SHORE CAPITAL
EXCELLENCE INTEGRATED

Annual Report and Accounts 2015

Contents

Financial highlights

Revenue up 3.4%

2014	2015
£40.6m	£42.0m

Profit before tax up 40.8%

2014	2015
£8.3m	£11.7m

Earnings per share up 25.5%

2014	2015
21.6p	27.1p

Capital of £10 million returned to shareholders during the year

www.shorecap.gg

Highlights
2015

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

"In a year when markets have faced considerable uncertainty – and continue to do so – the strength of our diversified business has been evident, enabling the Group to increase revenues and profitability whilst making targeted investments and remaining cost-conscious."

"We achieved significant progress across the Group, growing client advisory services and capabilities and reaping the benefits of earlier investments."

"The UK's capital markets faced uncertainty ahead of the General Election and failed to recover in the second half of the year. These uncertainties have carried over into the first quarter of 2016, but our liquid balance sheet and robust business model enables us to take advantage of opportunities as they arise."

Operational highlights

- Principal Finance division generated profit of £5.1 million primarily driven by sale of a number of radio spectrum licences in Germany to Deutsche Telekom AG
- Capital Markets business ranked as AIM's leading Nominated Adviser by IPO funds raised in 2015, helping clients raise £900 million during the year
- Client wins include its first FTSE 100, Wm Morrison Supermarkets plc; FTSE 250 A.G. Barr; and, more recently, Dairy Crest Group plc
- Research team maintained sixth place Extel ranking with number one rankings in insurance and retail; third place in consumer goods; and seven top five rankings
- Continued momentum in Puma Investments across the product range. Puma VCT 11 closed achieving the largest fundraising of its kind in the 2014/15 tax year
- Brandenburg Realty raised €150 million and made its first residential property acquisition

Our Services

Capital Markets

Full service investment banking offering

Market Making
- 3rd largest market maker on the London Stock Exchange by number of stocks covered

Research-led broking
- Research on over 200 companies distributed to our extensive institutional client base

Corporate Finance
- 65 retained corporate clients
- £900m raised in capital markets in 2015

Fixed Income
- Expansion of fixed income capability in 2015 offering clients new routes to growth capital

Asset Management

Specialist fund management for private and institutional investors

- £770m funds under management at December 2015

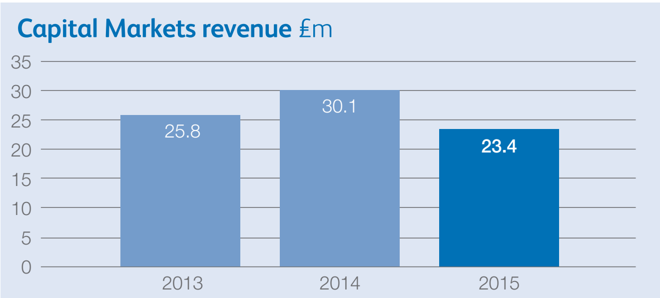
Private Client Investments
- Suite of tax-efficient investment offerings under the Puma Investments brand
- Market-leading track record including highest total return for any limited life VCT
- Record fundrasings for limited life VCTs in the last two tax years

Institutional Investments
- Advisor for a substantial German property portfolio
- Launch of €150m Brandenburg Realty fund in 2015

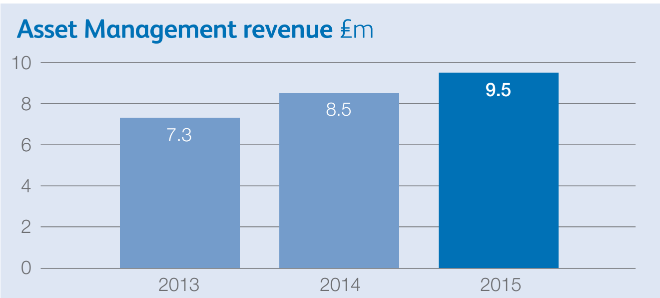
Principal Finance

Strong balance sheet ready to invest and seed new funds and attractive opportunities

Principal Finance
- Independent and joint venture investment activities using the Group's strong balance sheet
- Investment in radio spectrum licences in Germany, realising significant gain in 2015
- Seed funding of German property funds with €12.5m committed in 2015
- Strong liquidity allowing for further investment in businesses with swift movement on opportunistic prospects



Read more about
Capital Markets
on page 8



Read more
about Asset
Management
on page 10

Net revenue from sale of spectrum licences

£9.2m

Read more about
Principal Finance
on page 12

Chairman's Statement
Introduction

In a year when markets have faced considerable uncertainty – and continue to do so – the strength of our diversified business has been evident, enabling the Group to increase revenues and profitability whilst making targeted investments and remaining cost-conscious.

Howard P. Shore
Executive Chairman

Highlights of the year included the sale of a series of radio licenses in Germany in our Principal Finance division. Our Capital Markets team has performed well in tough market conditions, continuing to help clients raise substantial new capital and growing the number of high quality businesses it advises. Meanwhile, our Asset Management operations have continued to grow, with particular successes in private client investments and further development of institutional advisory services.

Revenues for the period increased by 3.4% to £42.0 million (2014: £40.6 million), delivering operating profits of £11.8 million, (2014: £8.4 million) up 41.1%. Earnings per share rose 25.5% to 27.1p, (2014: 21.6p).

The Principal Finance division enjoyed a strong year. DBD completed the sale of a number of radio spectrum licences in Germany to Deutsche Telekom AG, generating net revenue of £9.2 million and contributing to a profit for the division of £5.1 million.

The Capital Markets division performed well in the face of significant market headwinds, recording a pre-tax profit of £4.7 million on revenues of £23.4 million. The team made robust progress in 2015, winning its first FTSE 100 client; expanding its FTSE 250 client base as well as adding a range of exciting entrepreneurial and growth companies.

The team has helped clients raise over £900 million in the last year; and in a tough fundraising environment was ranked as the leading Nominated Adviser on AIM by IPO proceeds during 2015. Transactions for clients including Styles & Wood Group plc; Playtech plc; Poundland Group plc; Redx Pharma plc; Telford Homes plc; and Market Tech Holdings Limited comprised 14 equity fundraisings, 10 advisory transactions and two bond issues.

Earnings per share

27.1p

2014: 21.6p

Corporate Finance

£900m

raised for clients in 2015

Shore Capital sustained its position as the third largest market maker on the London Stock Exchange and in the face of extremely tough market conditions achieved robust trading volumes and profitability.

Our high quality research and sales team continued its delivery of insightful analysis and idea generation for investors. This was again recognised by clients, who voted Shore Capital sixth in Extel's UK small and mid-cap rankings, ranking it in the top five for seven of its coverage sectors, comprising: insurance (1st); retail (1st); consumer goods (3rd); leisure and gaming (4th); UK strategy (3rd); financials (5th); and healthcare (5th). The Company's remaining three top 10 placings were: transport and logistics; construction; and support services. The Company's sales team climbed two places, ranking 6th in 2015.

The Capital Markets business expanded its fixed income capabilities into the corporate debt market during the latter half of the period, adding to its existing Retail Bond capabilities.

Revenues in the Asset Management division rose 12.1% to £9.5 million and profit before tax increased 11.4% to £2.7 million. The Group's private client investments business, Puma Investments, maintained momentum during the year, growing assets under management – and therefore revenues – from its successful portfolio of products, which continued to achieve pleasing performances for their investors.

Once again, Puma's VCT attracted the single highest fundraising of its kind in the 2014/15 tax year. Since 2005 we have raised £200 million for our Puma VCT funds and distributed over £85 million to their shareholders. The Puma EIS Service and Puma Heritage continued to attract substantial funds, with Puma EIS already being fully subscribed for the current tax year, whilst the Puma AIM Inheritance Tax Service delivered 30.9% in absolute terms, outperforming the FTSE AIM All Share Index by 25.7%.

In Institutional Asset Management, Brandenburg Realty closed its €150 million fundraising and completed its first investment in Berlin residential real estate, using Shore Capital's advisory services. The Group continued to assist Puma Brandenburg, helping it to secure a number of asset realisations; two significant commercial lettings; agree new loan facilities; and actively manage its asset base.

Financial Review

The Group has achieved increased revenues of 3.4% with profits before tax up 40.8%.

Income and expenditure
Revenue for the year increased by 3.4% to £42.0 million (2014: £40.6 million) whilst administrative expenses decreased by 6.4% to £30.1 million (2014: £32.2 million), generating an operating profit of £11.8 million (2014: £8.4 million).

Group profit before tax increased by 40.8% to £11.7 million (2014: £8.3 million).

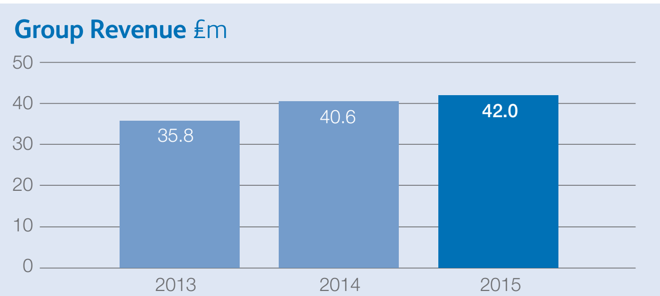
The Principal Finance division recorded revenue of £9.1 million in the year (2014: £2.0 million), generating pre-tax profit of £5.1 million (2014: loss of £1.6 million). This included £9.2 million net revenue from the sale of DBD assets and an impairment charge of £1.1 million to the value of the Group's investment in St Peter Port Capital.

Revenue from Capital Markets decreased by 22.5% to £23.4 million (2014: £30.1 million). Profit before tax was down 51.8% to £4.7 million (2014: £9.7 million), with a net margin of 20.1% (2014: 32.3%).

Revenue from Asset Management was up 12.1% to £9.5 million (2014: £8.5 million), generating profit before tax of £2.7 million (up 11.4% from 2014: £2.4 million), representing a net margin of 27.9% (2014: 28.1%).

Basic Earnings per Share
The Group generated earnings per share of 27.1p (2014: 21.6p).

Comprehensive Earnings per Share
On a comprehensive basis, the Group generated earnings per share of 27.7p (2014: 21.6p).



Liquidity at 31 December 2015

£28.7m

Liquidity

As at the balance sheet date, available liquidity was £28.7 million (2014: £32.2 million), comprising £22.1 million (2014: £30.7 million) of cash and £6.6 million (2014: £1.5 million) of gilts and bonds. In addition, the Group has a £20 million working capital facility which was unused at the year end.

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

Balance sheet

The Group's balance sheet remains strong. Total equity at the year end was £67.0 million (2014: £72.4 million), the reduction reflecting a capital distribution of £10.0 million during the year.

In addition to the £22.1 million of cash and £6.6 million of gilts and bonds (as referred to above), the Group held £2.9 million in various of its Puma funds, £1.9 million net in quoted equities and a further £3.3 million in other unquoted holdings. In addition, the licences held in Spectrum Investments were valued at £1.8 million (on a gross basis, before allowing for minority interests).

The remainder of the balance sheet was £28.4 million net, which included £24.6 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 year end was 268.7p (2014: 265.6p).

Return of Capital

During the year the Company returned capital of £10.0 million to shareholders.

Dividend

The Board does not propose a final dividend (2014: 5.0p).

Capital returned to shareholders in the year

£10m

Strong Balance Sheet at 31 December 2015

	£m
Cash	22.1
Listed equities, bonds and gilts	8.5
Investments/loans in various Puma funds	2.9
Net investment in Lily Partnership	0.1
Unquoted investments	3.3
Intangible asset (spectrum licence)	1.8
Net market and other debtors	24.6
Other (accruals, prepayments)	3.7
TOTAL	67.0
Less: minority interests	(8.5)
NET EQUITY attributable to shareholders	58.5
NAV PER SHARE	268.7p

Operating Review

Capital Markets

Overview

The Capital Markets division performed well in the face of significant market headwinds, recording a pre-tax profit of £4.7 million on revenues of £23.4 million.

The team has helped clients raise £900 million in the year and in a tough fundraising environment was ranked as the leading Nominated Adviser on AIM in terms of IPO proceeds during 2015.

The broking team has continued to deliver a consistently high quality research product throughout the year, maintaining its Extel ranking of sixth place amongst UK Small & Mid-Cap brokers. Amongst the highlights of 2015 was the appointment of the Company's first FTSE 100 retained corporate client, Wm Morrison Supermarkets plc.

The Group's Market Making team has faced ongoing political and economic uncertainty throughout the year, so it has been encouraging that in spite of this the business has maintained a good level of profitability in 2015.

The Company expanded its offering through the appointment of new fixed income specialists from Edmond de Rothschild's UK business during the latter half of 2015. Already active in the Retail Bond market, the addition of the new personnel enables the business to offer new routes to growth capital to its clients. The mid-sized corporate debt market is under-developed and mid-sized corporates lack options to raise debt capital – on a secured or unsecured basis. The fixed income team's extensive experience enables the Group to offer its clients a fuller range of financing options, creating exciting opportunities for growth in the Capital Markets business.

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

Corporate Finance

During 2015 the team again participated in a number of significant transactions, raising £900 million for clients. Transactions included 14 equity fundraisings and 10 advisory transactions, including two bond issues. Notable transactions completed during the period included:

- acting as Nominated Adviser and joint bookrunner to the placing by Telford Homes plc, raising £50 million;
- acting as co-lead manager to the placing by Poundland Group plc, raising £50 million;
- acting as joint global coordinator and joint bookrunner to the placing by Market Tech Holdings Limited; raising £201 million;
- acting as Nominated Adviser and joint bookrunner on the IPO of Applegreen plc, the largest IPO fundraising on AIM in the first half of 2015, raising €92 million;
- acting as sponsor and joint bookrunner to the placings by NextEnergy Solar Fund Limited, raising £61 million and £39 million;
- acting as lead manager on the placing by Playtech plc, raising £227 million; and
- acting as Nominated Adviser and sole broker on the IPO of Redx Pharma plc, raising £15 million.

On the advisory front, the Company advised OpSec Security Group plc on its £67 million takeover, as well as assisting Styles & Wood Group plc with its £15 million refinancing and Real Good Food plc with its £34 million disposal of Napier Brown Sugar Limited. The team also advised on bond issues for Market Tech Holdings Limited (£113 million) and FBD Holdings plc (£51 million).

The Company continued to grow its client base and enjoyed further success in expanding its roster of FTSE 250 clients. Notable new client wins during the period included our first FTSE 100, Wm Morrison Supermarkets plc, and FTSE 250 A.G. Barr plc and John Menzies plc. Post period end we were appointed joint broker to Earthport plc and more recently, FTSE 250 Dairy Crest Group plc.

EXTEL
IDENTIFYING EXCELLENCE
No.1 Retail
2015
SHORE CAPITAL
CAPITAL MARKETS

EXTEL
IDENTIFYING EXCELLENCE
No.1 Insurance
2015
SHORE CAPITAL
CAPITAL MARKETS

€91.5m Placing &
AIM IPO at €300m mkt cap
applegreen plc
Joint Broker & Bookrunner
June 2015

Research and Sales

Shore Capital maintained its focus on high quality equity research and strong idea generation – services that remain valued by our client base. In 2015 we maintained our core strength in key sectors, notably consumer goods, financials, leisure and healthcare; and materially enhanced our research capabilities in the important digital, media and technology spaces.

Our product offering remains warmly received by the fund management and corporate communities. We have continued to build our primary activity and corporate broking client base in our core areas of expertise.

The high quality of the team's work continues to yield a robust performance in dynamic markets. Punching materially above our weight, the research, idea generation and distribution capabilities of the business maintained strong rankings in the Extel survey; standing sixth amongst UK small and mid-cap brokers. Within the research capability, Shore Capital was ranked in the top five in seven of its core sectors: insurance (1st); retail (1st); consumer goods (3rd); leisure and gaming (4th); UK strategy (3rd); financials (5th); and healthcare (5th). The Company's remaining three top 10 placings were: transport and logistics; construction; and support services.

Market Making

Shore Capital sustained its position as the third largest market maker on the London Stock Exchange and in the face of extremely tough market conditions achieved robust trading volumes and profitability.

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

Although clearly not immune from external conditions, the Company remains focused and adaptable to the needs of clients in an unpredictable trading environment. Market Making operations continue to benefit from the team's wide stock coverage and its reputation as a strong and trusted counterparty.

A leading capability amongst London brokers

- Leading edge trading platform connecting to multiple MTFs, dark pools and crossing networks
- London Stock Exchange statistics show us as the third largest market maker on the LSE by number of stocks covered. We currently cover 1,400 stocks
- Large highly regarded team processing several thousand trades a day
- Retained clients are supported by an experienced dedicated corporate market making team
- Established electronic distribution network providing service to c.150 brokers, leading UK institutions and hedge funds
- Direct electronic links to all leading retail brokers including:

BARCLAYS TD WATERHOUSE HARGREAVES LANSDOWN HALIFAX

- Direct electronic links to major institutions

Operating Review
continued

Asset Management
Overview

The asset management division continues to explore and launch innovative new offerings to build on its established institutional and private client investment platforms. Total funds under management as at the date of this announcement were c.£770 million.

Operating under the Puma Investments brand, the Group's private client investment business launched Puma VCT 12, the latest in its successful VCT series, which has already had a strong start to fundraising having attracted £20 million to date. During the period, the Puma AIM Inheritance Tax Service completed its first full year achieving 30.9% return net of fees in 2015, a 25.7% outperformance of the FTSE AIM All Share Index. In addition, our very popular Puma EIS service reached maximum capacity for the 2015/16 tax year early in March.

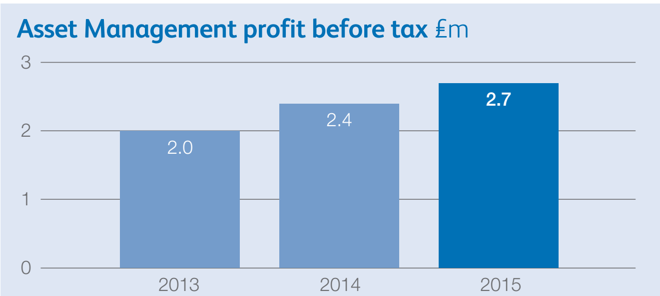
Brandenburg Realty, the newly launched German real estate fund backed predominantly by US-based institutional and family office investors, made its first acquisition and is actively pursuing a number of opportunities to add to its portfolio.

Institutional Asset Management
Brandenburg Realty

Brandenburg Realty (the "Fund") has been established to invest in German real estate, primarily focusing on the acquisition of well-located, high quality residential buildings in major German cities, especially in Berlin, in order to exploit the sector's strong growth potential in Europe's largest economy. As well as providing advisory services to the Fund, Shore Capital has a 20% interest in both the Investment Adviser and the Carry Vehicle.

The Fund's final close was completed on 30 June 2015, raising €150 million from institutional investors and family offices, predominantly from the United States, and includes a co-investment commitment of €7.7 million from Puma Brandenburg Limited. Shore Capital has also made a commitment of €12.5 million to the Fund and is providing advisory services at a local level, deploying its significant experience gained through the Group's work with Puma Brandenburg.

During the period, the Fund notarised its first acquisition in August 2015 of a €5.2 million residential building located in Schöneberg, Berlin. This transaction was completed in October 2015 and the asset advisory team is assisting the Fund to implement the agreed strategy for this asset. In parallel we continue to seek and recommend additional acquisition opportunities for the Fund.



Assets under management

£770m

Amount raised in Brandenburg Realty first close

€150m

Puma Brandenburg Limited

The Group has continued to assist Puma Brandenburg Limited ("PBL") to achieve significant success across its portfolio. As previously reported, this included the signing of two significant commercial lettings during the summer of 2015 for a total of c.4,100 sqm of office space at Pohlstrasse, Berlin.

Elsewhere in the portfolio, the Group is assisting PBL to plan and execute a capital project to add and enlarge conference and food and beverage facilities at the Hyatt Regency, Cologne. These works, to be part funded by Hyatt, are expected to commence during the first half of 2016.

Other achievements with which the Group has assisted PBL include:

- the successful eight year refinancing of a €90 million loan facility for a commercial portfolio. The portfolio includes the Hyatt Cologne and IBIS Nuremberg and was refinanced with an all in cost of 2.19% including the cost of the eight year swap; and
- the sale of 13 Lidl stores for €46.75 million.

St Peter Port Capital ("SPPC")

As previously reported, SPPC is focused on achieving realisations in its portfolio holdings. SPPC announced its interim results for the six months ended 30 September 2015 on 11 December 2015. As at that date, it had investments in 25 companies and reported that it had generated £378,000 from realisations since 1 April 2015.

The company commented in its 2015 interims that commodity markets remain depressed and are at or near multi-year lows, particularly in the case of oil, copper and coal, where SPPC has significant exposure. Since then, the oil price has plumbed new lows and China has reported its lowest growth for 25 years – all negatively impacting global markets. Although several of SPPC's portfolio companies continue to make meaningful progress, they are striving to succeed in very difficult and turbulent markets.

SPPC remains focussed on trying to realise liquidity and value whenever achievable.

Private Client Investments

Overview

During the year, the Group's private client investments business, Puma Investments, continued to make exciting progress, building on its established Puma VCT track record and expanding its offering with the launch of Puma VCT 12, which has to date reached £20 million and remains open for investment. Puma EIS and Puma Heritage plc have continued to attract strong inflows, with Puma EIS already being fully subscribed for the current tax year. The Puma AIM Inheritance Tax Service completed its first full calendar year achieving a 30.9% return net of fees in 2015, a 25.7% outperformance of the FTSE AIM All Share Index.

Puma Venture Capital Trusts ("VCTs")

The Group's Puma VCTs are each limited-life vehicles, aiming to distribute the initial capital and returns to their investors after five years. Since 2005 over £200 million has been raised for Puma VCTs and more than £85 million has been distributed to their shareholders.

Puma's market-leading VCT track record is reflected in the fact that the most recently fully distributed fund, Puma VCT 5, is the most successful limited-life VCT in the 30 year history of the industry. Puma VCTs 1 to 4 have each produced the highest total return of their respective peer groups. The current stable of funds are all performing well and have paid out tax-free dividends of between 5p and 7p per annum to shareholders.

Puma VCT 11 closed for subscriptions during the period, raising over £30 million, making it the largest single company VCT fundraise in the 2014/15 tax year and accounting for more than half of the total funds raised in the limited-life VCT market in that year. The Group considers this fundraising to be a considerable achievement and an endorsement of Puma's standing in the VCT sector.

Puma VCT 12 is currently open for subscriptions and hopes to capitalise on the investment team's excellent track record. It has received strong support, having already raised £20 million. It has been highly rated by leading commentators and included on the recommended panels of many leading private banks, wealth managers and independent financial advisers.

PUMA INVESTMENTS
Calculated Excellence

Puma VCT 11 – Funds raised

£30m

Puma VCT 11 was the largest fundraise in the VCT Planned Exit sector

Operating Review
continued

Puma Heritage plc
Puma Heritage was launched in June 2013 to operate in a range of sectors, with a primary focus on secured lending and it is anticipated that it will expand into other activities as opportunities arise. Puma Heritage focuses on capital preservation, whilst seeking to produce regular returns for shareholders intended to counter long-term inflationary pressures. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years.

We are pleased to report that the overall size of Puma Heritage has accelerated during the period driven by subscriptions from new shareholders and returns generated from its diversified loan book which has now reached critical mass. The business considers that it is well placed to continue its current momentum and has a strong pipeline of loans to deploy its funds.

During the period, Puma Investments advised Heritage Square Limited, a wholly-owned subsidiary of Puma Heritage plc, on the completion of several asset-backed loans across a number of sectors, all secured with a first charge over real estate at conservative lending ratios. The team continues to assist the business, helping it to source and analyse new lending opportunities. Puma Heritage remains open for investment and has a minimum subscription of £25,000.

Puma EIS
The Puma EIS portfolio service was launched in November 2013 to offer investors the opportunity to invest in asset-backed EIS qualifying companies utilising the team's strong track record and experience in asset-backed investing gained over the life of the Puma VCTs. Fundraising has continued to gather momentum through the period, with the amount in the service more than doubling, to over £35 million. The level of funds raised for the service during 2015 was approximately 40% higher than during 2014. The EIS portfolio has to date invested funds into five companies in accordance with its strategy of giving investors exposure to both contracting services companies and asset-owning trading businesses.

Puma AIM Inheritance Tax Service
The Puma AIM IHT service is a discretionary portfolio service that seeks to mitigate Inheritance Tax by investing in a carefully selected portfolio of AIM shares. The service is particularly attractive for those that wish to invest via an ISA. We are proud to report that since inception, in July 2014, the portfolio has increased by 37.0%, a 43.0% outperformance of the FTSE AIM All Share Index. In 2015 the portfolio increased by 30.9%, a 25.7% outperformance of the FTSE AIM All Share Index.

We have been added to a number of investment advisers' product panels and are optimistic to grow customer numbers and assets significantly during 2016 and beyond. Puma Investments believes the product has a number of attractions. It achieves relief from Inheritance Tax relatively quickly – after a two year holding period, the investor retains control of the assets and continues to maintain exposure to the long term growth of equity markets.

Principal Finance

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

Celebrated it first anniversary in 2015

Outperformed the FTSE AIM All Share Index by 43.0% since inception

As announced previously, in June 2015 DBD completed the sale of its interest in national radio spectrum licences together with 6 of its 38 perpetual regional radio spectrum licences to Deutsche Telekom AG for €15.45 million. The national licences confer the right on Deutsche Telekom AG to utilise the assigned 3.5 GHz frequencies until 2021, at which time they will be due for renewal. The six regional radio spectrum licences included in the sale enable the full utilisation of the national licences without the possibility of signal interference. Spectrum realised net revenue of €12.5 million (£9.2 million) from the transaction, contributing to a profit of £5.1 million for the year from the Principal Finance division.

DBD's remaining 32 regional radio spectrum licences cover many of Germany's largest metropolitan centres – including Berlin, Leipzig, Dresden, Düsseldorf and Hanover. DBD is currently in discussions with the German Telecoms Regulator regarding the status of the licences and in the process of presenting its plans for their potential future utilisation. Shareholders will be updated in due course.

Current Trading and Prospects
The UK's capital markets faced uncertainty ahead of the General Election and failed to recover in the second half of the year. These uncertainties have carried over into the first quarter of 2016, but our liquid balance sheet and robust business model enables us to take advantage of opportunities as they arise.

Howard Shore
Executive Chairman
22 March 2016

Board of Directors, Key and Senior Management

Board of Directors

Howard Shore
Executive Chairman

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

James Rosenwald III
Non-executive Director

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

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

Lynn Bruce
Director

Lynn Bruce is a Chartered Accountant (Scotland) having trained at KPMG, London and has a BSc Hons in Business Mathematics and Accountancy from Dundee University. She was the CFO of an international wealth management group, Stenham Limited, for 11 years where she was also a member of both their Risk and Audit Committees. Prior to that she was the Financial Controller at AT&T Capital Europe. She chairs the Audit Committee.

Dr Zvi Marom
Non-executive Director

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

Key Management

Michael van Messel
Head of Finance and Tax

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

David Kaye
Chief Executive of Asset Management

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

Senior Management

Simon Fine
Chief Executive of Shore Capital Markets

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

Dr Clive Black
Head of Research

Dr Clive Black has been highly ranked in fund manager surveys for many years. In 2011 he was No. 3 in the whole market in the Thomson Reuters UK survey (No.1 in retail in 2014 & 2015) and in 2012 he was voted 'Analyst of the Year' at the prestigious City AM awards. His work on the food industry is widely referenced in financial and industry journals. He holds a Ph.D from The Queen's University of Belfast on the Northern Ireland food industry where he is now Chair of the Industry Advisory Board of the internationally renowned Institute of Global Food Security; he was awarded the alumni of the year at Queen's in 2013. From research he become Head of Food Policy at the NFU in London before joining Northern Foods plc. He moved into equity research with Charterhouse Tilney where he was a Director; he became Head of Pan-European Retail research when it was acquired by ING Financial Markets. He joined Shore Capital in 2003 as Head of Research.

Eamonn Flanagan
Head of the Liverpool Office

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

Thomas Marlinghaus
Shore Capital Germany – Chief Operating Officer

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

Dru Danford
Chief Executive of Shore Capital and Corporate Limited

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

Corporate Governance

General

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

Board of Directors

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

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

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

The Board has an informal annual review process to assess how each of the directors is performing. The performance of the executive director is reviewed by the Chief Executive against previously agreed objectives and the Chief Executive's performance is in turn appraised by the non-executive directors. Remuneration is directly linked to these reviews and determined by the Remuneration Committee. Remuneration is set at the level required to attract, retain and motivate high calibre directors and a significant proportion of total remuneration is linked to corporate and individual performance.

The Board of Shore Capital Group Limited met eight times during 2015. The number of meetings of the Board and the Audit and Remuneration Committees and individual attendance by members is set out in the following table.

	Board	Audit	Remuneration
Total number of meetings in 2015	8	3	1
Number of meetings attended in 2015:			
Howard Shore	8	n/a	n/a
Lynn Bruce	7	3	n/a
Dr Zvi Marom	7	3	1
James Rosenwald III	8	3	1

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

Audit Committee

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

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

Remuneration Committee

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 13, together with the financial position of the Group, its liquidity position and borrowing facilities. In addition note 24 to the financial statements includes policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

Internal control

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

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

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

Relations with shareholders

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

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

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the financial year ended 31 December 2015.

Activities and business review

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

A review of the year and future developments is contained in the Chairman's Statement on pages 4 to 13. The statement also includes details of the key performance indicators which management use.

Results and dividends

The results for the financial year are set out on page 22. No interim dividend was paid during the year (2014: 5.0p). The directors do not propose a final dividend for the year ended 2015 (2014: 5.0p) making a nil total for the year (2014: 10.0p).

Capital structure

Details of the issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 23 of the financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

Risk management

The Group's policies for managing the financial risks arising from its activities, including the use of derivative instruments, are set out in note 24. In addition the Group has policies and procedures in place to mitigate the other risks to which it is exposed, including reputational risk, operational risk and insurance risk. The Group's activities comprise equity market activities, asset management and principal finance, and its income is therefore subject to the level of general activity, sentiment and market conditions in each of the markets in which it operates.

Directors

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

	Ordinary shares of Nil par value	
	31 December 2015	31 December 2014
Howard Shore	**8,941,497**	9,929,369
Lynn Bruce	**27,027**	30,000
Dr Zvi Marom	**45,182**	50,152
James Rosenwald III	**138,412**	253,200

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

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

Charitable donations

The Group made charitable donations of £233,000 (2014: £125,000) during the year.

Acquisition of the Company's own shares

A total of 2,395,209 Shares were repurchased by the Company under the Tender Offer and then cancelled. Following the completion of the Tender Offer, the Company has 21,768,791 Shares in issue. Shares were tendered at a price of £4.175 per Share.

Events after the balance sheet date
Details of events after the balance sheet date are set out in note 26.

Going concern
The Group's liquidity position is set out in note 18 and its borrowing facilities in note 20. In addition, note 24 includes details of policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

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

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

Major shareholdings
Other than directors, the following shareholders had notified the Company of holdings of 3% or more of the shares of the Company as at 22 March 2016:

	Ordinary Shares	%
G B Shore (direct and beneficial interest)	1,962,079	9.01
J P Morgan Asset Management Holdings (UK) Limited	1,693,800	7.78
Aralon Resources and Investment Company Limited	1,267,380	5.82
Kevin Spencer, Zenith Insurance plc and Zenith Insurance Management UK Limited	1,076,576	4.95
Miton Group plc	859,079	3.95
Helium Special Situations Fund Limited	696,600	3.20

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

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

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

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

By order of the Board

Lynn Bruce
Company Secretary
30 March 2016

Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB

Statement of Directors' Responsibilities

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

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

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

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

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

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

We have audited the consolidated financial statements of Shore Capital Group Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands
30 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	Total 2015 £'000	Total 2014 £'000
Revenue	1, 2	**41,952**	40,575
Administrative expenditure		**(30,129)**	(32,198)
Operating profit	3	**11,823**	8,377
Interest income	4	**191**	224
Finance costs	5	**(317)**	(292)
		(126)	(68)
Profit before taxation	2	**11,697**	8,309
Taxation	7	**(1,002)**	(1,804)
Retained profit for the year		**10,695**	6,505

Attributable to:			
Equity holders of the parent		**6,445**	5,208
Non-controlling interests		**4,250**	1,297
		10,695	6,505

Earnings per share			
Basic	9	**27.1p**	21.6p
Diluted	9	**26.1p**	20.8p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	Total 2015 £'000	Total 2014 £'000
Retained profit after tax for the year		**10,695**	6,505
Losses on revaluation of available-for-sale investments taken to equity		**(66)**	(77)
Items that are/may be reclassified to the income statement			
Gains on cash flow hedges		**31**	19
Income tax thereon		**(6)**	(4)
		25	15
Exchange difference on translation of foreign operations		**186**	(50)
Other comprehensive income/(loss) for the year, net of tax		**211**	(35)
Total comprehensive income for the year, net of tax		**10,840**	6,393
Attributable to:			
Equity holders of the parent		**6,599**	5,226
Non-controlling interests		**4,241**	1,167
		10,840	6,393
Comprehensive earnings per share			
Basic	9	**27.7p**	21.6p
Diluted	9	**26.7p**	20.9p

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Goodwill	12	**381**	381
Intangible assets	13	**1,841**	3,621
Property, plant & equipment	14	**10,864**	10,969
Available-for-sale investments	15	**6,341**	3,799
Deferred tax asset	7	**128**	330
		19,555	19,100
Current assets			
Bull positions and other holdings at fair value	16	**9,344**	4,636
Trade and other receivables	17	**71,739**	60,112
Financial instruments		**54**	–
Cash and cash equivalents	18	**22,113**	30,658
		103,250	95,406
Total assets	2	**122,805**	114,506
Current liabilities			
Bear positions		**(946)**	(846)
Trade and other payables	19	**(43,998)**	(29,806)
Financial instruments		**(187)**	(179)
Tax liabilities		**(481)**	(1,273)
Borrowings	20	**(360)**	(341)
		(45,972)	(32,445)
Non-current liabilities			
Borrowings	20	**(9,256)**	(9,105)
Provision for liabilities and charges	21	**(535)**	(535)
		(9,791)	(9,640)
Total liabilities	2	**(55,763)**	(42,085)
Net assets		**67,042**	72,421
Capital and reserves			
Share capital	23	**–**	–
Share premium		**336**	336
Merger reserve		**17,151**	27,198
Other reserves		**2,164**	2,260
Retained earnings		**38,845**	34,391
Equity attributable to equity holders of the parent		**58,496**	64,185
Non-controlling interest		**8,546**	8,236
Total equity		**67,042**	72,421

The Financial Statements were approved by the Board of Directors and authorised for issue on 30 March 2016. Signed on behalf of the Board of Directors

Lynn Bruce
Director

James Rosenwald
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £'000	Share Premium account £'000	Merger reserve £'000	Other Reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2014	–	336	27,198	2,014	31,706	7,708	68,962
Retained profit for the year	–	–	–	–	5,208	1,297	6,505
Revaluation of available for sale investments	–	–	–	(77)	–	–	(77)
Foreign currency translation	–	–	–	–	83	(133)	(50)
Valuation change on cash flow hedge	–	–	–	15	–	4	19
Tax on cash flow hedge	–	–	–	(3)	–	(1)	(4)
Total comprehensive income	–	–	–	(65)	5,291	1,167	6,393
Increase in deferred tax asset recognised directly in equity (note 7)	–	–	–	294	–	–	294
Equity dividends paid	–	–	–	–	(2,175)	–	(2,175)
Dividends paid to non controlling interests	–	–	–	–	(431)	(731)	(1,162)
Cancellation of shares in Capital Markets held by NCI	–	–	–	–	–	(88)	(88)
Credit in relation to share based payments	–	–	–	17	–	–	17
Investment by non controlling interest in subsidiaries	–	–	–	–	–	180	180
At 31 December 2014	–	336	27,198	2,260	34,391	8,236	72,421

	Share capital £'000	**Share Premium account £'000**	**Merger reserve £'000**	**Other Reserves £'000**	**Retained earnings £'000**	**Non-controlling interest £'000**	**Total £'000**
At 1 January 2015	**–**	**336**	**27,198**	**2,260**	**34,391**	**8,236**	**72,421**
Retained profit for the year	**–**	**–**	**–**	**–**	**6,445**	**4,250**	**10,695**
Revaluation of available for sale investments	**–**	**–**	**–**	**(66)**	**–**	**–**	**(66)**
Foreign currency translation	**–**	**–**	**–**	**–**	**200**	**(14)**	**186**
Valuation change on cash flow hedge	**–**	**–**	**–**	**25**	**–**	**6**	**31**
Tax on cash flow hedge (note 7)	**–**	**–**	**–**	**(5)**	**–**	**(1)**	**(6)**
Total comprehensive income	**–**	**–**	**–**	**(46)**	**6,645**	**4,241**	**10,840**
Decrease in deferred tax asset recognised directly in equity (note 7)	**–**	**–**	**–**	**(54)**	**–**	**–**	**(54)**
Equity dividends paid (note 8)	**–**	**–**	**–**	**–**	**(1,208)**	**–**	**(1,208)**
Dividends paid to non controlling interests	**–**	**–**	**–**	**–**	**(927)**	**(1,015)**	**(1,942)**
Repurchase/cancellation of own shares (note 23)	**–**	**–**	**(10,047)**	**–**	**–**	**–**	**(10,047)**
Capital distribution from Spectrum to non controlling interests	**–**	**–**	**–**	**–**	**–**	**(3,316)**	**(3,316)**
Credit in relation to share based payments	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Investment by non controlling interest in subsidiaries other than DBD/Spectrum	**–**	**–**	**–**	**–**	**–**	**344**	**344**
Adjustment arising from change in non controlling interest	**–**	**–**	**–**	**–**	**(56)**	**56**	**–**
At 31 December 2015	**–**	**336**	**17,151**	**2,164**	**38,845**	**8,546**	**67,042**

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Operating profit		**11,823**	8,377
Adjustments for:			
Depreciation charges	14	**977**	926
Amortisation charges	13	**62**	138
Share-based payment expense		**4**	17
Profit on sale of fixed assets		**–**	(33)
Other losses on available-for-sale investments		**1,142**	757
Other profit on sale of intangibles		**(9,207)**	–
Losses in provision for National Insurance on options		**–**	204
Operating cash flows before movements in working capital		**4,801**	10,386
(Increase)/decrease in trade and other receivables		**(11,681)**	5,105
Increase/(decrease) in trade and other payables		**14,231**	(20,627)
Increase/(decrease) in bear positions		**100**	(187)
Increase in bull positions		**(4,708)**	(79)
Cash generated by/(used in) operations		**2,743**	(5,402)
Interest paid		**(317)**	(292)
Corporation tax paid		**(1,652)**	(1,487)
Net cash generated by/(used in) operating activities		**774**	(7,181)
Cash flows from investing activities			
Purchase of fixed assets	14	**(363)**	(454)
Sale of fixed assets		**–**	42
Sale of intangibles		**10,680**	–
Purchase of available-for-sale investments	15	**(3,750)**	(110)
Sale of available-for-sale investments		**–**	97
Interest received		**191**	224
Net cash generated by/(used in) investing activities		**6,758**	(201)
Cash flows from financing activities			
Investment by non controlling interest in subsidiaries		**344**	180
Shares/participations repurchased from non controlling interests		**–**	(88)
Repurchase of own shares		**(10,047)**	–
Capital distribution to non controlling interests		**(3,316)**	–
Decrease in borrowings	20	**(360)**	(341)
Dividends paid to equity shareholders	8	**(1,208)**	(2,175)
Dividends paid to non controlling interests		**(1,942)**	(1,162)
Net cash used in financing activities		**(16,529)**	(3,586)
Net decrease in cash and cash equivalents		**(8,997)**	(10,968)
Effects of exchange rate changes		**452**	231
Cash and cash equivalents at the beginning of the year	18	**30,658**	41,395
Cash and cash equivalents at the end of the year	18	**22,113**	30,658

Notes to the Financial Statements

For the financial year ended 31 December 2015

1. Accounting Policies

Basis of preparation

These consolidated annual financial statements of Shore Capital Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS").

Going concern

The Group continues to adopt the going concern basis in preparing the financial statements as discussed in more detail in the Directors' report on page 17.

Presentation of the financial statements and financial information

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

Adoption of new and revised standards

New standards, amendments and interpretations adopted

In the current year, there were no new and revised Standards and Interpretations that were adopted.

Standards in issue but not yet effective

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

Annual Improvements to:

IAS 1 (Amended)	Presentation of financial statements
IFRS 9	Financial Instruments
IFRS 10 (Amended)	Consolidated Financial Statements
IFRS 11 (Amended)	Joint Arrangements
IFRS 12 (Amended)	Disclosure of Interests in Other Entities
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 16 (Amended)	Property, Plant and Equipment
IAS 27 (Amended)	Consolidated and Separate Financial Statements
IAS 28 (Amended)	Investments in Associates
IAS 38 (Amended)	Intangible Assets
IAS 41 (Amended)	Agriculture
Annual Improvements to IFRSs	2010-2012 Cycle
Annual Improvements to IFRSs	2011-2013 Cycle
Annual Improvements to IFRSs	2012-2014 Cycle

General information

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

Basis of accounting

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

Basis of consolidation

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

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

1. Accounting Policies continued

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

Judgements and key sources of estimation uncertainty

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

Judgements

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

Taxation

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

Deferred tax assets

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

Estimates and assumptions

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

Fair value of unquoted equity instruments

Where there is no available representative external valuation, judgement is required to determine the most appropriate valuation method for unquoted equity instruments. Further details are set out later in this note 1 and in notes 15, 16 and 24(f).

Share-based payments

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

Intangibles

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

Revenue

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

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

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

Revenue, including revenue from Stock Exchange transactions, is accounted for at trade/contract date rather than settlement date. Revenue on construction contracts is recognised by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1. Accounting Policies continued

Borrowing costs

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

Foreign currency translation

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

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

Pension costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

1. Accounting Policies continued

Share-based payments

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

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

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

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 9).

Business Combinations

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

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

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

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

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

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

Goodwill

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

1. Accounting Policies continued

Intangible assets

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

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

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

Impairment of goodwill and other non-financial assets

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

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

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

Property, plant and equipment

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

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

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

Property and operating leases

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

Financial instruments

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

Financial assets and liabilities

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

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

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

1. Accounting Policies continued

Financial assets and liabilities at FVTPL

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

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

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

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

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

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

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

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

Available-for-sale investments

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

Loans and receivables

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

Effective interest method

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

Derecognition of financial assets

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

1. Accounting Policies continued

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

Cash flow hedges

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

1. Accounting Policies continued

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

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

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

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

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

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

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

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

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

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

2. Segment Information

Additional analysis of revenue and results is presented in the Chairman's Statement on pages 4 to 13.

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 and corporate finance 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.

2. Segment Information continued

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

Year ended 31 December 2015	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	23,350	9,500	–	9,102	41,952
Results					
Depreciation	280	109	58	530	977
Interest expense	27	–	–	290	317
Profit/(loss) before tax	4,693	2,653	(788)	5,139	11,697
Assets	76,213	5,522	1,746	39,324	122,805
Liabilities	(44,775)	(2,229)	(68)	(8,691)	(55,763)

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

Year ended 31 December 2014	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	30,129	8,478	–	1,968	40,575
Results					
Depreciation	298	93	44	491	926
Interest expense	22	–	1	269	292
Profit/(loss) before tax	9,745	2,382	(2,231)	(1,587)	8,309
Assets	62,356	5,454	2,808	43,888	114,506
Liabilities	(30,251)	(1,558)	(2,848)	(7,428)	(42,085)

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

3. Operating Profit

	2015 £'000	2014 £'000
Operating profit has been arrived at after charging:		
Revenue from construction contracts	–	1,520
Impairment of available-for-sale investments	(1,204)	(812)
Depreciation	(977)	(926)
Property lease rentals	(658)	(659)
Profit on disposal of fixed assets	–	33
Exchange differences, excluding those arising on financial instruments		
Exchange differences	34	(23)

4. Interest Income

	2015 £'000	2014 £'000
Bank interest	183	212
Other interest receivable	8	12
	191	224

5. Finance Costs

	2015 £'000	2014 £'000
Interest on bank overdrafts and loans	317	292
	317	292

6. Employees and Directors

a) Employee numbers

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

	2015 No.	2014 No.
Capital Markets – Securities	70	72
– Corporate Advisory	13	14
Asset Management	51	43
	134	129

b) The costs incurred in respect of these employees comprise

	2015 £'000	2014 £'000
Salaries and commission	13,447	14,909
Social security costs	1,657	1,721
Pension costs	290	334
	15,394	16,964

c) Employee Share Option Plan

The Group maintains a Share Option Plan (the "Plan") under which present and future employees of the Group may be granted options to subscribe for new share capital of the Group. The Plan is used to attract and retain high-calibre employees to continue to develop and expand the business of the Group. Such options are granted by the Board at a price no less than the average quoted market price of the Company's share on the date of grant. Options granted under the Plan are subject to vesting periods which are based on continuing service. Thereafter the options may be exercised for the rest of their 10 year life without further test. Options are forfeited if the employee chooses to leave the Group before the options vest under certain circumstances. If an employee holding vested options leaves the group, the options held must be exercised within 6 months of the date of leaving. As at 31 December 2015, there were 1,674,073 (2014: 1,674,073) options in issue under the Plan that were exercisable at prices ranging from 110p to 335p. Details of the share options outstanding during the year were as follows:

	2015		2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	1,674,073	189p	1,649,073	187p
Granted during the year	–	n/a	25,000	335p
Outstanding at the end of the year	1,674,073	189p	1,674,073	189p
Exercisable at the end of the year	1,649,073		1,649,073	

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 3 years (2014: 2 years).

6. Employees and Directors continued

Using a Black-Scholes option pricing model, the aggregate of the estimated fair value of the options granted in the prior year was £31,000. The inputs into the Black-Scholes model were as follows:

	2015	2014
Weighted average exercise price	n/a	189p
Expected volatility	n/a	0.2882
Expected life	n/a	10 years
Risk-free rate	n/a	0.50%
Expected dividend yields	n/a	2.40%

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

d) Emoluments of the Directors of the Company

2015	Gross salary £'000	Bonus, commission and other income £'000	Benefits £'000	Total £'000
Howard Shore	200	1,000	49	1,249
Lynn Bruce	40	–	–	40
Dr Zvi Marom	40	–	–	40
James Rosenwald	40	–	–	40
	320	1,000	49	1,369

2014	Gross salary £'000	Bonus, commission and other income £'000	Benefits £'000	Total £'000
Howard Shore	200	800	41	1,041
Lynn Bruce	40	–	–	40
Dr Zvi Marom	40	–	–	40
James Rosenwald	40	–	–	40
	320	800	41	1,161

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

	Number of options over unissued ordinary shares	Date of grant	Exercise price per ordinary share	Exercise date
Howard Shore	592,199	15 January 2002	205p	Before 5 January 2019

The closing price of the shares at 31 December 2015 was 425.0p (2014: 425.0p) and the range during the year was 407.5p to 425.0p.

f) Related party transactions

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

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

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

The Group has a loan of €3.5 million (2014: €3.5 million) that is due from Puma Brandenburg Limited ("PBL"). PBL is a related party as it has a high degree of common ownership. The loan is held on arm's length terms and conditions. During the year, the Group received fees of £2.15 million (2014: £2.41 million) from PBL for property advisory services.

g) Compensation of key management personnel

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

	2015 £'000	2014 £'000
Salaries and other short-term benefits	3,081	3,299

Notes to the Financial Statements continued
For the financial year ended 31 December 2015

7. Taxation

	2015 £'000	2014 £'000
The tax charge comprises:		
Current tax	**864**	1,861
Prior year overprovision	**(4)**	–
Movement in deferred tax	**142**	(57)
	1,002	1,804

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 20.25% (2014: 21.50%) as detailed below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**11,697**	8,309
Tax thereon at 20.25% (2014: 21.5%)	**2,369**	1,786
Effects of:		
Expenses not deductible for tax purposes	**110**	115
Income not chargeable to tax	**(1,442)**	(115)
Movement in deferred tax not recognised	**(75)**	18
Effect of different tax rates in other jurisdictions	**106**	–
Prior year adjustment	**(66)**	–
	1,002	1,804

With effect from 1 April 2015, the rate of UK corporation tax reduced from 21% to 20%. As a result the average tax rate on the profit before tax for the Group's UK activities for 2015 was 20.25% (2014: 21.5%).

Deferred Taxation

	Share-based payments £'000	Temporary differences £'000	Total £'000
At 1 January 2014	489	(507)	(18)
Credit to income statement	2	56	58
Charge to comprehensive income	–	(4)	(4)
Credit to equity	294	–	294
At 31 December 2014	**785**	**(455)**	**330**
Charge to income statement	**–**	**(142)**	**(142)**
Charge to comprehensive income	**–**	**(6)**	**(6)**
Charge to equity	**(54)**	**–**	**(54)**
At 31 December 2015	**731**	**(603)**	**128**

8. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2014 of 5.0p per share (2013: 4.0p per share	**1,208**	967
Interim dividend for the year ended 31 December 2014 of 5.0p per share (2013: 4.0p)	**–**	1,208
	1,208	2,175

The directors do not propose a dividend for the year ended 2015.

9. Earnings per Share

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

As at 31 December 2015 there were 21,768,791 ordinary shares in issue (2014: 24,164,000). Movements in the number of shares in issue during the year are set out in note 23.

	2015		2014	
	Basic	Diluted	Basic	Diluted
Earnings (£)	6,445,000	6,445,000	5,208,000	5,208,000
Number of shares	23,796,516	24,698,644	24,164,000	25,055,666
Earnings per share (p)	27.1	26.1	21.6	20.8
Comprehensive earnings (£)	6,599,000	6,599,000	5,226,000	5,226,000
Number of shares	23,796,516	24,698,644	24,164,000	25,055,666
Earnings per share (p)	27.7	26.7	21.6	20.9

Calculation of number of shares

	2015		2014	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	23,796,516	23,796,516	24,164,000	24,164,000
Dilutive effect of share option schemes	–	902,128	–	891,666
	23,796,516	24,698,644	24,164,000	25,055,666

10. Lease Commitments

	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised as an expense during the year:	658	659

At 31 December 2015 the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

Operating leases

	2015 £'000	2014 £'000
Amounts payable in under one year	757	643
Amounts payable between one and five years	1,404	1,666
	2,161	2,309

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

11. Categories of Financial Assets and Liabilities

As at 31 December 2015	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available-for-sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Financial assets						
Cash and cash equivalents	–	–	–	–	22,113	22,113
Trading assets (bull positions)	95	9,249	–	–	–	9,344
Trade receivables in the course of collection	–	–	–	–	53,837	53,837
Loans	–	–	2,578	–	–	2,578
Financial investments	–	–	–	6,341	–	6,341
Other assets	–	–	–	–	12,116	12,116
	95	9,249	2,578	6,341	88,066	106,329
Tax assets						–
Accrued income						3,208
Goodwill						381
Intangible assets						1,841
Property, plant & equipment						10,864
Deferred tax asset						128
Total assets per balance sheet						122,751
Financial liabilities						
Bank overdrafts and borrowings	–	–	–	–	9,616	9,616
Trading positions (bear positions)	–	946	–	–	–	946
Trade creditors in the course of collection	–	–	–	–	36,793	36,793
Derivatives	–	187	–	–	–	187
Other liabilities	–	–	–	–	5,268	5,268
	–	1,133	–	–	51,677	52,810
Accruals						1,937
Tax liabilities						481
Provision for liabilities and charges						535
Deferred tax liability						–
Total liabilities per balance sheet						55,763

11. Categories of Financial Assets and Liabilities continued

As at 31 December 2014	Designated at fair value £'000	Held for trading £'000	Loans and receivables £'000	Available-for-sale securities £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
Financial assets						
Cash and cash equivalents	–	–	–	–	30,658	30,658
Trading assets (bull positions)	1,399	3,237	–	–	–	4,636
Trade receivables in the course of collection	–	–	–	–	46,489	46,489
Loans	–	–	2,875	–	–	2,875
Financial investments	–	–	–	3,799	–	3,799
Other assets	–	–	–	–	8,981	8,981
	1,399	3,237	2,875	3,799	86,128	97,438
Tax assets						–
Accrued income						1,767
Goodwill						381
Intangible assets						3,621
Property, plant & equipment						10,969
Deferred tax asset						330
Total assets per balance sheet						114,506
Financial liabilities						
Bank overdrafts and borrowings	–	–	–	–	9,446	9,446
Trading liabilities (bear positions)	–	846	–	–	–	846
Trade creditors in the course of collection	–	–	–	–	803	803
Derivatives	–	179	–	–	–	179
Other liabilities	–	–	–	–	27,395	27,395
	–	1,025	–	–	37,644	38,669
Accruals						1,608
Tax liabilities						1,273
Provision for liabilities and charges						535
Deferred tax liability					–	–
Total liabilities per balance sheet						42,085

12. Goodwill

	Goodwill arising on the acquisition of non controlling interest in subsidiary £'000
Cost	
At 1 January and 31 December 2015	**381**

The goodwill balance relates to the acquisition of non-controlling interests in the Capital Markets division.

There has been no impairment in the value of the asset, as the business continues to generate profits and positive cashflows (note 2) and is forecast to do so for the foreseeable future.

13. Intangible assets

	£'000
Cost	
At 1 January 2014	4,414
Retranslation movement	(266)
At 31 December 2014	**4,148**
Disposal	**(2,062)**
Retranslation movement	**(245)**
At 31 December 2015	**1,841**
Amortisation	
At 1 January 2014	389
Charge for the year	138
At 31 December 2014	**527**
Charge for the year	**62**
Disposals in year	**(589)**
At 31 December 2015	**–**
Carrying amount	
At 31 December 2015	**1,841**
At 31 December 2014	3,621

The intangible assets represent the spectrum licences acquired through the acquisition of DBD.

There has been no impairment in the value of the asset. Management consider the carrying value not to be in excess of the fair value less costs to sell. The fair value has been determined with reference to external market transactions.

DBD owns spectrum licences in Germany, comprising a series of regional licences that run into perpetuity. The company also owned a series of national licences that run to 2021 which were sold during the year together with 6 out of 38 of its regional licences. These were being amortised on a straight line basis over their remaining life.

Amortisation has been charged within administrative expenditure in the income statement.

14. Property, Plant and Equipment

	Leasehold premises £'000	Fixtures and equipment £'000	Asset rental £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2014	890	3,144	12,284	216	16,534
Additions	–	322	–	132	454
Disposals	–	–	–	(105)	(105)
Retranslation movement	–	(17)	764	(5)	742
At 31 December 2014	**890**	**3,449**	**13,048**	**238**	**17,625**
Additions	**–**	**356**	**–**	**7**	**363**
Retranslation movement	**–**	**(16)**	**734**	**(3)**	**715**
At 31 December 2015	**890**	**3,789**	**13,782**	**242**	**18,703**
Depreciation					
At 1 January 2014	824	1,880	2,835	98	5,637
Charge for the year	30	371	491	34	926
Retranslation movement	–	(15)	204	–	189
Disposals	–	–	–	(96)	(96)
At 31 December 2014	**854**	**2,236**	**3,530**	**36**	**6,656**
Charge for the year	**36**	**371**	**530**	**40**	**977**
Retranslation movement	**–**	**(11)**	**217**	**–**	**206**
At 31 December 2015	**890**	**2,596**	**4,277**	**76**	**7,839**
Net Book Value					
At 31 December 2015	**–**	**1,193**	**9,505**	**166**	**10,864**
At 31 December 2014	36	1,213	9,518	202	10,969

15. Investments

Available-for-sale investments

	Current			Non current		
	Listed investments £'000	Unlisted investments £'000	Total £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
At 1 January 2014	–	16	16	3,305	1,293	4,598
Additions	–	–	–	110	–	110
Disposals	–	–	–	–	(97)	(97)
Revaluation in the year	–	(16)	(16)	(71)	71	–
Impairment loss	–	–	–	(812)	–	(812)
At 31 December 2014	**–**	**–**	**–**	**2,532**	**1,267**	**3,799**
Additions	**–**	**–**	**–**	**–**	**3,750**	**3,750**
Disposals	**–**	**–**	**–**	**–**	**(123)**	**(123)**
Revaluation in the year	**–**	**–**	**–**	**(1,234)**	**149**	**(1,085)**
At 31 December 2015	**–**	**–**	**–**	**1,298**	**5,043**	**6,341**

15. Investments continued

Additional information on principal subsidiaries.

Subsidiary	Country of registration and operation	Activity	Portion of ordinary shares and voting rights held
Trading Companies			
Shore Capital Group Treasury Limited	Guernsey	Treasury company	100%
Shore Capital Group Investments Ltd	Guernsey	Holds investments	100%
Puma Property Investment Advisory Ltd	Guernsey	Property advisory services	100%
Shore Capital International Asset Management Limited	Guernsey	Intermediate Holding Co.	100%
Shore Capital Finance Limited	Guernsey	Credit provider	100%
Spectrum Investments Limited[1]	Guernsey	Holds investments	59.94%
DBD Deutsche Breitband Dienste[1]	Germany	Telecoms	89.3%
Shore Capital Markets Limited[2]	England and Wales	Intermediate Holding Co.	79.7%
Shore Capital Stockbrokers Limited[3]	England and Wales	Broker/dealer	79.7%
Shore Capital and Corporate Limited[3]	England and Wales	Corporate advisers	79.7%
Puma Investment Management Limited[4]	England and Wales	Fund Management	72.9%
Shore Capital Limited	England and Wales	Fund Management	100%
Shore Capital Group plc	England and Wales	Intermediate Holding Co.	100%
Shore Capital Treasury Limited	England and Wales	Treasury company	100%
Shore Capital International Limited	England and Wales	Advisory services	100%
Shore Capital Management Limited	England and Wales	Member of an LLP	100%
Limited Liability Partnerships			
The Lily Partnership LLP	England and Wales	Asset rental business	80%
Nominee Company			
Puma Nominees Limited	England and Wales	Nominee company	100%

1 Spectrum Investments Limited is the intermediate holding company of, and held 89.3% of the ordinary shares and voting rights in, DBD Deutsche Breitband Dienste. As at 31 December 2015, the Company had a direct holding of 59.94% in Spectrum Investments Limited. The balance of the shares in each of Spectrum Investments Limited and DBD Deutsche Breitband Dienste were held by external investors.

2 Shore Capital Markets Limited is the intermediate holding company of, and holds 100% of the ordinary shares and voting rights in, each of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited. The Company currently has a direct holding of 79.7% in Shore Capital Markets Limited. The balance of the shares in Shore Capital Markets Limited were bought by senior executives of that company and its subsidiaries.

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

4 Shore Capital Limited is the intermediate holding company of, and holds 72.9% of the ordinary shares and voting rights in, Puma Investment Management Limited. The Company currently has a direct holding of 100% in Shore Capital Limited. The balance of the shares in Puma Investment Management Limited were bought by senior executives of that company.

Non controlling interests

Summarised financial information about subsidiaries in the Group with non-controlling interests are as follows:

			Relating to non-controlling interests		
	Profit/(loss) for the year £'000	Net assets at 31/12/2015 £'000	**Profit/(loss) for the year £'000**	**Net assets at 31/12/2015 £'000**	**Dividends paid in the year £'000**
Spectrum Investments Limited	10,158	8,025	**4,165**	**1,030**	**–**
DBD Deutsche Breitband Dienste	1,033	(44,921)[1]	**(697)**	**639**	**–**
Shore Capital Markets Limited	3,692	31,498	**750**	**6,399**	**1,511**
Puma Investment Management Limited	1,200	1,773	**307**	**429**	**431**
Shore Capital Management	(1,375)	379	**(275)**	**48**	**–**
			4,250	**8,546**	**1,942**

1 This figure includes a £46,773,000 intercompany balance which is eliminated in these consolidated financial statements.

16. Bull Positions and Other Holdings at fair value

	2015 £'000	2014 £'000
Held for trading		
Listed holdings at market value		
Equities	2,629	1,735
Debt instruments	6,620	1,502
	9,249	3,237
Designated at fair value		
Unlisted holdings:		
Equities	–	1,351
Invested in own fund and products	13	–
Other (including hedge funds)	82	48
	95	1,399
	9,344	4,636

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

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

17. Trade and Other Receivables

	2015 £'000	2014 £'000
Trade receivables	53,387	46,489
Other receivables	12,116	8,981
Loans	2,578	2,875
Prepayments and accrued income	3,208	1,767
	71,739	60,112

	2015 £'000	2014 £'000
Between 30 and 60 days	90	77
Between 60 and 90 days	37	102
Greater than 90 days	32	6
	159	185
Amounts not yet due	71,580	59,927
Trade receivables	71,739	60,112

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

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

17. Trade and Other Receivables continued

	£'000
Movement in the allowance for doubtful debts	
At 1 January 2014	153
Increase in the allowance	9
Amounts written off	(93)
At 31 December 2014	**69**
Increase in the allowance	**20**
Amounts recovered during the year	**(9)**
Amounts written off	**(10)**
At 31 December 2015	**70**

Trade receivables are shown net of provision for doubtful debts amounting to £70,000 (2014: £69,000).

18. Cash and Cash Equivalents

Analysis of Changes in Net Funds

	As at 1 January 2015 £'000	Cash flows £'000	**As at 31 December 2015 £'000**
Cash at bank and in hand	30,658	(8,545)	**22,113**
	30,658	(8,545)	**22,113**

19. Trade and Other Payables

	2015 £'000	2014 £'000
Trade creditors	**36,793**	21,963
Other creditors	**4,254**	5,327
Other taxation and social security	**1,014**	908
Accruals and deferred income	**1,937**	1,608
	43,998	29,806

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

20. Borrowings

	2015 £'000	2014 £'000
Borrowings at amortised cost		
Bank loans	**9,616**	9,446
Amount due to be repaid within 12 months	**360**	341
Amount due to be repaid after 12 months	**9,256**	9,105

	Amortising USD loan facility £'000	**Total £'000**
As at 31 December 2015		
Bank loans	**9,616**	**9,616**
	9,616	**9,616**

	Amortising USD loan facility £'000	Total £'000
As at 31 December 2014		
Bank loans	9,446	9,446
	9,446	9,446

20. Borrowings continued

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

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

	2015 %	2014 %
Bank overdrafts	2.25	2.50
Bank loans	2.95	2.90

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

(i) Sterling based facilities of £20,000,000 in total comprising a multi-option overdraft facility of £15,000,000 and a revolving credit facility of £5,000,000. Under this facility, the Group has the option to draw down a fixture for a fixed maturity or an overdraft which is repayable on demand. The average effective interest rate on bank overdrafts was approximately 2.25% per annum (2014: 2.25%) and was determined on a base rate plus a margin. Both facilities were undrawn as at 31 December 2015.

(ii) An amortising loan of $14,195,000 (2014: $14,727,000) for which the Group has liability for 80%. Principal is repayable in quarterly instalments with final bullet repayment due on 31 March 2018. The loan is secured by a charge over the Group's rental asset. The loan carries an interest rate at 1.0% above 3 month USD LIBOR.

Undrawn Facilities

The Group's sterling based loan facility of £20,000,000 is structured as a multi option facility of £15,000,000 and a revolving credit facility of £5,000,000. As at the year end, £15,000,000 (2014: £15,000,000) was undrawn on the multi-option facility and £5,000,000 (2014: £5,000,000) was undrawn on the revolving credit advance facility.

21. Provision for Liabilities and Charges

Provision for National Insurance contributions on share options:

	2015 £'000	2014 £'000
At 1 January	535	331
Credit in the year	–	204
At 31 December	535	535

This provision will be utilised when staff exercise their options during the period of 1 January 2016 to 9 January 2024.

22. Capital Commitments

As at 31 December 2015, Shore Capital had made a commitment of €12.5 million to the Brandenburg Realty Fund of which €2.5 million had been drawn down. There were no other amounts which were contracted for but not provided in the financial statements as at 31 December 2015 (2014: £nil).

23. Share Capital

	Number of shares	£'000
Shore Capital Group Limited – ordinary shares of nil par value		
At 1 January 2014	241,639,601	–
Shares issued and fully paid as part of the reorganisation of share capital	399	–
Cancelled on reorganisation	(241,640,000)	–
Shares issued following the share capital reorganisation	24,164,000	–
At 31 December 2014 and 1 January 2015	**24,164,000**	–
Shares repurchased and cancelled	(2,395,209)	–
At 31 December 2015	**21,768,791**	–

In 2015 there were no (2014: nil) ordinary shares of nil par value which were issued as the result of the exercise by employees of share options granted in prior years under the terms of the Share Option Plan.

During the year a total of 2,395,209 Shares were repurchased by the Company under a Tender Offer and then cancelled. Following the completion of the Tender Offer, the Company has 21,768,791 Shares in issue. Shares were tendered at a price of £4.175 per Share.

24. Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (see note 20), cash and cash equivalents (see note 18), and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings (see Consolidated Statement of Changes in Equity).

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

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

Net gains or losses arising from dealings in financial instruments

	Designated at fair value £'000	Held for trading £'000	Available-for-sale securities £'000	Total £'000
2015				
Equities	**100**	**6,945**	**(1,085)**	**5,960**
Debt	**7**	**–**	**–**	**7**
	107	**6,945**	**(1,085)**	**5,967**
2014				
Equities	–	10,199	(833)	9,366
Alternative Assets	–	–	39	39
	–	10,199	(794)	9,405

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

a) Market Risk

The Group is exposed to market risk in respect of its trading in equities and other holdings. The fair value at the year end of positions arising from these activities is disclosed in the Financial Statements in note 16 for bull positions and the carrying value of the bear positions as disclosed on the face of the balance sheet is equal to the fair value.

Other holdings mainly comprise seeding of own Funds which have been launched (details of which are set out in the Chairman's Statement on pages 4 to 13) and other investments that are held in the Principal Finance division.

The year end positions arising from market-making activities are in line with those maintained throughout 2015. Both the permitted size of each trading book and the size of individual positions are predetermined and dealers are set prescribed limits within which they can deal. Day-to-day risk monitoring is carried out by the Head of the Capital Markets division and the Compliance Department.

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

	2015			2014		
	Net equity £'000	**Change in price of UK equities %**	**Effect on profit and on equity £'000**	Net equity £'000	Change in price of UK equities %	Effect on profit and on equity £'000
Listed equities (net)	**1,683**	**10%**	**168**	889	10%	89
Listed holdings in own funds and products	**–**	**10%**	**–**	–	10%	–
Listed investments	**1,298**	**10%**	**130**	2,532	10%	253

24. Financial Instruments continued

b) Currency Risk

Other than borrowings as set out in note 20, the Group's foreign currency cash and bank balances at the year end were not material and are not separately disclosed in the Financial Statements. Where relevant, currency is bought or sold at the time of trading in order to meet the funds due or receivable on settlement.

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

	2015 £'000	2014 £'000
Held in Euros	9	3

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

The amount taken to the Income Statement during the year was a profit of £460,000 (2014: £139,000 profit).

As at the year end the fair value of forward contracts which were hedging bull positions and other holdings was a net asset of £54,000 (2014: £39,000 net asset). The related notional contracts as at 31 December 2015 were £14,719,000 (2014: £7,798,000). These were all due to mature in January 2016.

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

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

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

	2015		2014	
	Euro £'000	US Dollar £'000	Euro £'000	US Dollar £'000
5% Stronger against GBP	149	(486)	232	(441)
5% Weaker against GBP	(135)	440	(210)	399

Profits shown as positives, losses as negatives.

c) Interest Rate Risk

The Group's exposure to long-term fixed borrowings is set out in note 20.

The interest bearing financial assets and liabilities of the Group comprise cash and cash equivalents, bank overdrafts and bank borrowings as shown in the consolidated balance sheet. Cash and cash equivalents receive, and bank overdrafts pay, interest at floating rates linked to either bank base rates or money market rates. The Group has a £15m overdraft facility and a £5m revolving credit facility which are both renewable annually. These facilities pay interest at rates linked to money market rates. The Group also has an amortising loan of $14,195,000 for which there is a cash flow hedge to fix the rate of interest. The bank borrowings are described in more detail in note 20.

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

	2015 £'000	2014 £'000
100 basis point movement in interest rates	11	9
As percentage of total shareholders' equity	0.019%	0.014%

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

24. Financial Instruments continued

d) Credit Risk

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

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

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

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

	2015 £'000
TD Waterhouse	8,000
Merrill Lynch Int DM	6,597
Redmayne Bentley	1,574
Barclays Stockbrokers	1,141
Simply Stockbroking	618
	17,930

	2014 £'000
TD Waterhouse	17,163
Redmayne Bentley	2,295
Jarvis Investment Management	932
UBS	621
Walker Crips	576
	21,587

e) Liquidity Risk

Ultimate responsibility for liquidity management rests with the board of directors. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and borrowing facilities to meet its actual and forecast cash flows and matching maturity profiles of financial assets and liabilities. Note 20 includes details of undrawn facilities available to the Group.

Maturity profile of financial liabilities

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

2015

	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Total £'000
Bear Positions	–	946	—	–	946
Trade payables	36,793	–	–	–	36,793
Derivatives	–	–	–	187	187
Bank loans and overdrafts	–	151	450	9,136	9,737
Other liabilities	–	4,564	704	–	5,268
Tax liabilities	–	–	481	–	481
Accruals	–	1,937	–	–	1,937
	20,740	7,598	1,635	9,323	55,349

24. Financial Instruments continued

e) Liquidity Risk continued

2014

	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Total £'000
Bear Positions	–	846	–	–	846
Trade payables	21,963	–	–	–	21,963
Derivatives	–	(39)	76	142	179
Bank loans and overdrafts	–	154	457	9,737	10,348
Other liabilities	–	6,235	–	–	6,235
Tax liabilities	–	–	1,273	–	1,273
Accruals	–	1,608	–	–	1,608
	21,963	8,804	1,806	9,879	42,452

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

f) Fair value of financial instruments

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

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

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

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

2015

	Level 1 Quoted market price £'000	**Level 2 Market observable inputs £'000**	**Level 3 Non-market observable inputs £'000**	**Total £'000**
Available-for-sale financial investments	**1,298**	**–**	**5,043**	**6,341**
Bull positions and other holdings at fair value	**9,344**	**–**	**–**	**9,344**
Financial instruments	**–**	**54**	**–**	**54**
Total financial assets	**10,642**	**54**	**5,043**	**15,739**
Bear positions	**946**	**–**	**–**	**946**
Financial instruments	**–**	**187**	**–**	**187**
Total financial liabilities	**946**	**187**	**–**	**1,133**

2014

	Level 1 Quoted market price £'000	Level 2 Market observable inputs £'000	Level 3 Non-market observable inputs £'000	Total £'000
Available-for-sale financial investments	2,532	–	1,267	3,799
Bull positions and other holdings at fair value	3,285	–	1,351	4,636
Total financial assets	5,817	–	2,618	8,435
Bear positions	846	–	–	846
Derivatives	–	179	–	179
Total financial liabilities	846	179	–	1,025

24. Financial Instruments continued

f) Fair value of financial instruments continued

Included in the fair value of financial instruments carried at fair value in the statement of financial position are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates (level 3). For such financial instruments, the directors have generally made reference to published net asset values (derived by the manager of such investments) and used 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 may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting such uncertainties and are deducted from the fair value produced by valuation techniques.

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

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

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.

	At 1 January 2015 £'000	Gains recorded in profit or loss £'000	Purchases and transfers £'000	Sales and transfers £'000	**At 31 December 2015 £'000**
Total financial assets	2,618	149	3,750	(1,474)	**5,043**

25. Regulatory Capital

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

	2015 £'000	2014 £'000
Group		
Capital resources per statement of financial position	**67,042**	72,421
Less non EU resources	**(38,805)**	(44,415)
Capital resources	**28,237**	28,006
Less Capital Resources Requirement	**(8,675)**	(7,058)
Surplus capital resources	**19,562**	20,948

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

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

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

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

26. Subsequent events

There were no significant events subsequent to the year end.

Officers and Professional Advisers

Directors
Howard Shore
Lynn Bruce
Dr Zvi Marom*
James Rosenwald III*

* Non-executive

Secretary
Lynn Bruce

Company Number
51355

Registered Office
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB

Registrar
Computershare Investor Services
(Guernsey) Limited
3rd Floor
Natwest House
Le Truchot
St Peter Port
Guernsey GY1 1WD

Legal Adviser
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

Auditor
Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3HW

Bankers
Royal Bank of Scotland International
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey GY1 4BQ

Nominated Adviser
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker
Shore Capital Stockbrokers Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Offices

Guernsey
Martello Court
Admiral Park
St Peter Port
Guernsey
GY1 3HB
+44 (0)1481 724 222

London
Bond Street House
14 Clifford Street
London
W1S 4JU
United Kingdom
+44 (0)20 7408 4090

Liverpool
The Corn Exchange
Fenwick Street
Liverpool
L2 7RB
United Kingdom
+44 (0)151 600 3700

Edinburgh
3–5 Melville Street
Edinburgh
EH3 7PE
United Kingdom
+44 (0)20 7079 1670

Berlin
Unter den Linden 32/34
Berlin
10117
Germany
+49 30 204 587 100

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)20 7729 9090

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