Shore Capital Group Limited

Report and Financial Statements

31 December 2014

Report and Financial Statements 2014

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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
RBC Capital Markets
Thames Court
1 Queenhithe
London EC4V 4DE

Chairman's Statement

Introduction

In a period which has seen heightened market activity, the Group has achieved a strong performance across its business. Our investment in and development of the business has continued to be recognised by clients, leading to higher profile and more complex mandates as our blend of advisory capabilities, excellent execution and range of products and services continue to deliver high quality opportunities for investors.

Revenues for the period increased by 13.4% to £40.6 million (2013: £35.8 million), delivering increased profit before tax of £8.3 million (2013: £5.4 million), up 53.6%. Earnings per share increased 53.2% to 21.6p (2013: 14.1p).

The Group's Equity Capital Markets business continued to progress very strongly, with profit before tax increasing by over 60.0% to £9.8 million (2013: £6.0 million).

Shore Capital continued to exploit its position as the third largest market maker on the London Stock Exchange, delivering good returns in the small to mid-cap market. The Group remains well placed to benefit from continually improving market sentiment.

Secondary commissions remained robust, particularly in comparison to the wider market, despite the impact of regulatory change on the commission pool, demonstrating the continued strength of the broking team's expertise and high quality research product. The Research and Sales team featured prominently in 2014's Extel UK Small to Mid-Cap survey, ranking sixth overall (2013: 10th) with seven sectors voted in a top five position. The team also continued to gain the support of many companies seeking enhanced exposure to investors through its ongoing programmes of investor meetings, seminars and conferences.

In 2014 the team participated in a large number of transactions, helping clients to raise £2.4 billion. Transactions included seven IPOs, one reverse takeover, two takeovers, 10 secondary fundraisings and a number of advisory led transactions. Shore Capital ranked fourth in Dealogic's December 2014 co-manager category, adding 12 new retained corporate clients with an average market capitalisation of £377 million, including Poundland Group plc, N Brown Group plc, SafeCharge International Group plc and Market Tech Holdings plc.

During the year, the Group's private client investment business, Puma Investments, continued to make exciting progress, building on its established Puma VCT track record and expanding its offering with the launch of two new investment offerings. Puma VCT 10 achieved a £27.8 million fundraising, making it by far the largest limited-life VCT and accounting for 54% of the market. Puma EIS achieved the largest single fundraising for any new EIS targeting lower risk. Additionally, the Puma Heritage offering developed strongly and the team launched a new AIM Inheritance Tax Service which can be held in ISAs, opening up a very large market-place.

In Asset Management, after the year end the business invested in a significant new investment fund with the launch of Brandenburg Realty. Backed predominantly by US-based institutional and family office investors, Brandenburg Realty will be advised by the Group, building upon its existing expertise in the German real estate sector, focusing exclusively on residential property investment – particularly in

Berlin, but also other major German cities. Shore Capital also has a 20% interest in both the Investment Advisor and Carry Vehicle.

After the period end, the Group's subsidiary Spectrum Investments expects to realise a net profit after tax of €12.5 million from the sale of national radio spectrum licences together with six regional radio spectrum licences to Deutsche Telekom AG. Spectrum's remaining portfolio of perpetual regional radio spectrum licences are of significant value and the Group is optimistic that its interest in Spectrum will deliver very significant additional value to the Group in due course.

Financial Review

Income and expenditure
Revenue for the year increased by 13.4% to £40.58 million (2013: £35.77 million) whilst administrative expenses increased by only 6.0% to £32.20 million (2013: £30.36 million), generating an operating profit of £8.38 million (2013: £5.40 million).

Interest income was £0.22 million (2013: £0.33 million), whilst finance costs were £0.29 million (2013: £0.32 million), providing net finance costs of £0.07 million (2013: income of £0.01 million).

Group profit before tax increased by 53.6% to £8.31 million (2013: £5.41 million). This is net of a loss before tax in the year from Spectrum/DBD of £0.32 million (2013: loss of £0.24 million). The 2013 results included a credit of £1.11 million (£0.66 million net of minority interests) in respect of historic provisions for potential liabilities of DBD which were released in 2013. Excluding this one-off release, Group profit before tax increased by 93.3%.

Revenue from Equity Capital Markets ("ECM") increased by 16.8% to £30.13 million (2013: £25.80 million). Profit before tax from ECM was up 61.4% to £9.75 million (2013: £6.04 million), with a net margin of 32.3% (2013: 23.4%). Revenue from Asset Management was up 15.6% to £8.48 million (2013: £7.33 million), generating profit before tax of £2.38 million (up 18.8% from 2013: £2.01 million), representing a net margin of 28.1% (2013: 27.3%).

Basic Earnings per Share
The Group generated earnings per share of 22.4p (2013: 15.0p), excluding the effects of a charge relating to share options as a result of the increase in share price during the year. Including the charge relating to share options the earnings per share was 21.6p (2013: 14.1p).

Comprehensive Earnings per Share
On a comprehensive basis, the Group generated earnings of 21.6p per share (2013: 15.7p).

Liquidity
As at the balance sheet date, available liquidity was £32.2 million (2013: £43.1 million), comprising £30.7 million (2013: £41.4 million) of cash and £1.5 million (2013: £1.7 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 £72.4 million (2013: £69.0 million).

In addition to the £30.7 million of cash and £1.5 million of gilts and bonds (as referred to above), the Group held £3.6 million in various of its Puma Funds, £1.2 million net in quoted equities, £0.1 million net in the Lily Partnership and a further £1.3 million in other unquoted holdings. In addition, the licences held in Spectrum Investments were valued at £3.6 million (on a gross basis, before allowing for minority interests).

The remainder of the balance sheet was £30.4 million net, which included £31.3 million of net market and other debtors in the Company's stockbroking subsidiary, less various net accruals.

Net Asset Value per Share
Net asset value per share at the year end was 265.6p (2013: 253.5p).

Dividend
The Board proposes a final dividend of 5.0p per share (2013: 4.0p). In addition to the interim dividend of 5.0p (2013: 4.0p), the total dividend for the year will be 10.0p (2013: 8.0p).

The final dividend of 5.0p per share is expected to be paid on 23 April to shareholders on the register as at 10 April.

Operating review

Equity Capital Markets ("ECM")

Overview
During an active year for equity capital markets, the division continued to progress very strongly, increasing profits by over 60% to achieve a pre-tax profit of £9.8 million (2013: £6.0 million).

The team helped clients raise over £2.4 billion in the year, driving revenue to a substantially higher level year-on-year, and has entered 2015 with a strong pipeline to continue this trend. The business continues to invest in high calibre individuals and teams where the Company identifies opportunities for incremental growth.

Headwinds in secondary markets have proved challenging, so it has been encouraging that revenues in this area remained robust in 2014. The broking team delivers a consistently high quality research product and has again received external recognition of this during the year, increasing its Extel ranking from tenth to sixth place amongst UK Small & Mid-Cap brokers. Similarly, in 2014 the Group's Market Making team recorded another strong performance in the face of unpredictable market sentiment.

The ECM business has a strong pipeline of opportunities many of which are expected to come to fruition during the second half of 2015..

Corporate Finance
During 2014 the team participated in a large number of transactions, helping clients to raise £2.4 billion. Transactions included seven IPOs, one reverse takeover, two takeovers, 10 secondary fundraisings and a number of advisory-led transactions, placing Shore Capital fourth in London in Dealogic's 2014 co-manager category. The growing stature of the Group's corporate finance credentials has continued to attract higher quality, higher value client mandates from a variety of entrepreneurial businesses and private equity sponsors and consequently revenue increased significantly by 70% compared to 2013.

During the year corporate client activity significantly increased across all sectors, particularly consumer and retail, pharmaceuticals, alternative energy, support services and technology.

Notable transactions completed during the period included:

- acting as joint broker to the IPO of Market Tech Holdings plc, the largest AIM IPO of 2014, raising £100 million;
- acting as co-lead manager on the IPOs of SSP Group plc, raising £554 million; Poundland Group plc, raising £431 million; and Circassia Pharmaceuticals plc, raising £209 million;
- acting as sponsor and joint bookrunner to the IPO of NextEnergy Solar Fund Limited, raising £86 million, followed by a further £96 million fundraising in the second half of the year;
- acting as joint bookrunner on Playtech's £325 million secondary placing;
- acting as Nominated Adviser and sole bookrunner to the IPOs of Safecharge International Group Limited, raising US$125 million; and Crossrider plc, raising US$75 million; and
- acting as co-manager on the £353 million fundraising to refinance Premier Foods plc.

In the advisory arena, the Company supported Zoltav Resources Inc on its US$180 million reverse takeover and US$66 million fundraising and also advised on the £63 million takeover of Pilat Media Global plc.

The Group's corporate finance team continues to achieve success in growing its client baselist and during the period added 12 new retained corporate clients, including Market Tech Holdings plc, N Brown Group plc and Poundland Group plc.

Research and Sales
Shore Capital's highly respected equity research capability continued to gain support from the market in the broadest sense during 2014, where clients continued to value and search for idea generation; detailed company and industry understanding; and expertise in financial analysis.

The team also continues to gain the support of many companies as they seek enhanced exposure to investors through the Company's ongoing programmes of investor meetings, seminars and conferences across the UK, Ireland and the Nordic region. In 2014 Shore Capital hosted strongly attended events in the fields of agri-food, insurance and global natural resources. The high standing of the Company's analysts is also reflected in regular contributions to leading industry conferences and the wide referencing of its work across business and the financial media.

The fund management community's support of the Company's research continues to manifest itself in the strong recognition of individual analysts and the wider Shore Capital brand in investment surveys. The research team climbed four places to rank sixth overall in 2014's Extel review. The majority of the team achieved top-five market rankings and the wider quality of the Company's research shone through with its 16 analysts punching well above their weight: on average the top five UK Small & Mid-Cap brokers, as analysed by Extel, have 32 analysts. The team also takes pride in its presence year-in, year-out in the StarMine awards for accuracy of analysis and quality of recommendation; and was pleased to see individual recognition for Eamonn Flanagan in the shape of the Reactions London Market Awards.

The excellent reputation that Shore Capital has earned for its equity research, alongside effective placing capability and customer centric corporate broking, contributed to a record year for deal activity with special progress in the consumer, fin-tech and healthcare arenas. Technical expertise, a service ethos and entrepreneurship are the basis upon which the team seeks to further enhance its corporate broking and secondary trading activities in the future.

Market Making
Activity in the Group's Market Making operation continued to deliver strong returns, with income and trading volumes consistent with 2013's levels. Interest in the small to mid-cap arena remained strong, enabling the Group to reinforce its position as the third largest market maker on the London Stock Exchange, despite pressures on the wider market's commission pool.

The Group's Market Making operations continued to offer access to a wide variety of equities, driving trading volumes and strengthening Shore Capital's reputation as a strong and trusted counterparty. Despite more challenging market conditions in the second half, trading revenue remained on a par with 2013. The business also benefitted from a continued focus on disciplined cost management of transaction costs whilst seeking opportunities to grow its business by targeting high quality individuals with the right mix of skills and experience.

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 31 December 2014 were £680 million.

Operating under the Puma Investments brand, the business launched the latest in its successful series of Puma VCTs, namely Puma VCT 11, which has already had a strong start to fundraising having attracted £25.2 million to date. During the period, Puma Investments also launched a new AIM Portfolio investment product. This is an innovative new service which allows individuals to invest via their ISA to mitigate Inheritance Tax while retaining the Income Tax and Capital Gains Tax benefits of the ISA wrapper.

After the year end, the business invested in a significant new investment fund with the launch of Brandenburg Realty. Backed predominantly by US-based institutional and family office investors, Brandenburg Realty will be advised by the Group, building upon its existing expertise in the German real estate sector, focusing exclusively on residential property investment – particularly in Berlin, but also other major German cities.

Institutional Asset Management

Brandenburg Realty

Brandenburg Realty Limited has been established to invest in German residential 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 Brandenburg Realty, Shore Capital has a 20% interest in both the Investment Advisor and Carry Vehicle.

The Fund's first close raised €135 million from institutional investors and family offices, predominantly from the United States, and includes a co-investment commitment of a maximum of €12.5 million from Puma Brandenburg Limited. Shore Capital has also made a commitment of €12.5 million to the fund and is providing advisory services, leveraging its significant experience gained through the Group's work with Puma Brandenburg. Brandenburg Realty anticipates one further close with the aim of raising a total of €250 million for the fund.

Puma Brandenburg Limited ("PBL")

PBL reported its year end results in October 2014. Its investment property portfolio increased in value by 7.4% to €519.1 million, largely driven by the continuing strength of the residential sector in Berlin and the associated rent rises secured during the year.

The Group has continued to assist PBL with refinancing and extending existing loan facilities, most notably in agreeing an extension of the loan with FMS Wertmanagement to June 2016. This follows assistance with the negotiation of a new 20 year lease with the Hyatt Regency Cologne as well as other asset management initiatives at the properties acting as security for this facility.

The Company continues to work closely with PBL, advising on the renovation of certain Lidl stores. As part of a previously announced framework agreement, 13 stores have now been refurbished which has also resulted in lease extensions of 10 years at the relevant stores.

At its interim results in February 2015, PBL reported a strong operating performance, highlighting the successes of the long term value-add initiatives that the Group has worked closely with it to achieve. The Company looks forward to continuing its relationship with PBL during 2015.

St Peter Port Capital ("SPPC")
St Peter Port Capital is a pre-IPO fund which also provides bridging finance ahead of trade sales and is an opportunistic investor in development capital situations. As set out in its latest interim report, as at 30 September 2014, it had investments in 28 companies. The fund was set up in April 2007 as a joint venture by the promoters Shore Capital and Broughton Investments Group Limited ("Broughton"), a company in which co-founder Tim Childs is interested, and Shore Capital and Broughton jointly own the Investment Manager to the fund.

In July 2014 Tim Childs stepped down from the Board and Shore Capital increased its role in the investment advisory arrangements. Following the changes in July 2014, the Investment Manager engaged LMN Capital Limited to work together with Shore Capital to advise it as the company focuses on achieving realisations.

During the year, SPPC realised all or part of a number of holdings in the portfolio. Over the 12 months to 30 September 2014 it generated £5.2 million from these realisations.

The SPPC portfolio of companies is spread across a range of sectors and includes some leading companies in their fields. It continues to develop and a number of investments in the portfolio are approaching maturity.

Private Client Investments

Overview
During the year, the Group's private client investment business, Puma Investments, continued to make exciting progress, building on its established Puma VCT track record and expanding its offering with the launch of two new investments. Puma VCT 10 achieved a £27.8 million fundraising, making it by far the largest limited-life VCT and accounting for 54% of the market. Puma EIS achieved the largest single fundraising for any new EIS targeting lower risk. Additionally, the Puma Heritage offering developed strongly and the team launched a new AIM Inheritance Tax Service which can be held in ISAs, opening up a very large marketplace.

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 £170 million has been raised for Puma VCTs, and more than £75 million has been distributed back to shareholders.

Puma's market-leading VCT track record is reflected in the fact that the most recently closed fund, Puma VCT 5, is the most successful limited-life VCT in the 30 year history of the industry, having returned 106.3p per share (on a net cost of investment of 70p) in cash distributions to shareholders over its life. 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 10 closed for subscriptions during the period, raising over £27.8 million, making it the largest single company VCT fundraise in the 2013/14 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 11 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 £25.2 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 Heritage plc
Puma Heritage was launched in June 2013 to operate in a range of sectors, with a primary focus on secured lending. Puma Heritage focuses on capital preservation, whilst seeking to produce regular returns for shareholders intended to counter long-term inflationary pressures. It is anticipated that Puma Heritage will expand into other activities as opportunities arise. In particular, the Board of Puma Heritage envisages that it will offer asset leasing services, as well as, in the medium to long term, purchasing and operating profitable trading businesses with asset-backing and established management teams. An investment in Puma Heritage is intended to benefit from 100% relief from Inheritance Tax after two years.

During the period, Puma Investments advised Heritage Square Limited, a wholly-owned subsidiary of Puma Heritage plc, on the completion of several loans across a number of sectors, all secured with a first charge over real estate at conservative lending ratios. Puma Heritage considers that it has a strong pipeline of loans and the team continues to assist the business, helping it to source and analyse lending opportunities.

During the year Puma Heritage plc also obtained approval for its Prospectus from the UKLA enabling the minimum subscription to be reduced from £100,000 to £25,000, making the company available to a wider range of investors.

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. It enjoyed a strong initial fundraise, the largest of the 2013/14 tax year for any new EIS strategy seeking lower risk. All funds raised were then successfully deployed into companies with HMRC Advanced Assurance before the end of that tax year. Fundraising has continued into the 2014/15 tax year bringing the total raised to date to approximately £15 million, with further allotments made into EIS qualifying companies, all with strong asset-backing.

The EIS market generally is attracting significant interest from investors with over £500 million raised by EIS products in the 2013/14 tax year. With the potential for EIS qualifying investment into renewable energy projects having been considerably reduced by recent legislation, the prospects for capital flows towards Puma EIS are exciting and it is well placed to offer an alternative for EIS investors seeking downside protection through asset-backing.

Puma AIM Inheritance Tax Service
In the year, Puma Investments launched a discretionary portfolio service that seeks to mitigate Inheritance Tax by investing in a carefully selected portfolio of AIM shares. The team focuses on investing in quality companies with strong margins, good returns and a track record of cash generation. Companies are selected on strict valuation criteria with the aim of delivering solid long term growth for investors. The team's approach is research driven and it only selects investments after intensive financial and business analysis. Importantly the service is available through an ISA, enabling investors to mitigate Inheritance Tax while retaining the Income Tax and Capital Gains Tax benefits of the ISA wrapper.

In the six months since launch, Puma AIM achieved a very strong start having returned 4.72% net of fees, a 15.32% outperformance of the AIM Index for the same period.

Puma Investments believes the product has significant potential and is particularly attractive for those who have built up significant ISAs over their lifetime, as while ISA wrappers are tax efficient during the investor's life they are subject to Inheritance Tax upon death. The team believes the product is attractive as the tax relief is achieved relatively quickly - after a two year holding period, the investor retains control of the assets and maintains exposure to the long term growth potential of the equity market.

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 59.26% interest.

Following the year end, DBD signed a Sale and Purchase Agreement, to sell its interest in national radio spectrum licences together with six regional radio spectrum licences to Deutsche Telekom AG for €15.45 million. The transaction is subject to approval by the German telecommunications regulator. 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 Transaction enable the full utilisation of the national licences without the possibility of signal interference. As a result Spectrum expects to realise a net profit after tax of €12.5 million.

DBD's remaining 32 regional radio spectrum licences cover many of Germany's largest metropolitan centres – including Berlin, Leipzig, Dresden, Düsseldorf and Hanover – and convey the right to utilise the assigned 3.5 GHz frequencies in perpetuity. The regional radio spectrum licences therefore enable potential owners to make long term investment decisions when faced with the challenge of delivering greater levels of data capacity to subscribers as 4G services are deployed in Germany for smart phones, tablet devices and mobile computing.

The Group believes that the perpetual nature of DBD's remaining regional radio spectrum licences is of significant value and is therefore optimistic that its interest in Spectrum's remaining DBD assets will deliver very significant additional value to the Group in due course.

Current Trading and Prospects

The capital markets in the UK have started the year with more caution pending the outcome of the general election, despite record highs in the major indices. Notwithstanding the associated slowdown in Equity Capital Markets activity, we are delighted with progress made in the first quarter. We have achieved major momentum in the first quarter with the sale of our Spectrum licences and the investment in the launch of Brandenburg Realty, an entity which will significantly increase the scale of our operations in Berlin. We have also raised record amounts in the 2014/5 fiscal year ending 5 April 2015 for our private client investment offerings.

Howard Shore
Executive Chairman
31 March 2015

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 7 times during 2014. 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 2014	7	4	1
Number of meetings attended in 2014:			
Howard Shore	6	n/a	n/a
Lynn Bruce	5	3	n/a
Dr Zvi Marom	7	4	1
James Rosenwald III	7	4	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 2 to 12, 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 Turnbull 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 2014.

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 2 to 12. 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. An interim dividend of 5.0p per share (2013: 4.0p) was paid during the year. The directors propose a final dividend of 5.0p per share (2013: 4.0p) making a total for the year of 10.0p per share (2013: 8.0p).

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.

Fixed assets
Movements in fixed assets are set out in note 14 to the financial statements.

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 in alternative assets 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 2014	**31 December 2013**
Howard Shore	9,929,369	10,179,369
Lynn Bruce	30,000	30,000
Dr Zvi Marom	50,152	50,152
James Rosenwald III	253,200	253,200

Directors' Report (continued)

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 £125,000 (2013: £132,000) during the year.

Acquisition of the company's own shares
No shares were repurchased during the year or prior year.

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 to be collected for recycling and environmentally sound disposal. It has adopted low energy lighting systems where appropriate.

Directors' Report (continued)

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 2 April 2015:

	Ordinary Shares	%
G B Shore (direct and beneficial interest)	2,179,916	9.02
J P Morgan Asset Management Holdings (UK) Limited	1,906,400	7.89
Aralon Resources and Investment Company Limited	1,408,200	5.83
Kevin Spencer and Zenith Insurance Management UK Limited	935,000	3.87
Helium Special Situations Fund Limited	896,600	3.71
Investec Wealth & Investment Limited	846,600	3.50

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
2 April 2015

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 2014 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 Directors' Responsibilities Statement, 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 2014 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
2 April 2015

Consolidated Income Statement
For the year ended 31 December 2014

	Notes	Total 2014 £'000	Total 2013 £'000
Revenue	**1, 2**	**40,575**	35,765
Administrative expenditure		**(32,198)**	(30,364)
Operating profit	**3**	**8,377**	5,401
Interest income	**4**	**224**	330
Finance costs	**5**	**(292)**	(322)
		(68)	8
Profit before taxation	**2**	**8,309**	5,409
Taxation	**7**	**(1,804)**	(1,100)
Retained profit for the year		**6,505**	**4,309**
Attributable to:			
Equity holders of the parent		**5,208**	3,398
Non controlling interests		**1,297**	911
		6,505	4,309
Earnings per share			
Basic	**9**	**21.6p**	14.1p
Diluted	**9**	**20.8p**	13.9p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	Notes	**Total 2014 £'000**	Total 2013 £'000
Retained profit after tax for the year		**6,505**	4,309
Items that may be reclassified subsequently to profit or loss		**(77)**	151
Gains on cash flow hedges		**19**	302
Income tax thereon		**(4)**	(105)
		15	197
Exchange difference on translation of foreign operations		**(50)**	(18)
Other comprehensive (loss)/income for the year, net of tax		**(35)**	179
Total comprehensive income for the year, net of tax		**6,393**	4,639
Attributable to:			
Equity holders of the parent		**5,226**	3,805
Non controlling interests		**1,167**	834
		6,393	4,639
Comprehensive earnings per share			
Basic	**9**	**21.6p**	15.7p
Diluted	**9**	**20.9p**	15.5p

Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Goodwill	**12**	**381**	381
Intangible assets	**13**	**3,621**	4,025
Property, plant & equipment	**14**	**10,969**	10,897
Available-for-sale investments	**15**	**3,799**	4,598
Deferred tax asset	**7**	**330**	-
		19,100	19,901
Current assets			
Bull positions and other holdings at fair value	**16**	**4,636**	4,557
Available-for-sale investments	**15**	**-**	16
Trade and other receivables	**17**	**60,112**	65,217
Cash and cash equivalents	**18**	**30,658**	41,395
		95,406	111,185
Total assets	**2**	**114,506**	131,086
Current liabilities			
Bear positions		**(846)**	(1,033)
Trade and other payables	**19**	**(29,806)**	(50,445)
Financial instruments		**(179)**	(186)
Tax liabilities		**(1,273)**	(898)
Borrowings	**20**	**(341)**	(321)
		(32,445)	(52,883)
Non-current liabilities			
Borrowings	**20**	**(9,105)**	(8,892)
Deferred tax liability	**7**	**-**	(18)
Provision for liabilities and charges	**21**	**(535)**	(331)
		(9,640)	(9,241)
Total liabilities	**2**	**(42,085)**	(62,124)
Net assets		**72,421**	68,962
Capital and reserves			
Called up share capital	**23**	**-**	-
Share premium		**336**	336
Merger reserve		**27,198**	27,198
Other reserves		**2,260**	2,014
Retained earnings		**34,391**	31,706
Equity attributable to equity holders of the parent		**64,185**	61,254
Non controlling interest		**8,236**	7,708
Total equity		**72,421**	68,962

The Financial Statements were approved by the Board of Directors and authorised for issue on 2 April 2015. Signed on behalf of the Board of Directors

Lynn Bruce	James Rosenwald
Director	*Director*

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

	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 2013	-	336	27,198	1,282	30,954	6,617	66,387
Retained profit for the year	-	-	-	-	3,398	911	4,309
Revaluation of available for sale investments	-	-	-	151	-	-	151
Foreign currency translation	-	-	-	-	98	(116)	(18)
Valuation change on cash flow hedge	-	-	-	242	-	60	302
Tax on cash flow hedge	-	-	-	(84)	-	(21)	(105)
Equity dividends paid	-	-	-	-	(2,175)	-	(2,175)
Dividends paid to non controlling interests	-	-	-	-	(239)	(753)	(992)
Deferred tax charge recognised directly in equity	-	-	-	423	-	-	423
Adjustment arising from change in non controlling interest in Spectrum/DBD	-	-	-	-	(330)	792	462
Investment by non controlling interest in subsidiaries other than DBD/Spectrum	-	-	-	-	-	218	218
At 31 December 2013	-	336	27,198	2,014	31,706	7,708	68,962

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2014

	Share capital	Share Premium account	Merger reserve	Other Reserves	Retained earnings	Non controlling interest	Total
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)
Increase in deferred tax asset recognised directly in equity	-	-	-	294	-	-	294
Foreign currency translation	-	-	-	-	83	(133)	(50)
Valuation change on cash flow hedge	-	-	-	15	-	4	19
Tax on cash flow hedge	-	-	-	(3)	-	(1)	(4)
Equity dividends paid	-	-	-	-	(2,175)	-	(2,175)
Dividends paid to non controlling interests	-	-	-	-	(431)	(731)	(1,162)
Repurchase/cancellation of shares in ECM held by NCI	-	-	-	-	-	(88)	(88)
Credit in relation to share based payments	-	-	-	17	-	-	17
Investment by non controlling interest in subsidiaries other than DBD/Spectrum	-	-	-	-	-	180	180
At 31 December 2014	-	336	27,198	2,260	34,391	8,236	72,421

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Operating profit		**8,377**	5,401
Adjustments for:			
Depreciation charges	**14**	**926**	956
Amortisation charges	**13**	**138**	146
Share-based payment expense		**17**	-
Profit on sale of fixed assets		**(33)**	-
Other losses/(gains) on AFS investments		**757**	(309)
Increase in provision for National Insurance on options		**204**	287
Operating cash flows before movements in working capital		**10,386**	6,481
Decrease in trade and other receivables		**5,105**	602
(Decrease)/increase in trade and other payables		**(20,627)**	9,214
Decrease in bear positions		**(187)**	(362)
Increase in bull positions		**(79)**	(499)
Cash (utilised)/generated by operations		**(5,402)**	15,436
Interest paid		**(292)**	(322)
Corporation tax (paid)/refunded		**(1,487)**	9
Net cash (utilised)/generated by operating activities		**(7,181)**	15,123
Cash flows from investing activities			
Purchase of fixed assets		**(454)**	(340)
Sale of fixed assets		**42**	-
Acquisition of further holding in DBD		**-**	(1,731)
Purchase of AFS investments		**(110)**	(146)
Sale of AFS investments		**97**	113
Interest received		**224**	330
Net cash utilised by investing activities		**(201)**	(1,774)
Cash flows from financing activities			
Investment by non controlling interest in subsidiaries other than DBD/Spectrum		**180**	218
Shares/participations (repurchased)/issued in subsidiaries (from)/to non controlling interests		**(88)**	1,004
Increase in borrowings		**(341)**	(321)
Dividends paid to Equity shareholders		**(2,175)**	(2,175)
Dividends paid to Non Controlling Interests		**(1,162)**	(992)
Net cash utilised by financing activities		**(3,586)**	(2,266)
Net (decrease)/increase in cash and cash equivalents		**(10,968)**	11,083
Effects of exchange rate changes		**231**	(131)
Cash and cash equivalents at the beginning of the year	**18**	**41,395**	30,443
Cash and cash equivalents at the end of the year	**18**	**30,658**	41,395

Notes to the Financial Statements
For the financial year ended 31 December 2014

1. Accounting Policies

Basis of preparation
The annual financial statements of Shore Capital Group Limited (the "Company") 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 accounts 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, the following new and revised Standards and Interpretations have been adopted.

IFRS 7 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (Amendments)	Employee Benefits
IAS 27 (Amendments)	Separate Financial Statements
IAS 28 (Amendments)	Investments in Associates and Joint Ventures

The application of the above standards and amendments had no material effect on the accounts of the Company or Group for the periods presented.

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

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.

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:

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Judgements and key sources of estimation uncertainty (continued)

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Taxation (continued)
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.

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 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. Acquisition-related costs are recognised in profit or loss as incurred.

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Business combinations (continued)
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.

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Impairment of goodwill and other non-financial assets (continued)
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'.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Financial instruments (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 and is 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Financial instruments (continued)

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.

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)
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.

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

1. Accounting Policies (continued)

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 2 to 12.

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

- Equity 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 invested in alternative asset classes.
- Central Costs comprises the costs of the Group's central management team and structure
- Balance Sheet / Principal Finance comprises investments and other holdings acquired, together with principal finance activities conducted, using our own balance sheet resources.

Management monitors the operating results of its business 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

2. Segment Information (continued)

Year ended 31 December 2014	**Equity Capital Markets £'000**	**Asset Management £'000**	**Central costs (including share options) £'000**	**Balance Sheet and 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.

Year ended 31 December 2013	Equity Capital Markets £'000	Asset Management £'000	Central costs (including share options) £'000	Balance Sheet and Principal Finance £'000	Consolidated £'000
Revenue	25,796	7,334	-	2,635	35,765
Results					
Depreciation	268	112	58	518	956
Interest expense	28	-	2	292	322
Profit/(loss) before tax	6,037	2,005	(2,037)	(596)	5,409
Assets	79,501	4,374	2,175	45,036	131,086
Liabilities	(51,451)	(1,035)	(2,764)	(6,874)	(62,124)

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

3. Operating Profit

	2014 £'000	2013 £'000
Operating profit has been arrived at after recognising/(charging):		
Revenue from construction contracts	**1,520**	-
Impairment of available-for-sale investment	**(812)**	-
Depreciation	**(926)**	(956)
Property lease rentals	**(659)**	(662)
Profit on disposal of fixed assets	**33**	-
Exchange differences, excluding those arising on financial instruments	**(23)**	(6)

4. Interest Income

	2014 £'000	2013 £'000
Bank interest	**212**	323
Other interest receivable	**12**	7
	224	330

5. Finance Costs

	2014 £'000	2013 £'000
Interest on bank overdrafts and loans	**292**	322

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

6. Employees and Directors

a) Employee numbers

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

	2014 **No.**	2013 No.
Equity Capital Markets - Securities	**72**	72
- Corporate Advisory	**14**	14
Asset Management	**43**	38
	129	124

b) The costs incurred in respect of these employees comprise

	2014 **£'000**	2013 £'000
Salaries and commission	**14,909**	13,726
Social security costs	**1,721**	1,607
Pension costs	**334**	454
	16,964	15,787

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. 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 2014, there were 1,674,073 (2013: 1,649,073) 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 are as follows:

	2014		2013	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of year	**1,649,073**	**187p**	1,675,010	187p
Granted during the year	**25,000**	**335p**	-	n/a
Forfeited during the year	**-**	**n/a**	(25,937)	205p
Exercised during the year	**-**	**n/a**	-	n/a
Outstanding at the end of the year	**1,674,073**	**189p**	1,649,073	187p
Exercisable at the end of the period	**1,649,073**		1,609,073	

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

6. Employees and Directors (continued)

c) Employee Share Option Plan (continued)

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 2 years (2013: 2 years 11 months).

Using a Black-Scholes option pricing model, the aggregate of the estimated fair value of the options granted in the year was £31,000 (2013: £Nil). The inputs into the Black-Scholes model were as follows:

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

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**

2013	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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

6. Employees and Directors (continued)

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 31 December 2015

The closing price of the shares at 31 December 2014 was 425.0p (2013: 335.0p) and the range during the year was 335.0p 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 (2013: €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. The loan was extended following the year end, details of which are provided in note 26. During the year, the Group received fees of £2.41 million (2013: £2.38 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:

	2014	2013
	£'000	£'000
Salaries and other short-term benefits	**3,299**	3,132

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

7. Tax on Profit on Ordinary Activities

The tax charge comprises:	**2014 £'000**	2013 £'000
Provision for United Kingdom corporation tax charge at 21.50% (2013: 23.25%)	**1,861**	988
Movement in deferred tax	**(57)**	112
	1,804	1,100

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 21.50% (2013: 23.25%) as detailed below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	**8,309**	5,409
Tax thereon at 21.5% (2013: 23.25%)	**1,786**	1,258
Effects of:		
Expenses not deductible for tax purposes	**115**	132
Income not chargeable to tax	**(115)**	(323)
Capital allowances in excess of depreciation	**18**	(85)
Temporary differences	**-**	92
Prior year adjustment	**-**	32
Other	**-**	(6)
	1,804	1,100

With effect from 1 April 2014, the rate of UK corporation tax reduced from 23% to 21%. As a result the average tax rate on the profit before tax for the Group's UK activities for 2014 was 21.50% (2013: 23.25%). It has been announced that the UK corporation tax rate will reduce to 20% with effect from 1 April 2015.

Deferred tax

	Share-based payments £'000	**Temporary differences £'000**	**Total £'000**
At 1 January 2013	66	(290)	(224)
Charge to income	-	(112)	(112)
Credit/(charge) to equity	423	(105)	318
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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

8. Dividends

	2014	2013
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2013 of 4.0p per share (2012 final dividend: 5.0p)	**967**	1,208
Interim dividend for the year ended 31 December 2014 of 5.0p per share (2013: 4.0p)	**1,208**	967
	2,175	2,175

Proposed final dividend for the year ended 31 December 2014 of 5.0p per share (2013: final dividend of 4.0p)	**1,208**

The payment of the proposed final dividend will not have any tax consequence for the Group.

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:

	2014		2013	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**5,208,000**	**5,208,000**	3,398,000	3,398,000
Number of shares	**24,164,000**	**25,055,666**	24,164,000	24,526,304
Earnings per share (p)	**21.6**	**20.8**	14.1	13.9
Comprehensive earnings (£)	**5,226,000**	**5,226,000**	3,805,000	3,805,000
Number of shares	**24,164,000**	**25,055,666**	24,164,000	24,526,304
Earnings per share (p)	**21.6**	**20.9**	15.7	15.5

Calculation of number of shares	**2014**		2013	
	Basic	**Diluted**	Basic	Diluted
Weighted average number of shares	**24,164,000**	**24,164,000**	24,164,000	24,164,000
Dilutive effect of share option schemes	**-**	**891,666**	-	362,304
	24,164,000	**25,055,666**	24,164,000	24,526,304

As at 31 December 2014 there were 24,164,000 ordinary shares in issue (2013: 24,164,000). Movements in the number of shares in issue during the year are set out in note 23.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

10. Lease Commitments

	2014	2013
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense during the year	**659**	662

At 31 December 2014 the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

Operating leases	**2014**	2013
	£'000	£'000
Amounts payable in under one year	**643**	698
Amounts payable between one and five years	**1,666**	2,044
Amounts payable between five and ten years	**-**	138
	2,309	2,880

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

11. Categories of Financial Assets and Liabilities

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**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

11. Categories of Financial Assets and Liabilities (continued)

As at 31 December 2013	Designated at fair value	Held for trading	Loans and receivables	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	-	-	-	-	41,395	41,395
Trading assets (bull positions)	1,098	3,459	-	-	-	4,557
Trade receivables in the course of collection	-	-	-	-	58,653	58,653
Loans	-	-	3,211	-	-	3,211
Financial investments	-	-	-	4,614	-	4,614
Other assets	-	-	-	-	2,017	2,017
	1,098	3,459	3,211	4,614	102,065	114,447
Tax assets						-
Accrued income						1,336
Goodwill						381
Intangible assets						4,025
Property, plant & equipment						10,897
Total assets per balance sheet						**131,086**
Financial liabilities						
Bank overdrafts and borrowings	-	-	-	-	9,213	9,213
Trading liabilities (bear positions)	-	1,033	-	-	-	1,033
Trade creditors in the course of collection	-	-	-	-	1,287	1,287
Derivatives	-	186	-	-	-	186
Other liabilities	-	-	-	-	48,065	48,065
	-	1,219	-	-	58,565	59,784
Accruals						1,093
Tax liabilities						898
Provision for liabilities and charges						331
Deferred tax liability						18
Total liabilities per balance sheet						**62,124**

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

12. Goodwill

	Goodwill arising on the acquisition of non controlling interest in subsidiary £'000
Cost	
At 1 January and 31 December 2014	381

The goodwill balance relates to the acquisition of non-controlling interests in the ECM business.

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

13. Intangible assets

	£'000
Cost	
At 1 January 2013	4,298
Additions post acquisition	7
Retranslation movement	109
At 31 December 2013	4,414
Retranslation movement	(266)
At 31 December 2014	4,148
Amortisation	
At 1 January 2013	243
Charge for the year	146
At 31 December 2013	389
Charge for the year	138
At 31 December 2014	527
Net book value	
At 31 December 2014	3,621
At 31 December 2013	4,025

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, a series of national licences that run to 2021, and a series of regional licences that run into perpetuity. The national licences are being amortised on a straight line basis over their remaining life and were carried at a value of £832,000 at 31 December 2014 (2013: £1,034,000).

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

The regional licences have been assessed as having an indefinite useful life as the Company has been awarded use of the licence in perpetuity.

Since the year end some of the licences have been sold, details of which are provided in note 26.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

14. Property, Plant and Equipment

	Leasehold premises	Fixtures and equipment	Asset rental	Motor vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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
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
Net Book Value					
At 31 December 2014	36	1,213	9,518	202	10,969
At 31 December 2013	66	1,264	9,449	118	10,897

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

15. Investments

Available-for-Sale Investments

	Current			Non current		
	Listed investments	Unlisted investments	Total	Listed investments	Unlisted investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2014	-	5,482	5,482	3,490	1,703	5,193
Additions	-	-	-	110	-	110
Disposals	-	-	-	-	(97)	(97)
At 31 December 2014	-	5,482	5,482	3,600	1,606	5,206
Revaluation						
At 1 January 2014	-	(5,466)	(5,466)	(185)	(410)	(595)
Revaluation in the year	-	(16)	(16)	(71)	71	-
Disposals	-	-	-	-	-	-
Impairment loss	-	-	-	(812)	-	(812)
At 31 December 2014	-	(5,482)	(5,482)	(1,068)	(339)	(1,407)
Valuation						
At 31 December 2014	-	-	-	2,532	1,267	3,799
At 31 December 2013	-	16	16	3,305	1,293	4,598

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

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 Finance Limited	Guernsey	Credit provider	100%
Spectrum Investments Limited [1]	Guernsey	Holds investments	59.3%
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	81.8%
Shore Capital Limited	England and Wales	Fund Management	100%
Shore Capital Group plc	England and Wales	Intermediate Holding Co.	100%
Shore Capital Investments Limited	England and Wales	Holds investments	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%
Shore Capital (Japan) Limited	England and Wales	Credit provider	100%
Pebble Investments Limited	Guernsey	Holds investments	100%
Puma Property Advisers Limited	Guernsey	Property advisory services	100%
JellyWorks Limited	England and Wales	Dormant	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 2014, the Company had a direct holding of 59.26% 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 81.8% 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

15. Investments (continued)

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	**Net assets at 31 December 2014**	**Profit/(loss) for the year**	**Net assets at 31/12/2014**	**Dividends paid in the year**
Spectrum Investments Limited	(23)	374	(9)	153	-
DBD Deutsche Breitband Dienste	(294)	3,366	(121)	1,380	-
Shore Capital Markets Limited	7,518	32,105	1,528	6,524	674
Puma Investment Management Limited	806	839	147	153	57
Shore Capital Management	(976)	165	(248)	26	-
			1,297	8,236	731

16. Bull Positions and Other Holdings at fair value

	2014	2013
	£'000	£'000
Held for Trading		
Listed holdings at market value		
Equities	**1,735**	1,803
Debt instruments	**1,502**	1,656
	3,237	3,459
Designated at fair value		
Unlisted holdings:		
Equities	**1,351**	1,000
Other (including hedge funds)	**48**	98
	1,399	1,098
	4,636	4,557

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

17. Trade and Other Receivables

	2014 £'000	2013 £'000
Trade receivables	**46,489**	58,653
Other receivables	**8,981**	2,017
Loans	**2,875**	3,211
Prepayments and accrued income	**1,767**	1,336
	60,112	65,217

The directors consider that the carrying value of trade and other receivables approximates to their fair value. Trade receivables are shown net of provision for doubtful debts amounting to £69,000 (2013: £153,000).

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

	2014 £'000	2013 £'000
Between 30 and 60 days	**77**	80
Between 60 and 90 days	**102**	-
Greater than 90 days	**6**	-
	185	80
Amounts not yet due	**59,927**	65,137
Trade receivables	**60,112**	65,217

18. Cash and Cash Equivalents

Analysis of Changes in Net Funds

	As at 1 January 2014	Cash flows	As at 31 December 2014
Cash at bank and in hand	41,395	(10,737)	30,658

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

19. Trade and Other Payables

	2014 £'000	2013 £'000
Trade creditors	**21,963**	44,105
Other creditors	**5,327**	4,230
Other taxation and social security	**908**	1,017
Accruals and deferred income	**1,608**	1,093
	29,806	50,445

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

20. Borrowings

	2014 £'000	2013 £'000
Borrowings at amortised cost		
Bank loans	**9,446**	9,213
Amount due to be repaid within 12 months	**341**	321
Amount due to be repaid after 12 months	**9,105**	8,892

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

20. Borrowings (continued)

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

	Amortising USD loan facility £'000
As at 31 December 2013	
Bank loans	9,213

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:

	2014 %	2013 %
Bank overdrafts	**2.50**	2.50
Bank loans	**2.90**	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 (2013: 2.25%) and was determined on a base rate plus a margin. Both facilities were undrawn as at 31 December 2014.

(ii) an amortising loan of $14,727,000 (2013: $15,259,000) for which the Group has liability for 80%. Principal is repayable in quarterly instalments with final 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

20. Borrowings (continued)

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 (2013: £15,000,000) was undrawn on the multi-option facility and £5,000,000 (2013: £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	**2014**	2013
	£'000	£'000
At 1 January	**331**	44
Credit in the year	**204**	287
At 31 December	**535**	331

This provision will be utilised when staff exercise their options during the period of 1 January 2015 to 9 January 2024.

22. Capital Commitments

As at 31 December 2014, there were no amounts which were contracted for but not provided in the financial statements (2013: £nil).

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

23. Called Up Share Capital

	Number of shares	£'000
Shore Capital Group Limited - ordinary shares of nil par value		
At 1 January 2013	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 and fully paid following the share capital reorganisation	24,164,000	-
At 31 December 2013 and 31 December 2014	24,164,000	-

In 2014 there were no (2013: 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.

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**
2014				
Equities	**-**	**10,199**	**(833)**	**9,366**
Debt	**-**	**-**	**-**	**-**
Alternative Assets	**-**	**-**	**39**	**39**
	-	**10,199**	**(794)**	**9,405**
2013				
Equities	-	11,092	525	11,617
Debt	-	-	-	-
Alternative Assets	-	-	50	50
	-	11,092	575	11,667

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

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 2 to 12).

The year end positions arising from market-making activities are in line with those maintained throughout 2014. 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 Shore 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:

			2014			2013
	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)	**889**	**10%**	**89**	770	10%	77
Listed investments	**2,532**	**10%**	**253**	3,305	10%	331

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:

	2014 £'000	2013 £'000
Held in Euros	**14**	3

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

b) Currency Risk (continued)

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 £139,000 (2013: £24,000 loss).

As at the year end the fair value of forward contracts which were hedging bull positions and other holdings was a net asset of £39,000 (2013: £50,000 net asset). The related notional contracts as at 31 December 2014 were £7,798,000 (2013: £8,205,000). These were all due to mature in January 2015.

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:

	2014		2013	
	Euro	**US Dollar**	Euro	US Dollar
	£'000	**£'000**	£'000	£'000
5% Stronger against GBP	**232**	**(441)**	316	(472)
5% Weaker against GBP	**(210)**	**399**	(286)	427

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 $14,727,000 for which there is a cashflow hedge to fix the rate of interest. The bank borrowings are described in more detail in note 20.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

c) Interest Rate Risk (continued)

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:

	2014	2013
	£'000	£'000
+100 basis point movement in interest rates	**9**	12
As percentage of total shareholders' equity	**0.014%**	0.020%

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

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:

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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

d) Credit Risk (continued)

	2013 £'000
TD Waterhouse	5,949
Hargreaves Lansdown	1,677
Redmayne Bentley	1,604
Merrill Lynch	1,546
Barclays Bank	801
	11,577

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:

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	Due after 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

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

e) Liquidity Risk (continued)

2013	Repayable on demand	Due within 3 months	Due between 3 months and 12 months	Due between 1 year and 5 years	Due after 5 years	Total
Bear Positions	-	1,033	-	-	-	1,033
Trade payables	44,105	-	-	-	-	44,105
Derivatives	-	(50)	-	207	29	186
Bank loans and overdrafts	-	147	437	1,836	7,906	10,326
Other liabilities	-	5,247	-	-	-	5,247
Tax liabilities	-	-	898	-	-	898
Accruals	-	1,093	-	-	-	1,093
	44,105	7,470	1,335	2,043	7,935	62,888

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).

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

f) Fair value of financial instruments (continued)

2014	Level 1 Quoted market price	Level 2 Market observable inputs	Level 3 Non-market observable inputs	Total
	£'000	£'000	£'000	£'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**

2013	Level 1 Quoted market price	Level 2 Market observable inputs	Level 3 Non-market observable inputs	Total
	£'000	£'000	£'000	£'000
Available-for-sale financial investments	3,305	16	1,293	4,614
Bull positions and other holdings at fair value	3,557	-	1,000	4,557
Total financial assets	**6,862**	**16**	**2,293**	**9,171**
Bear positions	1,033	-	-	1,033
Derivatives	-	186	-	186
Total financial liabilities	**1,033**	**186**	**-**	**1,219**

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 judgment 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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

24. Financial Instruments (continued)

f) Fair value of financial instruments (continued)

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:

	At 1 January 2014	Gains recorded in profit or loss	Purchases and transfers	Sales and transfers	At 31 December 2014
	£'000	£'000	£'000	£'000	£'000
Total financial assets	2,293	57	365	(97)	2,618

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.

Notes to the Financial Statements (continued)
For the financial year ended 31 December 2014

25. Regulatory Capital

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

	2014 £'000	2013 £'000
Group		
Capital resources per statement of financial position	**72,421**	68,962
Less non EU resources	**(44,415)**	(37,498)
Capital resources	**28,006**	31,464
Less Capital Resources Requirement	**(7,058)**	(7,258)
Surplus capital resources	**20,948**	24,206

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

a) Dividend
The Company has proposed a final dividend of 5.0p per share (see note 8).

b) Extension of loan to Puma Brandenburg
On 19 January 2015 the Group agreed a two year extension to an existing unsecured loan of €3.5 milion that was due from PBL on 25 March 2015. The loan is held on arm's length terms and conditions and the Group will receive interest at 4.024% per annum. PBL is a related party of the Group as it has a high degree of common ownership.

c) Investment in Brandenburg Realty Limited
On 20 March 2015 the Group committed to invest €12.5 million, of which €2.5 million is payable initially, in Brandenburg Realty Limited, a new fund which has been established to invest in German residential real estate. The Group has a 20% interest in both the investment adviser to, and the carried interest of, the fund.

d) Sale of spectrum licences
On 30 March 2015 DBD Deutsche Breitband Dienste, a subsidiary of the Group, agreed terms to sell its interest in national radio spectrum licences together with six regional radio spectrum licences for €15.45 million. Completion of the sale is expected in the second quarter of 2015.