SHORE CAPITAL

Shore Capital Group Limited

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

Financial results for the year ended 31 December 2019

Shore Capital, the independent investment group specialising in capital markets, asset management and principal finance, presents its results for the year ended 31 December 2019.

Chairman's Statement

The Group has recorded a successful year in which revenues grew by over 22% to exceed £50 million. Employing our strong capital base through a combination of organic growth and acquisition, the Group delivered material improvements in adjusted pre-tax profits, which grew by more than 60% to £6.6 million.

Strategic advances were recorded in all divisions, with notable achievements being the successful acquisition of Stockdale Securities in the Capital Markets business, assets under management surpassing £1 billion in our Asset Management business, and the increased value we anticipate from our Principal Finance holding of German radio spectrum licences following their flexibilization for 5G use during the year, as well as the increase in value of our investment in Brandenburg Realty.

Statutory pre-tax profits are lower than the prior year as the Group has borne a number of one-off costs in the year, largely in relation to the Stockdale acquisition together with the relocation of our London office to larger premises on St James's Street. These one-off costs totalling £6.2 million include the more prudent approach of writing off £3.7 million of goodwill, mainly associated with the acquisition of Stockdale.

Adjusting for these one-off costs, the Group has delivered earnings per share of 27.7p. After one-off costs, earnings per share were 4.9p.

The Group's balance sheet and liquidity remain strong, with liquid resources of approximately £30 million in place at the year end in addition to our £20 million undrawn working capital facility.

Capital Markets

The Capital Markets business enjoyed a highly successful year in which it completed the acquisition of Stockdale Securities as well as growing underlying like-for-like revenues. Total revenue in the business rose by over 27% to £32.4 million, delivering £4.7 million pre-tax profit with a margin of approximately 15% before restructuring costs.

The Stockdale acquisition represented a compelling strategic fit for the business, enhancing our existing operations by expanding the corporate client base, adding a specialist investment funds capability and augmenting corporate advisory and broking, research, sales and trading expertise. The combination of Shore Capital and Stockdale adds scale, expertise and diversity to the business, demonstrating our commitment to servicing the needs of institutional clients and corporates.

Our Corporate Broking and Advisory team recorded a very strong performance in a year dominated by political and macroeconomic uncertainties. Whereas the wider market saw subdued capital market activity, we were pleased to report increased year-on-year revenues from this part of our business, both on a like-for-like basis and with the addition of the former Stockdale clients. During the year we added 63 clients, transferring all 52 former clients of Stockdale and adding a further 11 new clients, including a further FTSE 250 constituent Greencore Group plc.

We continued to invest in and develop our research proposition during the year, both organically and through the Stockdale acquisition. Focusing on further developing our presence in areas of the UK economy where we foresee growth, we expanded our research teams in areas such as disruptive consumer trends, green technology and industrial development as well as healthcare / life sciences and investment funds through our acquisition of Stockdale.

Our Market Making business recorded a healthy growth in revenues in 2019 after what had been a challenging final quarter of 2018. Whilst recent events on the global equity markets have demonstrated the continuing fragility of macroeconomic confidence, we remain positive about our ability to manage risk appropriately and deliver liquidity whilst staying focused and adaptable to changing trading conditions and client needs.

Asset Management

The Asset Management division continued to make significant progress during the year, growing revenues, profits and assets under management. Overall AUM grew by 11% to surpass £1 billion during the year, driven by fundraising in the Puma Investments operations and increased valuations in our institutional portfolios. Total revenue in the division rose by 11% to £17.7 million, delivering £3.9 million pre-tax profit at a strong margin of over 22% before restructuring costs.

Puma Investments, our UK fund management business, enjoyed a successful year in which revenues grew by over 15% and profits by more than 20%. Excellent progress was made in all three of the business's focus areas of property finance, private equity and listed equities.

Puma Property Finance recorded an exceptional year of deal flow, closing over £200 million of new loans in the year and subsequently passing £600 million of loans originated since inception, and deploying substantial amounts from our new institutional funding line. Puma Private Equity launched its new evergreen VCT, Puma Alpha VCT – the Group's 14th VCT – building on our substantial experience in the VCT and EIS arena. The Puma AIM Service continued to outperform its benchmark during the year and widened its availability through inclusion on the Fidelity FundsNetwork investment platform.

The institutional investment companies that we advise, Brandenburg Realty and Puma Brandenburg, recorded further strategic progress in the year, investing in high-quality real estate and implementing targeted asset management initiatives to drive value creation. The success of this strategy was borne out in strong increases in asset valuations during the year.

In the immediate term, the Coronavirus pandemic is likely to impact the Asset Management division as private investors apply more caution in allocating capital. Fundraising into our Puma Alpha VCT and Puma Heritage offerings have naturally slowed in recent weeks, although smaller inflows have continued. Both Puma Private Equity and Puma Property Finance continue to appraise new opportunities, although inevitably we anticipate a reduction in transactions in the short term as we assess values in the light of emerging events.

We will continue to be prudent as we always have, constantly reviewing and appraising our portfolio of investments and loans, and looking to mitigate the risk of downward valuations and possible impairments in our managed entities. We have significant untapped liquidity available for deployment, including a very substantial proportion of our £200 million funding line from Roundshield Partners, and our managed entities are not overly exposed to those industries most severely impacted by the pandemic.

The division is well-placed to withstand the coming challenges, as a significant proportion of Asset Management revenues are not dependent on new fundraisings or deployment activities.

Principal Finance

As previously reported, during the year we agreed with the German Telecoms Regulator, ("BNetzA") to reallocate the regional radio spectrum licences in which we hold a majority stake, from the 3.5 GHz frequency band to the 3.700-3.730 GHz frequency band at no cost. The licences continue to be for perpetual duration, on a "flexibilised" basis, meaning without historic technical restrictions limiting their usage. The flexibilisation will enable their use for modern services such as 4G and 5G.

During the period we were encouraged to see strong results from German 5G spectrum licence auctions, giving us increased confidence in the future value that can accrue from this business. The recent pressure on the internet in major cities in Germany, in particular Berlin, as a result of the "lockdown" further highlights the need in Germany for increased capacity through the accelerated introduction of 5G.

Our investment in Brandenburg Realty performed well during the year with the investment value increasing by 32% leading to an investment gain during the year of £1.4 million. Whilst the recent crisis may impact future investment values, this should be mitigated by the very low funding costs in Germany particularly for qualified residential mortgage borrowers. Nevertheless, the valuation in the year end accounts has already been reduced by the Directors compared to the independent valuations received from JLL to a level that is considered more prudent in today's environment.

Current Trading and Prospects

The first two months of the year started encouragingly, with our corporate finance team closing six fundraisings and our asset management recording further inflows and deployment. Our Capital Markets business closed two further small deals in March. Together with the benefit of a very strong performance by the Market Making division, to the credit of the team, the Capital Markets business was able to remain profitable in March and both main operating businesses have remained profitable in the year to date.

However, as we all know, we have entered a new phase where business prospects for the coming months are highly uncertain and impossible to predict. With a debt free balance sheet, liquidity at the year end of approximately £30 million and very high levels of capital adequacy, the Group is extremely well prepared for a sustained period of disrupted activity. Furthermore, the IT infrastructure that we have put in place is fully operational and enabling our workforce to work remotely from home, a huge testament to the hard work and capability of all our operational team.

We remain very much able to continue support for our clients and strongly believe that when business "normalises" we will benefit from being a strong and stable participant in a distressed environment. We also remain open and willing to contemplate M&A opportunities as they may arise.

Finally, I would like to thank all of our employees for their hard work and commitment especially given the current difficulties faced by us all, and look forward to better times in the future.

Howard Shore
Chairman
3 April 2020

Financial review

Income and expenditure

Revenue for the year increased by 22.8% to £53.2 million (2018: £43.3 million), whilst administrative expenses increased by 18.4% to £46.1 million (2018: £38.9 million). Group profit before tax excluding reorganisation costs and impairment of goodwill increased by 62% to £6.6 million (2018: £4.4 million). Statutory profit before tax (including reorganisation costs and impairment of goodwill) was £0.3 million (2018: £4.1 million).

Reorganisation costs of £2.5 million incurred in the year relate to fees and expenses on the acquisition of Stockdale Securities; costs of the post-acquisition integration of the Stockdale business; and associated move to new London premises. In addition, the Group recorded a £3.7 million impairment of goodwill in the year, the majority of which arose on the Stockdale acquisition.

Divisional performance was as follows:

- Capital Markets: revenue increased by 27.2% to £32.4 million (2018: £25.5 million). Profit before tax excluding reorganisation costs and impairment of goodwill was £4.7 million (2018: £4.1 million) with a net margin of 14.5% (2018: 15.9%).
- Asset Management: revenue increased by 11.4% to £17.7 million (2018: £15.8 million). Profit before tax excluding reorganisation costs was £3.9 million (2018: £3.2 million) with a net margin of 22.2% (2018: 20.0%).
- Principal Finance: pre-tax loss of £0.2 million (2018: £1.5 million loss).

Basic Earnings per Share

The Group generated adjusted basic earnings per share of 27.7p (2018: 12.6p). Statutory earnings per share were 4.9p.

Liquidity

As at the balance sheet date, available liquidity was £29.9 million, comprising cash of £27.5 million (2018: £31.0 million) and £2.4 million of gilts and bonds (2018: £2.8 million). The Group repaid borrowings of £4.2 million in the year and consequently was carrying no debt as at 31 December 2019. In addition, the Group had a £20 million working capital facility which was unused at the year end.

Capital resources

Capital resources in our regulated businesses were on average more than five times FCA requirements, and in our main trading subsidiary – Shore Capital Stockbrokers – were more than seven times.

Balance sheet

The Group's balance sheet remains strong. Total equity at the year end was £65.4 million (2018: £68.1 million), the movement reflecting the underlying profit generated in the year less one-off reorganisation and impairment costs and dividends paid to shareholders and minority interests.

In addition to the £27.5 million of cash and £2.4 million of gilts and bonds referred to above, at the year end the Group held £9.5 million in various of its Puma Funds; £0.6 million net in quoted equities and a further £1.7 million in other unquoted holdings. The licences held as part of the Group's Spectrum Investments were carried at a cost of £2.1 million on a gross basis, before allowing for minority interests. Other non-current assets included £8.9 million of fixed assets, and £2.8 million of investment properties

The remainder of the balance sheet was £9.9 million net, which included £12.3 million of net market and other debtors in the Company's stockbroking subsidiary.

Net Asset Value per Share

Net asset value per share at the year end was 257.3p (2018: 269.4p). The movement in the year includes earnings per share, after reorganisation costs and impairment of goodwill of 4.9p and distributions to shareholders and minority interests of 17.1p.

Dividend

An interim dividend of 5p per share was paid during the year. The Board does not propose to pay a final dividend for the year ended 31 December 2019, rather to preserve liquidity for future opportunities.

Consolidated Income Statement
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	1, 3	**53,205**	43,334
Administrative expenditure		**(46,099)**	(38,929)
Operating profit before impairment of goodwill and reorganisation costs		**7,106**	4,405
Reorganisation costs	2	**(2,501)**	-
Impairment of goodwill	8	**(3,740)**	-
Operating profit		**865**	4,405
Interest income		**29**	43
Finance costs		**(565)**	(380)
		(536)	(337)
Profit before taxation		**329**	4,068
Taxation	6	**1,107**	(485)
Profit for the year		**1,436**	3,583
Attributable to:			
Equity holders of the parent		**1,048**	2,727
Non-controlling interests		**388**	856
		1,436	3,583
Earnings per share			
Basic	4	**4.9p**	12.6p
Diluted	4	**4.8p**	12.5p
Adjusted Earnings per share			
Basic	4	**27.7p**	12.6p
Diluted	4	**27.5p**	12.5p

All transactions are in respect of continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit after tax for the year	**1,436**	3,583
Items that may be reclassified to the income statement		
Gains/(losses) on cashflow hedges	**138**	(201)
Tax thereon	**(26)**	38
	112	(163)
Exchange difference on translation of foreign operations	**(608)**	299
Other comprehensive (loss)/ income during the year, net of tax	**(496)**	136
Total comprehensive income for the year, net of tax	**940**	3,719
Attributable to:		
Equity holders of the parent	**615**	2,785
Non-controlling interests	**325**	934
	940	3,719

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	**8**	**-**	381
Intangible assets		**2,131**	2,263
Property, plant & equipment		**8,941**	7,653
Right of use assets		**9,432**	-
Investment properties		**2,799**	2,643
Principal Finance Investments		**8,837**	5,357
Deferred tax asset	**6**	**1,422**	108
		33,562	18,405
Current assets			
Trading assets		**7,965**	9,837
Trade and other receivables		**47,911**	42,058
Derivative financial instruments		**443**	-
Tax assets		**164**	-
Cash and cash equivalents		**27,493**	31,015
		83,976	82,910
Total assets		**117,538**	101,315
Current liabilities			
Trading liabilities		**(2,562)**	(708)
Trade and other payables		**(39,051)**	(27,877)
Derivative financial instruments		**-**	(135)
Tax liabilities		**-**	(165)
Borrowings		**-**	(4,299)
Lease liabilities		**(1,292)**	-
		(42,905)	(33,184)
Non-current liabilities			
Lease liabilities		**(9,237)**	-
Provision for liabilities and charges		**(29)**	(68)
		(9,266)	(68)
Total liabilities		**(52,171)**	(33,252)
Net assets		**65,367**	68,063
Capital and reserves			
Share capital		**-**	-
Share premium		**1,866**	1,866
Merger reserve		**14,903**	14,903
Other reserves		**1,460**	1,348
Retained earnings		**37,277**	39,992
Equity attributable to equity holders of the parent		**55,506**	58,109
Non-controlling interests		**9,861**	9,954
Total equity		**65,367**	68,063

The accompanying notes form part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 3 April 2020. Signed on behalf of the Board of Directors:

Lynn Bruce
Director

James Rosenwald
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	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 2018	**-**	**1,866**	**14,903**	**1,644**	**39,834**	**8,923**	**67,170**
Profit for the year	**-**	**-**	**-**	**-**	**2,727**	**856**	**3,583**
Foreign currency translation	**-**	**-**	**-**	**-**	**224**	**75**	**299**
Valuation change on cash flow hedge	**-**	**-**	**-**	**(203)**	**-**	**2**	**(201)**
Tax on cash flow hedge	**-**	**-**	**-**	**38**	**-**	**-**	**38**
Total comprehensive income	**-**	**-**	**-**	**(165)**	**2,951**	**933**	**3,719**
Equity dividends paid (note 5)	**-**	**-**	**-**	**-**	**(2,158)**	**-**	**(2,158)**
Dividends paid to non controlling interests/ rebalancing of non controlling interest	**-**	**-**	**-**	**-**	**(635)**	**(1,308)**	**(1,943)**
Debit in relation to share based payments	**-**	**-**	**-**	**(131)**	**-**	**-**	**(131)**
Investment by non controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**1,406**	**1,406**
At 31 December 2018	**-**	**1,866**	**14,903**	**1,348**	**39,992**	**9,954**	**68,063**

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2019

	Share capital	Share premium account	Merger reserve	Other reserves	Retained earnings	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	-	1,866	14,903	1,348	39,992	9,954	68,063
Transition adjustment - IFRS 16 Leases	-	-	-	-	(84)	-	(84)
At 1 January 2019 (as restated)	-	1,866	14,903	1,348	39,908	9,954	67,979
Profit for the year	-	-	-	-	1,048	388	1,436
Foreign currency translation	-	-	-	-	(545)	(63)	(608)
Valuation change on cash flow hedge	-	-	-	138	-	-	138
Tax on cash flow hedge	-	-	-	(26)	-	-	(26)
Total comprehensive income	-	-	-	112	503	325	940
Equity dividends paid (note 5)	-	-	-	-	(2,157)	-	(2,157)
Dividends paid to non controlling interests/ rebalancing of non controlling interest	-	-	-	-	(977)	(551)	(1,528)
Capital distribution from subsidiary to non controlling interests	-	-	-	-	-	(164)	(164)
Investment by non controlling interest in subsidiaries	-	-	-	-	-	297	297
At 31 December 2019	-	1,866	14,903	1,460	37,277	9,861	65,367

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Notes	2019	2,018
		£’000	£’000
Cash flows from operating activities			
Operating profit		**865**	4,405
Adjustments for:			
Depreciation and impairment charges	**2**	**2,787**	1,262
Goodwill impairment	**8**	**3,740**	-
Share-based payment credit		**-**	(131)
Loss on sale of fixed assets		**661**	-
Fair value gains on Principal Finance investments		**(1,101)**	(367)
Revaluation of investment properties		**156**	-
Reduction in provision for national insurance on options		**(39)**	(36)
Operating cash flows before movements in working capital		**7,069**	5,133
(Increase)/ decrease in trade and other receivables		**(5,132)**	11,787
Increase/ (decrease) in trade and other payables		**7,536**	(6,833)
Decrease in trading liabilities		**(2,835)**	(309)
Decrease/ (increase) in trading assets		**7,663**	(1,683)
Cash generated by operations		**14,301**	8,095
Interest paid		**(565)**	(380)
Corporation tax paid		**(334)**	(1,207)
Net cash generated by operating activities		**13,402**	6,508
Cash flows from investing activities			
Purchase of property, plant & equipment		**(3,668)**	(882)
Acquisition of subsidiary, net of cash acquired		**(2,248)**	(826)
Purchase of Principal Finance investments		**(2,554)**	(803)
Sale of Principal Finance investments		**175**	1,270
Investment by non controlling interest in subsidiaries		**297**	1,331
Interest received		**29**	43
Net cash (used in)/ generated by investing activities		**(7,969)**	133
Cash flows from financing activities			
Capital distribution to non controlling interests		**(164)**	-
Payment of lease liabilities		**(678)**	-
Repayment of borrowings		**(4,239)**	(12,192)
New borrowings		**-**	4,458
Dividends paid to equity shareholders	**5**	**(2,158)**	(2,158)
Dividends paid to non controlling interests		**(1,528)**	(1,943)
Net cash used in financing activities		**(8,767)**	(11,835)
Net decrease in cash and cash equivalents		**(3,334)**	(5,194)
Effects of exchange rate changes		**(188)**	536
Cash and cash equivalents at the beginning of the year		**31,015**	35,673
Cash and cash equivalents at the end of the year		**27,493**	31,015

1. Accounting Policies

Basis of preparation
This set of condensed financial information does not constitute a full set of financial statements. The consolidated annual financial statements of Shore Capital Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS") and are available on the Company's website at www.shorecap.gg.

The Annual Report and Accounts of the Group were issued on 3 April 2020. The auditor's report on those accounts was not qualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

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

Significant accounting policies
The accounting policies adopted are those disclosed in the 2019 Annual Report and Financial Statements.

2. Segment Information

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

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

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

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

Year ended 31 December 2019	**Capital Markets £'000**	**Asset Management £'000**	**Central costs £'000**	**Principal Finance £'000**	**Consolidated £'000**
Revenue	**32,365**	**17,651**	**-**	**3,189**	**53,205**
Depreciation	**(795)**	**(1,004)**	**(223)**	**(765)**	**(2,787)**
Interest expense	**(232)**	**(205)**	**(28)**	**(100)**	**(565)**
Profit/(loss) before tax excluding reorganisation costs and impairment of goodwill	**4,694**	**3,913**	**(1,842)**	**(195)**	**6,570**
Reorganisation costs	**(2,198)**	**(241)**	**(62)**	**-**	**(2,501)**
Impairment of goodwill	**(3,740)**	**-**	**-**	**-**	**(3,740)**
Profit/(loss) before tax	**(1,244)**	**3,672**	**(1,904)**	**(195)**	**329**
Assets	**75,623**	**18,098**	**1,691**	**22,126**	**117,538**
Liabilities	**(44,482)**	**(5,424)**	**(770)**	**(1,495)**	**(52,171)**

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Central costs £'000	Principal Finance £'000	Consolidated £'000
Revenue	25,452	15,843	-	2,039	43,334
Results					
Depreciation	(278)	(127)	(67)	(790)	(1,262)
Interest expense	(86)	(78)	-	(216)	(380)
Profit/(loss) before tax	4,058	3,166	(1,637)	(1,519)	4,068
Assets	56,658	10,018	1,599	33,040	101,315
Liabilities	(23,337)	(3,651)	(855)	(5,409)	(33,252)

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

	2019 £'000
Acquisition expenses	266
Post-acquisition restructuring costs	1,544
Pre-opening office costs	691
	2,501

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

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

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

3. Revenue

a) Revenue disaggregated by division and geographical market below:

Year ended 31 December 2019	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Consolidated £'000**
UK	32,365	13,958	1,392	47,715
Rest of Europe	-	3,693	1,797	5,490
	32,365	17,651	3,189	53,205

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
UK	25,452	12,489	1,185	39,126
Rest of Europe	-	3,354	854	4,208
	25,452	15,843	2,039	43,334

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

Year ended 31 December 2019	**Capital Markets £'000**	**Asset Management £'000**	**Principal Finance £'000**	**Consolidated £'000**
Point in time	27,499	8,280	3,189	38,968
Over time	4,866	9,371	-	14,237
	32,365	17,651	3,189	53,205

Year ended 31 December 2018	Capital Markets £'000	Asset Management £'000	Principal Finance £'000	Consolidated £'000
Point in time	21,319	7,982	2,039	31,340
Over time	4,133	7,861	-	11,994
	25,452	15,843	2,039	43,334

4. 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:

	2019		2018	
	Basic	**Diluted**	Basic	Diluted
Earnings (£)	**1,048,000**	**1,048,000**	2,727,000	2,727,000
Number of shares	**21,573,322**	**21,778,551**	21,573,322	21,840,354
Earnings per share (p)	**4.9**	**4.8**	12.6	12.5
Earnings (£)	**1,048,000**	**1,048,000**	2,727,000	2,727,000
Reorganisation costs and impairment of goodwill attributable to equity shareholders (£)	**4,931,000**	**4,931,000**	**-**	**-**
Adjusted Earnings (£)	**5,979,000**	**5,979,000**	**2,727,000**	**2,727,000**
Number of shares	**21,573,322**	**21,778,551**	21,573,322	21,840,354
Adjusted Earnings per share (p)	**27.7**	**27.5**	12.6	12.5

Calculation of number of shares	**2019**		2018	
	Basic	**Diluted**	Basic	Diluted
Weighted average number of shares	**21,573,322**	**21,573,322**	21,573,322	21,573,322
Dilutive effect of share option schemes	**-**	**205,229**	-	267,032
	21,573,322	**21,778,551**	21,573,322	21,840,354

As at 31 December 2019 there were 21,573,322 ordinary shares in issue (2018: 21,573,322).

5. Rates of Dividends Paid and Proposed

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 5.0p per share	**-**	1,079
Interim dividend for the year ended 31 December 2018 of 5.0p per share	**-**	1,079
Final dividend for the year ended 31 December 2018 of 5.0p per share	**1,079**	-
Interim dividend for the year ended 31 December 2019 of 5.0p per share	**1,079**	-
	2,158	2,158

The directors do not propose a final dividend for the year, bringing the total for the year ended 31 December 2019 to 5.0p per share (2018: 10.0p per share).

6. Taxation

The tax (credit)/ charge comprises:	2019 £'000	2018 £'000
Current tax	**191**	405
Prior year underprovision	**3**	64
Movement in deferred tax	**(1,301)**	16
	(1,107)	485

Tax in Guernsey is charged at 0%. Tax on the Group's UK subsidiaries is charged at 19.00% (2018: 19.00%) as detailed below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**329**	4,068
Tax thereon at 0% (2018: 0%)	**-**	-
Effects of:		
Effect of different tax rates in other jurisdictions	**671**	421
Utilisation of tax losses	**(471)**	-
Deferred tax asset in relation of tax losses carried forward	**(1,310)**	
Prior year adjustment	**3**	64
	(1,107)	485

The average tax rate on the profit before tax for the Group's UK activities for 2019 was 19% (2018: 19%). The Group has used 19% to calculate the deferred tax. To the extent that deferred tax reverses at a different rate from that at which it is recognised, this will change the impact on the net deferred tax liability.

Deferred Taxation	**Share-based payments £'000**	**Temporary differences £'000**	**Total £'000**
At 1 January 2018	88	61	149
Debit to income statement	-	(16)	(16)
Debit to equity	-	(25)	(25)
At 31 December 2018	88	20	108
Credit to income statement	-	1,301	1,301
Credit equity	-	13	13
At 31 December 2019	88	1,334	1,422

The deferred tax asset largely relates to tax losses carried forward in connection with the trade of Stockdale Securities business prior to its acquisition by the Group during the year. The total value of the losses carried forward amounts to £17.9 million. The Group considers that all of these losses will be available to be relieved against future profits arising from the same trade in the Capital Markets business, however, in accordance with accounting standards, a deferred tax asset has only been recognized in respect of those losses anticipated to be relieved in the next five years.

7. Investments

Business combination

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

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

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

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

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

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

Stockdale contributed £5,640,000 to revenue and £1,831,000 to the Group's profit before reorganisation costs for the period between the date of acquisition and the balance sheet date. Based on the results of Stockdale for the period 1 January 2019 to 31 March 2019, if the acquisition of Stockdale had been completed on the first day of the period, group revenues and pre-tax profits for the period would have been higher by £2,268,000 and £94,000 respectively.

Goodwill arising on the acquisition was as follows:

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

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

The goodwill arising was impaired in full during the year, see note 8 for further detail..

8. Goodwill

	£'000
At 1 January 2019	381
Arising on acquisition of Stockdale	3,359
Impairment	(3,740)
At 31 December 2019	-

The brought forward goodwill balance at 1 January 2019 relates to the acquisition of shares of Shore Capital Markets Limited in a previous year. A further £3,359,000 of goodwill arose in the year on the acquisition of Stockdale Securities Limited, further details of which are shown in note 17.

As required under IFRS, all goodwill in the business is assessed annually for indications of impairment. The cash-generating unit to which the goodwill brought forward of £381,000 related was considered to be the Capital Markets operating division, as the goodwill arose on the acquisition of shares in the intermediate parent undertaking of that division.

The cash-generating unit to which the goodwill arising in the year of £3,359,000 related was also considered to be the Capital Markets operating division. The Group considered whether the former Stockdale business could be considered its own cash-generating unit, but this was deemed to be inappropriate as the operations of the Stockdale business were absorbed into the pre-existing Capital Markets division as soon as possible following acquisition. The business lines of the Stockdale business were very similar to those of the pre-existing Capital Markets division and were split across more than one statutory entity within that division, hence the determination that the full Capital Markets division should be used as the cash-generating unit for the assessment of potential impairment of goodwill.

The impairment review undertaken compared the carrying amount of the Capital Markets division with its recoverable amount which was assessed as the higher of (a) fair value less costs of disposal; and (b) value in use.

The fair value less costs of disposal was estimated by discounting the net asset value of the Capital Markets division by the prevailing discount to net asset value at which the Group's shares were trading on the Alternative Investment Market immediately prior to the announcement of the intention to delist. This discount to NAV was considered to be a reasonable approximation of the discount that would apply to an open market sale of the Capital Markets division, given that division is the largest within the Group.

The value in use of the Capital Markets cash-generating unit was calculated using the following key assumptions:

- Cashflow forecasts were prepared for a period of five years as mandated by IAS 36
- Income projections were prepared by applying future compound annual growth rates (CAGR) to each significant revenue line at the same rate as had been recorded over the preceding five years
- Cost projections were prepared by applying future compound annual growth rates (CAGR) to divisional costs at the same rate as had been recorded over the preceding five years, adding back non-cash items within costs
- A discount rate of 5.41% was applied as an estimate of the Group's cost of capital. It was derived from the prevailing dividend yield rate of the Group based on the last price at which the Group's shares were trading on the Alternative Investment Market immediately prior to the announcement of the intention to delist .

The resulting calculation of value in use was higher than the estimate of fair value less costs of disposal and so value in use was applied in determining the recoverable amount of the Capital Markets division for the purposes of the impairment review. The carrying value of the Capital Markets division was greater than its value in use and, as a result, the full amount of the goodwill has been impaired in the year.

The Group conducted a sensitivity analysis on the assumptions used in the value in use calculation for the purposes of the impairment review. An increase in the CAGR of revenue of 2.7% or decrease in the CAGR of costs of 3.4% would have the effect of increasing the value in use to a level where an indication of goodwill would not be present. The Group does not consider that applying these sensitivities would be prudent.

9. Subsequent events

On 29 January 2020, the Group signed a contract to dispose of its rental asset for $6,250,000, in line with the carrying value at the year end.

The Coronavirus pandemic struck in the months following the Group's year end, bringing widespread disruption to all forms of economic activity in the UK and beyond.

The Group has considered the carrying value of its assets in the context of these developments. The Group's Principal Finance investments have already been valued on a prudent basis, in particular its largest holding in Brandenburg Realty Ltd. In relation to the property assets held within Brandenburg Realty, whilst the post balance sheet economic developments may impact future investment values, this should be mitigated by the very low funding costs particularly for qualified residential mortgage borrowers. Nevertheless, the valuation in the year end accounts has already been reduced compared to the independent valuations received from JLL.

The Group's investment properties continue to generate a strong income yield which should protect against significant value erosion in what is likely to become an ultra-low interest rate environment.

The value of the Group's spectrum licence holdings in Germany are not considered to be impacted by the recent events. Indeed, the recent pressure on the internet in major cities in Germany, in particular Berlin, as a result of the "lockdown" has further highlighted the need in Germany for increased capacity through the accelerated introduction of 5G.

As such, the Group does not consider the pandemic to constitute an adjusting post balance sheet event and the results are presented accordingly.