

SHORE CAPITAL

Shore Capital Group Limited

(“Shore Capital,” the “Group” or the “Company”)

Financial results for the year ended 31 December 2023

Shore Capital, the independent investment group specialising in capital markets, asset management and principal finance, presents its results for the year ended 31 December 2023.

Financial highlights

	2023	2022
Revenue	£65.2m	£61.5m
Profit before tax	£7.5m	£5.7m
Basic earnings per share	18.0p	14.3p

Chairman’s Statement

The Group has recorded revenues of £65.2m and pre-tax profits of £7.5m for the year to 31 December 2023, delivering basic earnings per share of 18.0p.

Whilst the overall economic environment in the UK has continued to be challenging, the Group has responded robustly, increasing both its pre-tax profits and earnings per share, as we continue to benefit from our diversified business model.

Our Asset Management business has continued to record excellent inflows across its suite of investment products, growing assets under management to £1.8bn and expanding operations with the opening of a new office in Manchester.

Our Capital Markets business continued to operate profitably in very challenging market conditions. The business has supported a number of clients on significant sale and take-private activities and has been active in various secondary capital raises. The business won several new retained corporate clients in the year and is well-placed to benefit when sentiment improves.

Asset Management

The Asset Management division continued its growth trajectory, with AUM increasing to £1.8 bn and year-on-year revenues growing by 14% to £34.7 million, delivering pre-tax profits of £6.8 million.

Puma Investments, the UK fund management business, has recorded strong inflows across its suite of retail investment products, whilst deployment levels have remained robust. The Puma offerings are increasingly being selected on preferred panels for a growing number of wealth management networks and platforms. Ongoing momentum in the business led to the opening of a new office in Manchester during the year, unlocking origination for this fast-growing region of the UK.

In our Puma Private Equity division, our flagship evergreen Venture Capital Trust, Puma VCT 13, filled both its initial and its extended fundraising target in the 2022/23 tax year, securing £50m of new funding to support the growth businesses that are the backbone of the UK economy. Alongside its newer Puma Alpha VCT, the company is again open for fundraising as we approach the end of the 2023/24 tax year. Our nimble business model has allowed us to respond quickly to a dynamic economic environment, capitalising on low valuations and hesitancy from competitors, with seven new companies being added to the portfolio during the year.

In our Puma Property Finance division, the size of Puma Heritage Estate Planning Service is approaching £300m and continues to raise funds at an impressive rate, providing significant firepower to grow market share in our chosen space of UK development and stabilisation lending to institutional and professional

developers and investors. Several lending records were broken in the year, including arranging the division's largest loan to date in the shape of a £73m facility for a student accommodation project in Nottingham.

Investment performance has remained good, notwithstanding the economic headwinds. Puma VCT 13 topped the Citiwire league tables for generalist VCT performance over the last 3 and 5 years, with returns of 49.1% and 54.2% respectively, exclusive of dividends. Puma Heritage has continued to exceed its target returns for the seventh year in succession. The Puma AIM Service has maintained its strong record against its key benchmarks, having recorded a lifetime outperformance as at December 2023 of 99.7% against the AIM Index and 79.4% against the FTSE All Share Index, and a compound annual growth rate since inception in July 2014 of 7.4% p.a.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, continued to implement their targeted asset management initiatives and deliver value for investors. We assisted with the ongoing condo sales programme in city centre locations in Berlin where there remains very stable demand and oversaw construction activity to deliver further high quality accommodation.

Capital Markets

The Capital Markets business recorded revenues of £29.6 million in the year, delivering pre-tax profits of £0.7 million, both figures broadly in line with the prior year.

Market headwinds experienced in 2022 continued into 2023 and market conditions remained challenging throughout the year. Successive increases in base rates by the Bank of England, and persistent high inflation, negatively impacted market sentiment and resulted in a subdued level of IPOs and secondary fundraisings. Against this backdrop, we have seen an elevated level of public to private transactions in the small to mid-cap space driven by interest from both strategic and financial buyers.

Despite these headwinds, our Corporate Advisory and Broking business has remained active in the market continuing to raise new funds for clients and supporting an increasing number of M&A advisory transactions. Across the full year, our Capital Markets business acted on 10 M&A deals worth in total over £2 billion, as well as adding 6 new retained corporate clients.

Our Market Making business has increased year-on-year revenues, whilst remaining adept at managing risk appropriately in the face of rapidly evolving trading conditions. Going into 2024 the team has been further strengthened with some key new hires.

Within a challenging market context, our Research and Equity Sales teams remained focused on seeking to identify equity valuation anomalies and supporting our institutional client base. We continue to maintain a high level of quality equity research output, increasing our presence in selected sectors including food delivery, industrials and digital.

Our Capital Markets franchise remains highly respected and valued in the equity research market, which in turn supports our high-quality corporate broking list and execution presence. The business is well placed to benefit from an improvement in market sentiment.

Principal Finance

Principal Finance investments recorded an increase in net valuations during the year of £0.8m, with returns also being supplemented by interest earned on our strong cash holdings in this higher rate environment.

As previously advised, in relation to the Group's interest in German regional radio spectrum licences, we have been informed that the Administrative Court of Cologne has found against us in the injunctive proceedings taken against the German Federal Network Agency. We continue to await the result of our formal appeal of the decision of the German Federal Network Agency to revoke the licences. The licences remain fully impaired and this has therefore had no impact on the financial position of the Group.

Current Trading and Prospects

We are optimistic about the continued growth of our Asset Management business and are expecting an improvement in Capital Markets sentiment at some point. We will continue to make additional key hires to improve our competitive position, and at the same time explore any strategic options that would further enhance our businesses.

Howard Shore
Chairman
20 March 2024

Financial review

Income and expenditure

Revenue for the year increased by 6.0% to £65.2 million (2022: £61.5 million), whilst administrative expenses increased by 9.5% to £58.4 million (2022: £53.4 million).

Group operating profit before impairment decreased by 17.6% to £6.7 million (2022: £8.2 million). During the prior year, an impairment of £2.1m was made against the Group's spectrum licences. Statutory profit before tax was £7.5 million (2022: £5.7 million).

Divisional performance was as follows:

- Capital Markets: revenue of £29.6 million (2022: £30.1 million). Profit before tax was £0.8 million (2022: £0.7 million) with a net margin of 2.6% (2022: 2.2%).
- Asset Management: revenue of £34.7 million (2022: £30.5 million). Profit before tax was £6.8 million (2022: £6.7 million) with a net margin of 19.6% (2022: 21.9%).
- Principal Finance: pre-tax profit of £1.1 million (2022: £1.3 million loss).

Further detail on the performance of each division is given in the Chairman's Statement.

Basic Earnings per Share

The Group generated earnings per share of 18.0p (2022: 14.3p).

Liquidity

As at the balance sheet date, available liquidity was £44.7 million, comprising solely of cash (2022: £39.7 million). In addition, the Group had a £20 million working capital facility which was unused at the year end.

Capital resources

Capital resources in our regulated businesses were on average more than four times FCA requirements.

Balance sheet

The Group's balance sheet remains strong. Total equity at the year end was £74.4 million (2022: £72.8 million), the movement reflecting the profit generated in the year less dividends and capital distributions paid to shareholders and minority interests.

In addition to the £44.7 million of cash referred to above, at the year end the Group held £4.2 million (2022: £4.4 million) in various of its Puma Funds; £3.3 million (2022: £8.5 million) net in quoted equities and a further £0.5 million (2022: £1.3 million) in other unquoted holdings. Other non-current assets included £4.4 million (2022: £4.0 million) of fixed assets, and £2.3 million (2022: £2.3 million) of investment properties.

The remainder of the balance sheet was £15.0 million net (2022: £12.6 million), which included £6.1 million (2022: £5.9 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 302.4p (2022: 290.7p).

Dividend

The Group proposes to pay an ordinary dividend of 15.0p per share for the year ended 31 December 2023 (2022: nil). The ordinary dividend is expected to be paid on Friday 5 April 2024 to shareholders on the register as at Monday 25 March 2024. Shares will be marked ex-dividend on Friday 22 March 2024.

Unaudited Consolidated Income Statement

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue		65,157	61,515
Administrative expenditure		(58,443)	(53,362)
Impairment loss		-	(2,108)
Operating profit		6,714	6,045
Interest income		1,245	102
Finance costs		(468)	(417)
Share of associates income		(39)	-
		738	(315)
Profit before taxation		7,452	5,730
Taxation		(1,425)	(1,030)
Profit for the year		6,027	4,700
Attributable to:			
Equity holders of the parent		3,871	3,085
Non-controlling interests		2,156	1,615
		6,027	4,700
Earnings per share			
Basic	3	18.0p	14.3p
Diluted	3	17.8p	14.2p

All transactions are in respect of continuing operations.

Unaudited Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023	2022
	£'000	£'000
Profit after tax for the year	<u>6,027</u>	<u>4,700</u>
Items that may be reclassified to the income statement		
Exchange difference on translation of foreign operations	<u>(68)</u>	125
Other comprehensive (loss)/ income during the year, net of tax	<u>(68)</u>	<u>125</u>
Total comprehensive income for the year, net of tax	<u><u>5,959</u></u>	<u><u>4,825</u></u>
Attributable to:		
Equity holders of the parent	3,828	3,154
	2,131	1,671
Non-controlling interests		
	<u><u>5,959</u></u>	<u><u>4,825</u></u>

Unaudited Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Property, plant & equipment		4,368	4,021
Right of use assets		5,128	6,268
Investment properties		2,279	2,279
Investments in associates		111	-
Investments		4,269	9,180
Deferred tax asset		1,057	1,241
		<u>17,212</u>	<u>22,989</u>
Current assets			
Trading assets		4,300	5,576
Trade and other receivables		37,894	42,070
Derivative financial instruments		35	50
Tax assets		1,118	1,071
Cash and cash equivalents		44,699	39,740
		<u>88,046</u>	<u>88,057</u>
Total assets	2	<u>105,258</u>	<u>111,496</u>
Current liabilities			
Trading liabilities		(530)	(572)
Trade and other payables		(24,850)	(31,240)
Derivative financial instruments		-	(33)
Lease liabilities		(7)	(1,400)
		<u>(25,387)</u>	<u>(33,245)</u>
Non-current liabilities			
Lease liabilities		(5,404)	(5,408)
Provision for liabilities and charges		(59)	(59)
		<u>(5,463)</u>	<u>(5,467)</u>
Total liabilities	2	<u>(30,850)</u>	<u>(38,712)</u>
Net assets		<u>74,408</u>	<u>72,784</u>
Capital and reserves			
Share capital		-	-
Share premium		1,866	1,866
Merger reserve		14,336	14,903
Other reserves		1,572	1,572
Retained earnings		46,600	44,377
Equity attributable to equity holders of the parent		<u>64,374</u>	<u>62,718</u>
Non-controlling interests		10,034	10,066
Total equity		<u>74,408</u>	<u>72,784</u>

Unaudited Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non- controlling interests £'000	Total £'000
At 1 January 2022	-	1,866	14,903	1,572	51,857	11,017	81,215
Profit for the year	-	-	-	-	3,085	1,615	4,700
Foreign currency translation	-	-	-	-	69	56	125
Total comprehensive income	-	-	-	-	3,154	1,671	4,825
Equity dividends paid (note 4)	-	-	-	-	(9,708)	-	(9,708)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(926)	(2,952)	(3,878)
Investment by non controlling interest in subsidiaries	-	-	-	-	-	330	330
At 31 December 2022	-	1,866	14,903	1,572	44,377	10,066	72,784

Unaudited Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Non- controlling interests £'000	Total £'000
At 1 January 2023	-	1,866	14,903	1,572	44,377	10,066	72,784
Profit for the year	-	-	-	-	3,871	2,156	6,027
Foreign currency translation	-	-	-	-	(42)	(26)	(68)
Total comprehensive income	-	-	-	-	3,829	2,130	5,959
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(759)	(1,509)	(2,268)
Repurchase/ cancellation of own shares	-	-	(567)	-	-	-	(567)
Capital distribution from subsidiary to non-controlling interests	-	-	-	-	-	(160)	(160)
Increase in controlling interest in subsidiary	-	-	-	-	(847)	(505)	(1,352)
Investment by non controlling interest in subsidiaries	-	-	-	-	-	12	12
At 31 December 2023	-	1,866	14,336	1,572	46,600	10,034	74,408

Unaudited Consolidated Cash Flow Statement

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the year		6,027	4,700
Adjustments for:			
Depreciation and impairment charges	2	1,998	1,938
Impairment loss		-	2,108
Loss on disposal of fixed asset		31	-
Net fair value gains on Investments		(484)	(4,808)
Share of results of associate		39	-
Interest income		(1,245)	(102)
Finance costs		468	417
Tax expense		1,425	1,030
		<hr/>	<hr/>
Operating cash flows before movements in working capital		8,259	5,283
Decrease in trade and other receivables		4,191	44,436
Decrease in trade and other payables		(6,423)	(42,485)
Decrease in trading liabilities		(42)	(280)
Decrease in trading assets		1,176	3,407
		<hr/>	<hr/>
Cash generated by operations		7,161	10,361
Corporation tax paid		(1,288)	(2,375)
		<hr/>	<hr/>
Net cash generated by operating activities		5,873	7,986
Cash flows from investing activities			
Purchase of property, plant & equipment		(1,251)	(1,303)
Disposal of investment property		-	308
Investment in associate		(50)	-
Purchase of Investments		(38)	(1,022)
Sale of Investments		5,433	6,506
Distribution from Investments		-	3,962
Interest received		1,245	102
		<hr/>	<hr/>
Net cash generated by investing activities		5,339	8,553
Cash flows from financing activities			
Repurchase / cancellation of own shares		(567)	-
Increase in controlling interest in subsidiary		(1,320)	-
(Capital distribution to)/ Investment from non controlling interests		(148)	330
Payment of lease liabilities		(1,397)	(1,324)
Interest paid on lease liabilities		(334)	(379)
Other interest paid		(134)	(38)
Dividends paid to equity shareholders		-	(9,708)
Dividends paid to non controlling interests		(2,268)	(3,878)
		<hr/>	<hr/>
Net cash used in financing activities		(6,168)	(14,997)
Net increase in cash and cash equivalents			
		5,044	1,542
Effects of exchange rate changes		(85)	106
Cash and cash equivalents at the beginning of the year		39,740	38,092
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		44,699	39,740

1. Accounting Policies

Basis of preparation

The 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.

Presentation of the financial statements and financial information

The financial information set out in this announcement does not constitute the Company’s statutory accounts for the year ended 31 December 2023 within the meaning of section 244 of the Companies (Guernsey) Law, 2008.

The financial information for the year ended 31 December 2022 is derived from the statutory accounts of the Company for that year. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 263(2) or (3) of the Companies (Guernsey) Law, 2008. Those accounts were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The audit of the statutory accounts of Shore Capital Group Limited for the year ended 31 December 2023 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement.

The statutory accounts will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. Details of the accounting policies that will be applied in the statutory accounts are set out in the 2022 consolidated annual financial statements of the Company.

Going concern

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

2. Segment Information

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

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

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

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

Year ended 31 December 2023	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	29,630	34,706	-	821	65,157
Depreciation	(905)	(943)	(150)	-	(1,998)
Interest income	764	74	7	400	1,245
Interest expense	(279)	(164)	(25)	-	(468)
Profit/(loss) before tax	761	6,774	(1,186)	1,103	7,452
Assets	63,148	10,952	3,247	27,911	105,258
Liabilities	(21,148)	(8,093)	(1,267)	(342)	(30,850)
Year ended 31 December 2022	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Total £'000
Revenue	30,093	30,541	-	881	61,515
Depreciation	(905)	(812)	(221)	-	(1,938)
Interest income	40	14	1	47	102
Interest expense	(226)	(160)	(31)	-	(417)
Profit/ (loss) before impairments	657	6,699	(283)	765	7,838
Impairment loss	-	-	-	(2,108)	(2,108)
Profit/(loss) before tax	657	6,699	(283)	(1,343)	5,730
Assets	71,849	13,862	3,246	22,539	111,496
Liabilities	(30,381)	(6,356)	(1,443)	(532)	(38,712)

3. 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:

	2023		2022	
	Basic	Diluted	Basic	Diluted
Earnings (£)	3,871,000	3,871,000	3,085,000	3,085,000
Number of shares	21,522,852	21,735,579	21,573,322	21,786,049
Earnings per share (p)	18.0	17.8	14.3	14.2

Calculation of number of shares	2023		2022	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	21,522,852	21,522,852	21,573,322	21,573,322
Dilutive effect of share option schemes	-	212,727	-	212,727
	21,522,852	21,735,579	21,573,322	21,786,049

As at 31 December 2023 there were 21,289,915 ordinary shares in issue (2022: 21,573,322).

4. Rates of Dividends Paid and Proposed

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 10.0p per share	-	2,157
Special dividend for the year ended 31 December 2021 of 35.0p per share	-	7,551
	-	9,708

The directors propose to pay an ordinary dividend of 15.0p per share for the year ended 31 December 2023 (2022: nil).