sharEplc:

Press Release

8 August 2019

AIM: SHRE.LN. A leading independent retail stockbroker, operating as The Share Centre (www.share.com).

Interim results for the six months to 30 June 2019

HIGHLIGHTS

Financial

- Revenues up 9% to £11.1m (H1 2018: £10.2m), reflecting the benefits of prior acquisitions of customer accounts
- Group returned to profitability:
  - Earnings before interest, tax, depreciation and amortisation ('EBITDA') of £0.8m (H1 2018: loss of £0.2m)
  - Operating profit of £0.1m, including £0.2m of one-off costs (H1 2018: loss of £0.5m)
  - Statutory profit before tax of £0.2m (H1 2018: loss of £0.3m); statutory earnings per share increased to 0.1p (H1 2018: loss of 0.2p)
- Underlying[1] profit after tax increased to £0.5m (H1 2018: £0.1m); Underlying[1] earnings per share increased to 0.3p (H1 2018: 0.0p)
- Assets under administration at record level, up 5% to £5.3bn (H1 2018: £5.0bn)
- Significant improvement in operating cash flows, with an inflow of £1.9m (H1 2018: £0.4m outflow)
- Strong balance sheet, with shareholders' funds up 10% to £19.8m (H1 2018: £17.9m)

Operational

- The final stages of the Group's digital transformation programme have now completed, following the release of additional functionality and enhancements to the new website
- Our app continues to gain traction with customers, executing 16% of their trades at the end of June 2019 (December 2018: 8%)
- Up to 20,000 J.P. Morgan customer accounts with assets of c.£750m are due to transfer in September 2019

Outlook

- The Board expects the Group's financial performance to continue to improve in line with market expectations, despite the continuing challenging trading conditions, principally caused by the uncertainty over Brexit. A recent customer survey showed that 40% favoured leaving on 31st October without a deal in place while recognising the likely negative impacts on markets and investments. We anticipate trading volumes will recover as the political position is resolved and personal investors re-position their portfolios.

Richard Stone, Chief Executive, commented:

"I am pleased to report that the Group returned to profitability in the first half as expected, despite weaker trading conditions. Subdued investor sentiment has resulted in a significant drop in trading volumes across the market from which Share is not immune. However, the engine of our growth has been the acquisition of customer accounts, coupled with our attractive flat-fee structure and high service levels, and this is set to continue. This was the Group's first H1 operating profit since 2014 and it is worth noting that had trading in the first half of 2019 been at the levels seen in the same period in 2018, operating profit would have been £0.4m higher at £0.5m.

"The first half also saw the substantial completion of our digital transformation programme. This three year project has transformed our digital proposition and will continue to support our growth ambitions.

"While political and economic uncertainty is likely to continue to adversely affect investor sentiment in the short term, we believe that Share remains in a strong position to continue its momentum over the second half. We look forward to welcoming the new customers who will transfer from J.P. Morgan in September. We therefore remain well-positioned to continue to build on the good progress that we are making."

[1] Excludes the impact of some items, in particular any large non-recurring items and share based payment charges as defined in note 5.

sharEplc:

For further information please contact:

Share plc

Richard Stone – Chief Executive	01296 439 270/07919 220 599
Mike Birkett – Finance Director	01296 439 479
Jenny Burke – PR Manager	01296 439 436

Cenkos Securities plc (Nominated Adviser)

Mark Connelly	020 7397 8900

KTZ Communications (Financial Public Relations)

Katie Tzouliadis, Dan Mahoney	020 3178 6378

Risk warning

This document is not intended to constitute an offer or agreement to buy or sell investments and does not constitute a personal recommendation. The investments and services referred to in this document may not be suitable for every investor and if in doubt independent financial advice should be sought. No liability is accepted whatsoever for any loss howsoever arising from any information in this document subject to the rules of the Financial Conduct Authority or the Financial Services and Markets Act 2000. Share prices, values and income can go down as well as up and investors may get back less than their initial investment. The Share Centre is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority under reference 146768.

About Share plc:

Share plc is the AIM-quoted (SHRE) parent company of a group whose principal business is The Share Centre Limited. The Share Centre started trading in 1991 and provides a range of account-based services to enable investors to share in the wealth of the stock market. These include Share Accounts, ISAs, Junior ISAs, Child Trust Funds and SIPPs, all with the benefit of investment guidance, and dealing in a wide range of investments. The Share Centre also provides a certificate dealing service and offers three Funds of Funds, which are managed in-house. Services available to corporate clients include Enterprise Investment Scheme and other tax advantaged scheme administration and 'white-label' dealing platforms.

For more details, visit www.shareplc.com or www.share.com.

sharepl c:

Chairman's statement

Introduction

We are pleased to report that the Group has returned to profitability as expected in the first half. This was achieved despite a challenging market backdrop and reflects the benefits of growth initiatives, including the acquisition of customer accounts.

Revenues for the first six months of the financial year increased by 9% to £11.1m (2018: £10.2m) and assets under administration rose by 5% from June 2018 (£5.0bn) to a record £5.3bn, reflecting continued inflows. This compares to a market fall of 3% over the same period. Operating profit was £0.1m, which represented a £0.6m turnaround against the same period last year (2018: loss of £0.5m). The move into profitability would have been stronger if one-off costs of £0.2m related to the approach from Interactive Investor Services Limited ('Interactive Investor') had been excluded. After investment revenues of £0.1m, profit before tax was £0.2m, which compared to a loss in 2018 of £0.3m including £0.2m of investment revenues.

Investor activity remained subdued over the period and our own trading volumes were down 18% on the same period last year. Reported volumes on the London Stock Exchange were down 24% on the first half of 2018. This is a consequence of the current market uncertainty over Brexit and the political climate. High profile issues such as those surrounding the Woodford Equity Income Fund also served to undermine investor confidence in the funds industry.

In May 2019 we reported that we had been approached about a possible combination, and subsequently confirmed that Interactive Investor had withdrawn from discussions for reasons associated purely with their own business. The Board's position, as set out in my speech at our Annual General Meeting (www.share.com/agmspeech), remains to consider any serious approach from third parties as and when they arise but management's main focus is on pursuing its growth plans for the business.

Strategic delivery

Our growth strategy is based on three core themes, 'Putting Customers First', 'Focusing on the Core Business' and seeking 'Strategic Partnerships and Acquisitions' and we continued to deliver against each.

The programme to evolve and improve our digital platform and proposition has been a key focus over the last three years. During the first half of the year, we made further significant enhancements, introducing new dealing screens and new functionality such as the 'quick deal' capability. The major elements of this programme are now complete, however we will continue to enhance and develop the dealing platform and customer touchpoints as an ongoing operational programme.

The benefits of our digital transformation strategy are therefore coming through and the proportion of trades executed through our App, whether via a smartphone, tablet or other devices, rose to 16% of their trades in June.

We have also continued to invest in technology that assists our customer service teams. In the period, we introduced a third party training tool that will help to build knowledge across the teams. This complements other innovative technology that we have adopted to enhance customer service by enabling timely customer feedback.

A significant area of work that continues concerns regulatory compliance and implementing the requirements of EU legislation, specifically MiFID II, which took effect in January 2018. Investors are seeing the results in their valuation statements and the presentation of costs and charges before and after trading. We welcome the increase in transparency and believe that investors will benefit from being better able to identify costs, including the potential high costs of our competitors' value-related charging structures as compared with our own simple, flat-fee model.

Our acquisition and partnership strategy continues to make good progress. In April, we were able to name J.P. Morgan as the counterparty for the acquisition of a book of accounts, representing up to 20,000 customers and £750m of assets. This transfer of accounts is scheduled to start in September 2019. We have also acquired a small book of Child Trust Fund accounts from Witan. At any one time, there is a pipeline of partner opportunities at various stages of discussion and we continue to work on executing them.

Market share

The Group's performance and market share is benchmarked against a group of 15 retail stockbrokers that are independently surveyed by Compeer. As its latest data, which covered the first quarter of 2019, was included in our Trading Update on 28 May 2019, we will provide a further update on the Group's performance relative to this group when Compeer's second quarter data becomes available.

sharEplc:

Chairman's statement (continued)

Financial results

Revenues

Total revenues in the first half increased by 9% year-on-year to £11.1m (H1 2018: £10.2m). This reflected higher fee income and an increase in interest income that together offset the reduction in dealing commission. Excluding interest income, revenues rose by 2% to £9.5m (2018: £9.3m).

- Dealing commission income

  Income from commission decreased by 9% year-on-year, reflecting reduced trading activity. Our trading volumes were down by 18% on the same period last year. This was better than the wider market, with the London Stock Exchange reporting that volumes were down by 24% in the first six months of 2019 compared to the comparable period in 2018.

- Fee income

  Fee income in the first half of the year increased by 19% against the same period in 2018. The rise was driven by higher customer numbers, largely the result of acquisitions made in 2018.

  Having completed a review of account administration charges, the Group implemented a small increase in charges, which took effect from 6 July. This is the first increase we have made since 2013, and will help to cover the additional costs associated with implementing increasing financial regulation. HM Revenue and Customs has also advised us that there is a change in the VAT treatment for administration fees, with all fees now quoted as inclusive of any applicable VAT. This will increase the Group's fee income but will result in additional administrative expenses through higher irrecoverable VAT, given that the proportion of the Group's revenues that are subject to VAT will be significantly reduced.

- Interest income

  Interest income increased by 89%, which was driven by the rise in interest rates from August 2018. At the end of the first half, cash held on behalf of customers decreased by 4% to £423m (30 June 2018: £439m), reflecting the lower trading volumes and fluctuations in EIS fund balances for which we provide administration services.

Costs

Total costs were 3% higher year-on-year at £11.0m (H1 2018: £10.7m), although lower trading volumes saw a fall in transactional costs and we also reduced marketing activity.

Staff costs increased by 9% compared to the first half of 2018, which mainly reflected the increased headcount in the latter half of last year. Headcount as at June 2019 was 257 compared to 252 at December 2018 and 236 at June 2018. With the improvements in our digital platforms, we expect limited growth in our headcount going forward.

Depreciation and amortisation costs increased from £0.4m to £0.7m due to two factors. Firstly, with the major elements of our technology programme now complete, amortisation costs increased by £0.2m. Secondly, the reclassification of our lease spend following the implementation of *IFRS 16 Leases* at the start of the year gave rise to an additional £0.1m of depreciation, although there has been a corresponding reduction in overheads. The effect on the income statement is immaterial.

Profitability

The Group generated earnings before interest, tax, depreciation and amortisation ('EBITDA') in the first half of £0.8m (H1 2018: loss of £0.2m).

Higher revenue, as well as reduced transactional and marketing costs, drove a major turnaround in operating profit, with £0.1m delivered in the first half of the year against a loss in the same period last year (H1 2018: loss of £0.5m). Without one-off costs of £0.2m incurred as a result of the approach from Interactive Investor, this result would have been materially higher.

Underlying profit after tax increased significantly to £0.5m (H1 2018: £0.1m), and underlying earnings per share rose to 0.3p (H1 2018: 0.0p). These underlying figures are stated after removing one-off items (as shown in note 5 below), which included those costs associated with the Interactive Investor approach and non-cash share-based payment charges.

Statutory profit before tax for the period was £0.2m (H1 2018: loss of £0.3m), and statutory earnings per share were 0.1p (H1 2018: 0.2p loss per share).

In the first half of 2018, a dividend of £0.2m was received in respect of the Group's investment in Euroclear Holding SA ('Euroclear'). Following a change in Euroclear's dividend payment policy, dividends will now be receivable in the second half of the year benefitting the Group's second half financial results.

Chairman's statement (continued)

Cash flows and balance sheet

Cash and cash equivalents increased to £9.3m at 30 June 2019 (30 June 2018: £9.1m). During the period, a dividend of £0.8m was paid (H1 2018: £0.6m).

Operating cash inflows for the first half the year amounted to £1.9m (H1 2018: £0.4m outflow). This was mainly attributable to the Group's improved profitability and the net debtor/creditor movements in the period.

The Group holds equity stakes in the London Stock Exchange and Euroclear and these investments are currently valued at £9.0m on the balance sheet (H1 2018: £6.5m). The increase in the value of these holdings between the two halves reflects the review of the carrying value of the Euroclear investment at the end of 2018. Since 30 June 2019, the value of the London Stock Exchange investment has increased markedly by £0.6m as at 6 August.

Debtor and creditor balances mainly comprise open positions with the market and customers. Consequently, the movement in these balances reflects the timing of outstanding trades with these parties. Following the issue of *IFRS 16 Leases*, the Group's leases have been reclassified and are now held on the balance sheet. This has resulted in an increase to assets (property, plant and equipment) and liabilities (trade and other payables) of £1.4m as at 30 June 2019. The effect on the income statement is immaterial.

The Group's balance sheet remains strong, with shareholders' funds up by 10% to £19.8m at the period end (2018: £17.9m) equivalent to 13.8p per ordinary share in issue (H1 2018: 12.5p).

Outlook

The immediate outlook remains uncertain for both stockmarkets and personal investors, with Brexit a major factor. Our survey of customers conducted in mid-July showed that a substantial proportion would like the Government to 'get on' with Brexit, with over 40% favouring leaving on 31 October 2019 without a deal in place, while at the same time recognising that a 'hard' Brexit will likely have a negative impact on markets and investments. A majority believe that the stockmarket will end the year at a lower level than current levels. It is evident that Brexit uncertainty has cast a long shadow over trading volumes, but the customer survey indicates a clear wish for this uncertainty to be resolved so that investors can re-position their portfolios accordingly.

Meanwhile, we remain focused on our plans to substantially increase the scale of the business, serving the many millions of actual and potential personal investors in the UK. This includes growing both organically and through acquisitions and partnerships to access new and larger customer bases.

In the second half of the year, we will be welcoming new customers from J.P. Morgan who will be joining us in September. As previously stated, this follows an agreement to acquire an active book of accounts covering up to 20,000 customers and around £750m of assets under administration, predominantly investment trusts.

We also remain active in our campaigning efforts on behalf of personal investors. We are focusing on two areas currently, first, shareholder rights, where we are lobbying for Part 9 of the Companies Act to be made mandatory for regulated nominee service providers. This is particularly important given the increased focus on social impact investing and the desire of personal investors to engage with the companies they are invested in, not just divest their holdings. Secondly, we would like to see real energy put behind the Government's Child Trust Fund programme, in particular to ensure that all children now aged 16 (and those turning 18 next year) are aware of their Child Trust Fund accounts, since very large numbers of HMRC-allocated accounts are currently lost to the young people to whom they belong. We also believe that these accounts should be used as a catalyst to improve financial education of young people.

The need for greater personal participation and engagement in business from their customers and employees has never been greater, and The Share Centre is well positioned to help drive and service that process.

Gavin Oldham OBE
Chairman
8 August 2019

sharEplc:

Condensed consolidated income statement

	Notes	**Six months ended 30 June 2019 (unaudited) £'000**	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Revenue		**11,117**	10,175	21,039
Administrative expenses		**(11,013)**	(10,695)	(21,354)
Operating profit/(loss)		**104**	(520)	(315)
Investment revenues		**68**	245	293
Other income		**19**	-	-
Lease finance costs	2	**(40)**	-	-
Profit/(loss) before tax		**151**	**(275)**	**(22)**
Taxation	4	**(20)**	(4)	(47)
Profit/(loss) for the period		**131**	**(279)**	**(69)**
Earnings per share:				
Basic earnings/(loss) per share (pence)*	5	**0.1**	(0.2)	0.0
Diluted earnings/(loss) per share (pence)*	5	**0.1**	(0.2)	0.0

* The Directors consider that the underlying earnings per share as presented in note 5 represents a more consistent measure of the underlying performance of the business as this measure excludes one-off items of income or expense.

Notes 1 to 10 form part of these financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Profit/(loss) for the period	**131**	(279)	(69)
Items that will not be classified to profit or loss:			
Gains on revaluation of investments of equity investments	**914**	407	1,906
Deferred tax on gains on revaluation of equity investments	**(155)**	(73)	(343)
Exchange (losses)/gains on equity investments	**-**	(68)	35
Deferred tax on exchange losses/(gains) on equity investments	**-**	12	(5)
Deferred tax impact of change in tax rates	**76**	58	58
	835	336	1,651
Total other comprehensive income for the period	**835**	**336**	**1,651**
Total comprehensive income for the period attributable to equity shareholders	**966**	**57**	**1,582**

Notes 1 to 10 form part of these financial statements.

shareplc:

Condensed consolidated balance sheet

	Notes	As at 30 June 2019 (unaudited) £'000	As at 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Non-current assets				
Intangible assets		3,645	3,394	3,710
Property, plant and equipment		227	281	251
Lease assets		1,346	-	-
Equity investments	10	9,287	6,770	8,373
Deferred tax assets		325	215	182
		14,830	10,660	12,516
Current assets				
Trade and other receivables		26,971	33,513	16,915
Cash and cash equivalents	6	9,310	9,075	8,994
Current tax asset		-	147	155
		36,281	42,735	26,064
Total assets		51,111	53,395	38,580
Current liabilities				
Trade and other payables		(28,394)	(34,307)	(17,671)
Lease liabilities	2	(35)	-	-
Current tax liabilities		(14)	-	-
		(28,443)	(34,307)	(17,671)
Net current assets		7,838	8,428	8,393
Non-current liabilities				
Lease liabilities	2	(1,370)	-	-
Deferred tax liabilities		(1,522)	(1,163)	(1,442)
		(2,892)	(1,163)	(1,442)
Total liabilities		(31,335)	(35,470)	(19,113)
Net assets		**19,776**	**17,925**	**19,467**
Equity				
Share capital		718	718	718
Capital redemption reserve		104	104	104
Share premium account		1,064	1,064	1,064
Employee benefit reserve		(1,417)	(1,595)	(1,422)
Retained earnings		12,136	12,613	12,667
Revaluation reserve		7,171	5,021	6,336
Equity shareholders' funds		**19,776**	**17,925**	**19,467**

This condensed set of financial statements was approved by the Board on 7 August 2019.

Signed on behalf of the Board

Gavin Oldham OBE
Chairman

Notes 1 to 10 form part of these financial statements.

sharеplc:

Condensed consolidated statement of changes in equity

	Share capital	Capital redemption reserve	Share premium account	Employee benefit reserve	Retained earnings	Revaluation reserve	**Attributable to equity holders of the company**
Balance at 1 January 2018 (audited)	**718**	**104**	**1,064**	**(1,631)**	**13,249**	**4,685**	**18,189**
Total comprehensive (loss)/income for the period	-	-	-	-	(279)	336	**57**
Dividends	-	-	-	-	(554)	-	**(554)**
Purchases of ESOP shares	-	-	-	(150)	-	-	**(150)**
Sales of ESOP shares	-	-	-	76	-	-	**76**
Cost of matching and free shares in SIP	-	-	-	98	(98)	-	**-**
Profit on sale of ESOP shares and dividends received	-	-	-	12	(12)	-	**-**
Share-based payment	-	-	-	-	267	-	**267**
Deferred tax on share-based payment	-	-	-	-	40	-	**40**
Balance at 30 June 2018 (unaudited)	**718**	**104**	**1,064**	**(1,595)**	**12,613**	**5,021**	**17,925**
Total comprehensive income for the period	-	-	-	-	210	1,315	**1,525**
Purchases of ESOP shares	-	-	-	(334)	-	-	**(334)**
Sales of ESOP shares	-	-	-	76	-	-	**76**
Cost of matching and free shares in the SIP	-	-	-	104	(104)		**-**
Profit on sale of ESOP shares and dividends received	-	-	-	327	(327)	-	**-**
Share-based payment	-	-	-	-	284	-	**284**
Deferred tax on Share-based payment	-	-	-	-	(17)	-	**(17)**
Share-based payment current year taxation	-	-	-	-	8	-	**8**
Balance at 31 December 2018 (audited)	**718**	**104**	**1,064**	**(1,422)**	**12,667**	**6,336**	**19,467**
Total comprehensive income for the period	-	-	-	-	131	835	**966**
Dividends	-	-	-	-	(765)	**-**	**(765)**
Purchases of ESOP shares	-	-	-	(318)	-	-	**(318)**
Sales of ESOP shares	-	-	-	227	-	-	**227**
Cost of matching and free shares in SIP	-	-	-	92	(92)	-	**-**
Profit on sale of ESOP shares and dividends received	-	-	-	4	(4)	-	**-**
Share-based payment	-	-	-	-	221	-	**221**
Deferred tax on share-based payment	-	-	-	-	98	-	**98**
Share-based payment current year taxation	-	-	-	-	2	-	**2**
Reclassification of Leases	-	-	-	-	(122)	-	**(122)**
Balance at 30 June 2019 (unaudited)	**718**	**104**	**1,064**	**(1,417)**	**12,136**	**7,171**	**19,776**

Notes 1 to 10 form part of these financial statements.

sharEplc:

Condensed consolidated cash flow statement

	Notes	**Six months ended 30 June 2019 (unaudited) £'000**	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Net cash from/(used in) operating activities	7	**1,856**	(396)	415
Investing activities:				
Interest received		**42**	21	58
Dividends received from trading investments		**26**	154	235
Purchase of property, plant and equipment		**(37)**	(126)	(157)
Purchase of intangible assets		**(431)**	(490)	(1,211)
Net cash used in investing activities		**(400)**	(441)	(1,075)
Financing activities:				
Equity dividends paid	8	**(765)**	(554)	(554)
Shares purchased through employee benefit reserve		**(318)**	(150)	(484)
Shares sold through employee benefit reserve		**227**	76	152
Lease payments	2	**(284)**	-	-
Net cash used in financing		**(1,140)**	(628)	(886)
Net increase/(decrease) in cash and cash equivalents		**316**	(1,465)	(1,546)
Cash and cash equivalents at the beginning of the period		**8,994**	10,540	10,540
Cash and cash equivalents at the end of the period		**9,310**	**9,075**	**8,994**

Notes 1 to 10 form part of these financial statements.

Notes to the interim accounts

1 Basis of preparation

The financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union. However, this announcement does not itself contain sufficient information to comply with IFRS. The financial information contained in these Interim Financial Statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's published full financial statements comply with IFRS. A copy of the latest statutory accounts has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The Group accounts consolidate the financial statements of the Company and its subsidiaries, The Share Centre Limited and The Share Centre (Administration Services) Limited, which make up their financial statements. Other subsidiaries are not included in the Share plc consolidation as they are not trading and not material to the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

The following standards, amendments and interpretations have been issued with the corresponding implementation date, subject to EU endorsement in some cases:

- *IFRS 16 Leases*, effective 1 January 2019
- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*, effective 1 January 2019
- Amendments to *IFRS 9 Prepayment Features with Negative Compensation*, effective 1 January 2019
- Amendments to *IAS 28 Long-term Interests in Associates and Joint Ventures*, effective 1 January 2019
- Amendments to *IAS 19 Plan Amendment, Curtailment or Settlement*, effective 1 January 2019
- AIP *IFRS 3 Business Combinations* and AIP *IFRS 11 Joint Arrangements* – Previously held interests in joint operation, effective 1 January 2019
- AIP *IAS 12 Income Taxes* – Income tax consequences of payments on financial instruments classified as equity, effective 1 January 2019
- AIP *IAS 23 Borrowing Costs* – costs eligible for capitalisation, effective 1 January 2019
- Amendments to *IFRS 3 – Definition of a Business*, effective 1 January 2020
- Amendments to *IAS 1* and *IAS 8 – Definition of a Material*, effective 1 January 2020
- Conceptual Framework for Financial Reporting, effective 1 January 2020
- *IFRS 17 Insurance Contracts*, effective 1 January 2021
- Amendments to *IFRS 10* and *IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, postponed indefinitely

Those amendments with an effective date of 1 January 2019, where relevant, have been applied to the financial statements of the Group (for further details see note 2). The impact of future standards and amendments on the financial statements is being assessed by the Group.

Notes to the interim accounts (continued)

2 Accounting policies

The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's latest annual audited financial statements.

IFRS 16 Leases

A new accounting standard has been issued, *IFRS 16 Leases*, which replaced *IAS 17 Leases*, effective from 1 January 2019. The new standard fundamentally altered the classification and measurement of operating leases for lessees, removing the distinction between operating and finance leases.

This new standard has had the following impact on the Group's accounts:

- The Group currently holds two contractual arrangements deemed to satisfy the conditions of a lease, and which do not fall into the exceptions of the standard. These are the contractual arrangements in relation to rental of the office building and the rental of photocopiers.
- Previously these leases were accounted for in the income statement on an accruals basis under *IAS 17*. Under the new standard, these two assets are now held on the balance sheet as "right of use" assets measured at cost (deemed to be the initial measurement of the lease liability plus any set up costs). The lease has initially been measured as the total payments required under the terms of the lease, discounted by the incremental borrowing rate (as per the contract) to account for time value of money.
- This cost includes the lease element only, excluding any maintenance costs. Maintenance costs remain in the income statement, as under the previous treatment.
- The payments made under the lease contracts are no longer charged to the income statement; instead they are offset against the liabilities on the balance sheet.
- Monthly depreciation of the assets is charged to the income statement.
- Interest on the liabilities, calculated at the incremental borrowing rates (building lease: 4.75%, photocopier leases: 3.00%), is charged to the income statement monthly.

Upon transition to *IFRS 16*, the Group applied the modified retrospective approach and will therefore not restate comparative information in the 2019 financial statements. Prior period amendments that arise from the adoption of *IFRS 16* have been recognised directly in retained earnings as of 1 January 2019, as follows:

	Office building £'000	Photocopiers £'000	**Total £'000**
Right of use assets			
Value as at 1 January 2019	-	-	**-**
Reclassification of leases	1,357	123	**1,480**
Depreciation charge of right of use asset	(118)	(16)	**(134)**
Value as at 30 June 2019	1,239	107	**1,346**
Lease liabilities			
Value as at 1 January 2019	-	-	**-**
Reclassification of leases	(1,524)	(125)	**(1,649)**
Interest expense on lease liability	(38)	(2)	**(40)**
Cash outflows (lease payments)	264	20	**284**
Value as at 30 June 2019	(1,298)	(107)	**(1,405)**

Notes to the interim accounts (continued)

The impact on the income statement was as follows:

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000
Depreciation expense of right of use assets	(134)	-
Interest expense on lease liabilities	(40)	-
Lease rental expense	-	(168)
Total recognised in the income statement	**(174)**	**(168)**

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, but currently remain unchanged against those applied in the Group's latest annual audited financial statements.

4 Taxation

Tax for the six month period is charged at 19% (H1 2018: 19%), representing the best estimate of the average annual effective tax rate expected for the full year. 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. In 2019, this is 17% (2018: 18%).

5 Earnings per share

Earnings	**Six months ended 30 June 2019 (unaudited) £'000**	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 31 December 2018 (audited) £'000
Earnings for the purpose of basic and diluted earnings per share, being net profit/(loss) attributable to equity holders of the parent company	**131**	(279)	(69)
Other income, gains and losses	**(19)**	-	-
FSCS levies	**106**	158	235
Share-based payments	**221**	267	551
One-off redundancy/termination costs	**10**	13	93
One-off costs relating to legal and professional fees	**167**	-	50
Profit share impact of the above adjustments	**(104)**	(94)	(200)
Taxation impact of the above adjustments	**(30)**	(15)	(34)
Earnings for the purposes of underlying basic and diluted earnings per share	**482**	50	626

Notes to the interim accounts (continued)

Number of shares	**Number '000**	Number '000	Number '000
Weighted average number of ordinary shares	**145,522**	145,667	144,559
Non-vested shares held by employee share ownership trust	**(4,637)**	(5,158)	(4,759)
Basic earnings per share denominator	**140,885**	140,509	139,800
Effect of potential dilutive share options	**7,209**	7,452	8,182
Diluted earnings per share denominator	**148,094**	147,961	147,982
Basic earnings per share (p)	**0.1**	(0.2)	0.0
Diluted earnings per share (p)	**0.1**	(0.2)	0.0
Underlying (basic and diluted) earnings per share (pence)	**0.3**	0.0	0.4

The directors believe that the underlying earnings per share represent a more consistent measure of the underlying performance of the Group.

6 Cash and cash equivalents

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Cash at bank and in hand	**6,454**	6,532	7,284
Cash held in trust for customers**	**2,856**	2,543	1,710
	9,310	**9,075**	**8,994**

** This amount is held by The Share Centre Limited in trust on behalf of customers but may be used to complete settlement of outstanding bargains and dividends due.

At 30 June 2019 segregated deposit amounts held by the Group on behalf of customers in accordance with the client money rules of the Financial Conduct Authority amounted to £423m (30 June 2018: £439m). The Group has no beneficial interest in these deposits and accordingly they are not included on the balance sheet.

7 Cash flow

Reconciliation of operating loss to net cash outflow from operating activities:

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Operating profit/(loss) for the year	**104**	(520)	(315)
Other income, gains and losses	**19**	-	-
Depreciation of property, plant and equipment	**61**	59	120
Amortisation of intangible assets	**495**	293	698
Reclassification of leases	**46**	-	-
Depreciation of lease assets	**134**	-	-
Share-based payments	**221**	267	551
Operating cash flows before movement in working capital	**1,080**	99	1,054
(Increase)/decrease in receivables	**(10,055)**	(8,840)	7,758
Increase/(decrease) in payables	**10,723**	8,365	(8,271)
Cash generated by/(used in) operations	**1,748**	(376)	541
Income taxes received/(paid)	**108**	(20)	(126)
Net cash from/(used in) operating activities	**1,856**	**(396)**	**415**

Notes to the interim accounts (continued)

8 Dividends

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
2018 final dividend of 0.55p per ordinary share paid in current year (2017: 0.40p)	**790**	575	575
Less amount received on shares held via ESOP***	**(25)**	(21)	(21)
	765	554	554

*** Employee Stock Ownership Plan ('ESOP')

9 Share-based payments

The Group continues to grant share options under Company Share Ownership Plan ('CSOP') at six-monthly intervals and discretionary grants to senior managers and directors as deemed appropriate by the Board Remuneration Committee. In addition, the Group has an Unapproved Share Option Scheme, Long Term Equity Incentive Plan ('LTEIP') and a Co-ownership Equity Incentive Plan ('CEIP'). There are a number of options still outstanding on the Enterprise Management Incentive ('EMI') scheme. All options expire ten years after the date of grant and, with the exception of some options granted under the unapproved and LTEIP share option scheme, the vesting period for options is three years.

In respect of the CEIP, the shares are jointly held with the Employee Benefit Trust. The individual recipients are able to sell the shares concerned between three and ten years after the grant date and benefit from the excess of the sales price at that time over and above the price specified in the Co-ownership agreement. That price is set at a c.20% premium to the market price at the date of grant.

The Group has applied the requirements of *IFRS 2* in respect of share-based payments. In the period, the Group made an equity-settled share-based payment under the Group's CSOP scheme of 150,000 shares on 1 May 2019. In all cases, all options have been granted with an exercise price equal to market value – being the closing mid-price on the day prior to grant. A fair value has been determined during the year using the Black Scholes model.

Fair values have been determined for the grant made during the period using the Monte Carlo and Black Scholes models. The main assumptions are as follows:

	CSOP
Grant date	1/5/19
Share price at date of grant	28.5p
Exercise price	28.5p
Risk-free interest rate	0.50%
Dividend yield	2.00%
Volatility (based on historic share price movements)	30.0%
Average maturity at exercise	5 years
Fair value per option	6.207p

Notes to the interim accounts (continued)

Details of the share options outstanding during the year are as follows:

	As at 30 June 2019 (unaudited)		As at 31 December 2018 (audited)	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the period	**13,687,675**	**13.7**	14,143,865	13.6
Granted during the period	**150,000**	**28.3**	1,160,576	9.8
Exercised during the period	**(322,686)**	**26.8**	(1,113,149)	1.8
Expired or forfeited during the period	**(51,953)**	**27.7**	(503,617)	26.6
Outstanding at the end of the period	**13,463,036**	**14.0**	13,687,675	13.7
Exercisable at the end of the period	**4,953,983**	**29.0**	3,343,540	35.5

The weighted average market share price at the date of exercise for options exercised during the first six months of 2019 was 34.3p (the first six months of 2018: 26.0p).

In addition the Group operates a Share Incentive Plan ('SIP'); further detail of this scheme is available from the Group's annual report and accounts.

The total expense for equity-settled share-based payments for the Group in respect of awards made in the first half of 2019 was £140,000 (six months ended 30 June 2018: £146,000). This expense is then applied across the three years to the vesting date. An adjustment is made to this figure in respect of members of staff to whom options and shares have been granted but who have left the Group's employment. The overall net charge taken in the income statement for the first half of 2019 was £221,000 (six months ended 30 June 2018: £267,000).

10 Equity investments

	Six months ended 30 June 2019 (unaudited) £'000	Six months ended 30 June 2018 (unaudited) £'000	Year ended 31 December 2018 (audited) £'000
Unlisted investments at fair value	**5,935**	4,088	5,936
Listed investments at fair value	**3,352**	2,682	2,437
	9,287	6,770	8,373

The increase in the value of unlisted investments since 30 June 2018 reflects the review of the carrying value of the Euroclear investment at the end of 2018.

Since 30 June 2019, the value of the London Stock Exchange holding has increased by £0.6m as at 6 August.