
Fixed assets	519	-	519
Right of use asset	752	-	752
Investments	136	-	136
Cash & deposits	3,159	-	3,159
Trade debtors	6,052	-	6,052
Other debtors	1,264	(495)	769
Deferred tax	230	(230)	-
Trade creditors	(4,922)	-	(4,922)
Other creditors	(1,641)	-	(1,641)
	5,549	(725)	4,824

Initial consideration of £5,408,000 was paid in cash in the period. The Group has also recorded contingent consideration of £2,775,000 in trade and other payables on the Statement of Financial Position at 30 June 2019, resulting in estimated total consideration of £8,183,000.

The contingent consideration arrangement requires the Group to pay up to £4.0m based on the revenues earned from former Stockdale clients in the 18 months following the acquisition. Contingent consideration could range from nil to £4.0 million depending upon performance against three separate revenue targets. The fair value of contingent consideration of £2,775,000 was estimated using the historic performance of the Stockdale business and an assessment of the general market outlook.

The fair value of the financial assets acquired included receivables with a fair value and gross contractual value of £6,052,000. Of this balance, £105,000 remains outstanding.

Stockdale contributed £2,213,000 to revenue and £533,000 to the Group's profit for the period between the date of acquisition and the balance sheet date. Based on the results of Stockdale for the period 1 January 2019 to 31 March 2019, if the acquisition of Stockdale had been completed on the first day of the period, group revenues and pre-tax profits for the period would have been higher by £2,268,000 and £94,000 respectively.

Goodwill arising on the acquisition was as follows:

	£'000
Total consideration	8,183
Fair value of assets and liabilities acquired	(4,824)
Goodwill arising on acquisition	3,359

The goodwill relates to the synergies of combining Stockdale with the Group. None of the goodwill is expected to be deductable for tax purposes.

Goodwill in the Statement of Financial Position as at 30 June 2019 is as follows:

	£'000
Goodwill as at 1 January 2019	381
Arising on acquisition of Stockdale	3,359
Goodwill as at 30 June 2019	3,740

12. 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 assets and liabilities, and financial assets and liabilities designated at fair value 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).

30 Jun 19	**Level 1 Quoted market price £'000**	**Level 2 Market observable inputs £'000**	**Level 3 Non-market observable inputs £'000**	**Total £'000**
Principal Finance investments	381	-	5,513	5,894
Trading assets	9,569	-	-	9,569
Total financial assets	9,950	-	5,513	15,463
Trading liabilities	1,126	-	-	1,126
Derivative financial instruments	-	268	-	268
Total financial liabilities	1,126	268	-	1,394

30 Jun 18	**Level 1 Quoted market price £'000**	**Level 2 Market observable inputs £'000**	**Level 3 Non-market observable inputs £'000**	**Total £'000**
Principal Finance investments	938	-	6,377	7,315
Trading assets	8,326	-	-	8,326
Total financial assets	9,264	-	6,377	15,641
Trading liabilities	564	-	-	564
Derivative financial instruments	-	173	-	173
Total financial liabilities	564	173	-	737

31 Dec 2018	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
Principal Finance investments	654	-	4,703	5,357
Trading assets and other holdings at fair value	9,837	-	-	9,837
Total financial assets	10,491	-	4,703	15,194
Trading liabilities	708	-	-	708
Derivative financial instruments	-	135	-	135
Total financial liabilities	708	135	-	843

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 Jan 2019 £'000	Gains recorded in profit or loss £'000	Purchases and transfers £'000	Sales and transfers £'000	At 30 Jun 2019 £'000
Total financial assets	4,703	436	382	(8)	5,513

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.

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.