



Interim Report
2010

WHO WE ARE

A **leading** independent, investment banking and stockbroking group. We offer a full range of research, execution, equity capital markets, corporate broking and corporate finance services to UK quoted companies and their investors.

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FINANCIAL HIGHLIGHTS

A significantly improved performance

Revenue

Period ended 31 March 2010 up 63%

£31.3m £19.1m
2009

Adjusted profit before tax

Period ended 31 March 2010 up 235%

£9.4m £2.8m
profit
2009

Statutory profit before tax

Period ended 31 March 2010

£6.1m £6.4m
loss
2009

Adjusted basic earnings per share

Period ended 31 March 2010

7.8p 0.7p
EPS 2009

Net assets

As at March 2010

£109.2m £113.8m
Sep 2009

Interim dividend

Period ended 31 March 2010

4.00p 2.50p
2009



CHIEF EXECUTIVE'S STATEMENT

Our focus on the core elements of our business, a strong balance sheet and serving our clients' needs has enabled us to build our franchise even through the most difficult market conditions. We are pleased to report **growth in number and quality of corporate clients** and in particular the advances we have made into the FTSE250 space in which we now serve 20 corporate clients. Alongside this, recruitment of high calibre employees has been a focus during the downturn.

It has been an encouraging first half which has seen us benefit from the investment we have made in our people and our clients whilst maintaining a tight grip on our cost base. Having positioned the firm to weather the downturn we are now in a **strong position** to take advantage of the upturn.

A strong franchise and a well positioned business

Market recognition

2007 & 2009 Thomson Reuters Extel Survey

No.1

Corporate client base increased

(September 2009: 122) of which 20 are FTSE250

126

Average market capitalisation of our clients

(September 2009: £216m)

£240m

Funds raised during the period up 90%

(2009: £478m) including 3 IPO's

£908m

Control over cost base with non-staff cost reduced by

16%

Combined institutional commission and trading revenues up 114%

(2009: £6.3m)

£13.6m

We are delighted that the business has delivered a significantly better performance for the six months ended 31 March 2010 generating operating revenue of £31.3m (2009: £19.1m) and adjusted profit before tax of £9.4m (2009: £2.8m). In addition, there were £1.3m of gains (2009: £8.0m losses) recognised on investments held outside of our market making business and £4.6m of charges (2009: £1.1m) relating to employee share scheme arrangements. A reconciliation of the adjusted profit to the statutory result is set out in note 2.

Our balance sheet remains robust with cash and cash collateral balances totalling £58.0m (September 2009: £77.8m) while net assets have reduced slightly to £109.2m (September 2009: £113.8m). Cash outflows in the period have been as a result of the re-balancing of our interim dividend which, this year, was paid to shareholders during March 2010. In addition, we took the opportunity to purchase our own shares into the Group's Employee Benefit Trust. The combined impact of these actions together with the payment of the 2009 final dividend resulted in cash outflows of £17.5m.

Following the adverse market conditions experienced during the latter half of 2008 and the first quarter of 2009, we have seen an improvement in the external business environment. Equity indices have rebounded strongly, and have continued their upward trend over the six months ended 31 March 2010 with the FTSE 100 up 10.6%, FTSE 250 up 11.2% and AIM up 8.8%. Coupled with this, the appetite and opportunities for fund raising and corporate activity are also improving.

Having managed our way through the downturn and taken steps to ensure the firm is well positioned, it is satisfying to report a strong set of half year results in combination with a 90% increase in equity funds raised to £908m when compared with the same period last year, an increase in FTSE 250 corporate clients to 20 (from 9 a year ago) and continued strengthening of our franchise with the appointment of a head of corporate finance, additional sector specialists in corporate finance and the creation of a debt issuance and secondary market capability.

CHIEF EXECUTIVE'S STATEMENT

Our investment portfolio (the results of which are reported through the other operating income/(loss) line of the income statement) has benefited from improved equity prices and significantly reduced volatility compared to the equivalent period last financial year. During the first half of 2009, fair value losses of £8.0m were recorded, the majority of which occurred in October and November 2008. However, the first half of 2010 has seen fair value gains of £0.9m combined with dividend receipts of £0.4m. The portfolio is valued at £21.5m (September 2009: £21.7m) the majority of which comprises holdings in quoted companies.

Having made significant progress on cost reduction initiatives last year we are now seeing the benefit in our cost base. Non staff costs during the period are 16% down on the same period last year and we continue to examine further opportunities to improve our performance in this area. Higher levels of staff costs compared to the same period last year have been driven by increases in share scheme related charges and an increase in incentive payments' accrual. Excluding these two items, staff costs have remained broadly unchanged.

Corporate Broking and Advisory

We are particularly pleased to report that our clients raised a total of £908m (2009: £478m) through 18 transactions (2009: 7) which also compares to £787m raised during the whole of 2009. This has been achieved in the context of equity capital raising across all LSE markets being 56% lower than the same period last year and, excluding the banking sector rights issues which took place in the prior period, 49% lower. We continue to attract high quality corporate clients with a further 15 new clients added bringing the total number for whom we act to 126 companies having an average market capitalisation of £240m, higher than at any time during the top of the cycle in 2007. We now represent 20 FTSE250 clients.

Research, Sales and Trading

Our research and execution services are recognised as being exceptional and have enabled us to maintain an increased market share throughout the period. In the 2009 Thomson Reuters Extel survey (for UK companies of up to £1bn market capitalisation), Numis was voted Leading Brokerage Firm for the second time in three years. In particular, our research teams were ranked in the top three in the majority of sectors that we cover. Our highly rated analysts produce research on over 400 companies and we have a recognised capability in sixteen sectors. External recognition was achieved for the third year running as Numis was ranked number one for FTSE250 Best Recommendations by StarMine.

Our execution services, across an increasing range of trading venues, continue to make a major contribution to the development of our reputation, the resilience of our institutional commissions and the sustained improvements in market share, particularly in FTSE 250 stocks.

Sales & Trading is an increasingly competitive area with pressure on commission levels for trades in liquid stocks from electronic trading. However, our clients have a strong demand for independent and well-researched ideas combined with high quality execution and we believe our platform is well placed to improve performance for our 450+ active institutional clients across the UK, Europe and the USA. Our US office continues to provide an excellent service arranging road shows in the USA for FTSE250 companies. This is an increasingly important and valuable service as US investors represent a growing proportion of the FTSE250 share registers.

Dividend and Scrip Alternative

As part of our desire to re-balance the Group's dividend payments to reflect more accurately the underlying profile of earnings, the board approved the payment of an interim dividend of 4.00p per share (2009: interim 2.50p per share, total 8.00p per share) on 18 February 2010 for payment on 31 March 2010. The dividend was payable to all shareholders on the register on 26 February 2010 and shareholders were offered the option to receive shares instead of a cash dividend. This dividend is included in the results presented.

Outlook

During the downturn we have taken significant steps in building our business, have kept costs under control and maintained a strong balance sheet. We have also been successful in recruiting first class people both in the UK and the US.

With our ability to provide independent and unconflicted advice to our clients in both the equity and debt arena, we are well positioned and are increasingly optimistic about the future of our business.

Oliver Hemsley

Chief Executive
5 May 2010

CONSOLIDATED INCOME STATEMENT

	Notes	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Continuing operations				
Revenue	4	31,278	19,138	47,533
Other operating income/(loss)		1,333	(8,032)	(7,846)
Total revenue		32,611	11,106	39,687
Administrative expenses	5	(27,151)	(21,999)	(52,915)
Operating profit/(loss)		5,460	(10,893)	(13,228)
Loss on disposal of subsidiary		-	-	(138)
Finance income	6	696	4,583	2,901
Finance costs		(13)	(44)	(54)
Profit/(loss) before tax		6,143	(6,354)	(10,519)
Taxation		(1,266)	(110)	1,870
Profit/(loss) after tax		4,877	(6,464)	(8,649)
Attributable to:				
Equity holders of the parent		4,877	(6,464)	(8,649)
Earnings/(loss) per share	7			
Basic		4.7p	(6.4p)	(8.4p)
Diluted		4.5p	(6.4p)	(8.4p)
Memo – dividends during the period	8	(10,103)	(5,212)	(7,855)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Profit/(loss) for the period	4,877	(6,464)	(8,649)
Exchange differences on translation of foreign operations	(88)	(283)	62
Other comprehensive (expense)/income for the period, net of tax	(88)	(283)	62
Total comprehensive income/(expense) for the period, net of tax, attributable to equity holders of the parent	4,789	(6,747)	(8,587)

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2010 Unaudited €'000	31 March 2009 Unaudited €'000	30 September 2009 Audited €'000
Non-current assets				
Property, plant and equipment		2,241	2,866	2,509
Intangible assets		85	223	146
Derivative financial instruments		473	1,101	645
Deferred tax	9a	2,671	-	2,782
		5,470	4,190	6,082
Current assets				
Trade and other receivables	9b	236,841	132,786	165,341
Trading investments	9c	41,450	31,683	32,994
Stock borrowing collateral	9d	11,549	7,283	5,759
Derivative financial instruments		875	2,094	2,002
Current income tax		-	74	463
Cash and cash equivalents		53,388	58,761	74,266
		344,103	232,681	280,825
Current liabilities				
Trade and other payables	9b	(216,501)	(115,305)	(159,872)
Financial liabilities		(14,764)	(7,112)	(5,192)
Stock lending collateral	9d	(7,350)	-	(6,900)
Current income tax		(1,090)	-	-
Provisions		(207)	(342)	(580)
		(239,912)	(122,759)	(172,544)
Net current assets		104,191	109,922	108,281
Non-current liabilities				
Provisions		(438)	(309)	(546)
Net assets		109,223	113,803	113,817
Equity				
Share capital		5,593	5,550	5,557
Share premium account		30,106	28,794	28,971
Capital reserve		6,428	1,993	6,742
Retained profits		67,096	77,466	72,547
Equity attributable to equity holders of the parent		109,223	113,803	113,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reserve £'000	Retained profits £'000	Total £'000
Attributable to equity holders of the parent at 1 October 2008	5,378	24,719	1,503	86,814	118,414
New shares issued	172	4,075	-	-	4,247
Dividends paid				(5,212)	(5,212)
Movement in respect of employee share plans			773	2,316	3,089
Deferred tax related to share based payments			-	-	-
Total comprehensive expense for the period			(283)	(6,464)	(6,747)
Other				12	12
Attributable to equity holders of the parent at 31 March 2009	5,550	28,794	1,993	77,466	113,803
Attributable to equity holders of the parent at 1 October 2008	5,378	24,719	1,503	86,814	118,414
New shares issued	179	4,252	-	-	4,431
Dividends paid				(7,855)	(7,855)
Movement in respect of employee share plans			5,177	1,289	6,466
Deferred tax related to share based payments				936	936
Total comprehensive expense for the period			62	(8,649)	(8,587)
Other				12	12
Attributable to equity holders of the parent at 30 September 2009	5,557	28,971	6,742	72,547	113,817
Attributable to equity holders of the parent at 1 October 2009	5,557	28,971	6,742	72,547	113,817
New shares issued	36	1,135	-	-	1,171
Dividends paid				(10,103)	(10,103)
Movement in respect of employee share plans			(226)	(144)	(370)
Deferred tax related to share based payments				(152)	(152)
Total comprehensive income for the period			(88)	4,877	4,789
Other				71	71
Attributable to equity holders of the parent at 31 March 2010	5,593	30,106	6,428	67,096	109,223

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Cash flows from operating activities	10	(4,214)	(578)	20,653
Interest paid		(13)	(44)	(54)
Taxation refunded		246	652	643
Net cash (used in)/from operating activities		(3,981)	30	21,242
Investing activities				
Purchase of property, plant and equipment		(26)	(125)	(191)
Purchase of intangible assets		-	(33)	(33)
Proceeds from disposal of subsidiary		-	-	7
Interest received		515	790	875
Net cash from investing activities		489	632	658
Financing activities				
Movement in respect of Employee Benefit Trusts		(8,600)	62	(2,533)
Dividends paid		(8,932)	(4,465)	(6,924)
Net cash used in financing		(17,532)	(4,403)	(9,457)
Net movement in cash and cash equivalents		(21,024)	(3,741)	12,443
Opening cash and cash equivalents		74,266	59,899	59,899
Net movement in cash and cash equivalents		(21,024)	(3,741)	12,443
Exchange movements		146	2,603	1,924
Closing cash and cash equivalents		53,388	58,761	74,266

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. These financial statements have been prepared in accordance with AIM Rule 18. The statutory accounts for the year ended 30 September 2009, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The report of the independent auditor on those statutory accounts contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.

The preparation of these interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these interim financial statements have been applied on a consistent basis with the statutory accounts for the year ended 30 September 2009. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The accounting policies applied in these interim financial statements are the same as those published in the Group's statutory accounts for the year ended 30 September 2009, except as set out below:

IAS 1 (revised) 'Presentation of Financial Statements': the adoption of the revised standard has no effect on the results reported in the Group's consolidated financial statements, however it does result in certain presentation changes. All items of income and expenditure are now presented in two primary statements, the 'Income Statement' and the 'Statement of Comprehensive Income'. Some non-owner changes that were recognised directly in equity are now recognised in the statement of comprehensive income.

IFRS 8 'Operating Segments' requires operating segments to be identified on the same basis as that used for internal management reporting with regard to components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance. The chief operating decision maker is the Group's Chief Executive. The Group is managed as an integrated investment banking business and although there are different revenue types the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently the Group is managed as a single business unit, namely investment banking, and the adoption of this standard has not resulted in a change to the operating segment previously reported under IAS 14 "Segment Reporting". IFRS 8 also requires entity-wide disclosures relating to revenues earned by geographical location and certain non-current assets attributable to the Group's country of domicile and foreign countries.

IFRS 7 (revised) 'Financial Instruments: Disclosure' increases the disclosure requirements around fair value measurement and liquidity risk. However, as these interim financial statements contain only condensed financial statements, full IFRS 7 disclosures are not required. The relevant IFRS 7 disclosures will be made in the Group's statutory accounts for the year ended 30 September 2010.

NOTES TO THE FINANCIAL STATEMENTS

2 Adjusted Profit Measures

The following table reconciles the statutory measures of profit/(loss) before tax, profit/(loss) after tax and earnings/(loss) per share to the adjusted measures used by management in their assessment of the underlying performance of the business:

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Statutory group profit/(loss) before tax	6,143	(6,354)	(10,519)
Items not included within adjusted profit before tax:			
Other operating (income)/loss	(1,333)	8,032	7,846
Share scheme charge	4,247	1,149	6,208
National insurance provisions related to share scheme awards	387	(6)	660
Adjusted group profit before tax	9,444	2,821	4,195
Statutory group taxation	(1,266)	(110)	1,870
Tax impact of adjustments	(178)	(1,991)	(2,733)
Adjusted group taxation	(1,444)	(2,101)	(863)
Adjusted group profit after tax	8,000	720	3,332
Basic weighted average number of shares, number	102,738,919	101,255,597	102,539,193
Adjusted earnings per share, pence	7.8p	0.7p	3.2p

3 Segmental Reporting

Geographical information

The Group is managed as an integrated investment banking business and although there are different revenue types (which are separately disclosed in note 4) the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently the Group is managed as a single business unit, namely investment banking.

The Group earns its revenue in the following geographical locations:

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
United Kingdom	28,711	16,865	42,347
United States	2,567	2,409	5,322
Rest of World	–	(136)	(136)
	31,278	19,138	47,533

There are no customers which account for more than 10% of revenues in the six month period ended 31 March 2010 or the year ended 30 September 2009. In the six month period ended 31 March 2009 there was one customer who accounted for £3,935,000 of revenue being more than 10% of the revenues earned in that period.

The following is an analysis of the carrying amount of non-current assets (excluding financial instruments and deferred tax assets) by the geographical area in which the assets are located:

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
United Kingdom	1,886	2,535	2,185
United States	440	554	470
	2,326	3,089	2,655

NOTES TO THE FINANCIAL STATEMENTS

3 Segmental Reporting (continued)

Other information

In addition, the analysis below sets out the revenue performance and net asset split between our core investment banking & broking business and the small number of equity holdings which constitute our investment portfolio.

	Note	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Net institutional income		13,597	6,347	25,191
Corporate transaction revenues		15,374	10,491	17,759
Corporate retainers		2,307	2,300	4,583
Revenue from investment banking & broking	4	31,278	19,138	47,533
Investment activity net gains/(losses)		1,333	(8,032)	(7,846)
Contribution from investing activities		1,333	(8,032)	(7,846)
Total		32,611	11,106	39,687
Net assets				
Investment banking & broking		34,345	33,261	17,818
Investing activities		21,490	21,781	21,733
Cash and cash equivalents		53,388	58,761	74,266
Total net assets		109,223	113,803	113,817

4 Revenue

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Net trading gains/(losses)	2,981	(4,529)	1,716
Institutional commissions	10,616	10,876	23,475
Net institutional income	13,597	6,347	25,191
Corporate retainers	2,307	2,300	4,583
Deal fees	2,404	2,960	5,422
Placing commissions	12,970	7,531	12,337
	31,278	19,138	47,533

5 Administrative Expenses

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Staff costs	18,598	11,777	33,139
Non-staff costs	8,553	10,222	19,776
	27,151	21,999	52,915

The major constituents of non staff costs comprise our technology platform, premises costs and expenses incurred through brokerage, clearing and exchange fees. Staff costs include share scheme related charges and incentive payment accruals and therefore are particularly sensitive to movements in these two items.

6 Finance Income

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Interest receivable and similar income	294	790	1,041
Net foreign exchange gains	402	3,793	1,860
	696	4,583	2,901

Interest receivable and similar income has been impacted by falling interest yields available on corporate deposits. We have been resolute in our policy of only placing deposits with financial institutions adhering to a minimum credit rating threshold thereby valuing capital protection above potential, but higher risk, interest returns elsewhere. In addition, the prior year period saw significant foreign exchange gains, primarily on US Dollar deposits, as the US Dollar strengthened by 22% over that period. These gains have not occurred during the current period.

NOTES TO THE FINANCIAL STATEMENTS

7 Earnings Per Share

Basic earnings per share is calculated on profit after tax of £4,877,000 (2009: £6,464,000 loss) and 102,738,919 (2009: 101,255,597) ordinary shares being the weighted average number of ordinary shares in issue during the period. Diluted earnings/(loss) per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders. Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred.

The calculations exclude shares held by the Employee Benefit Trust on behalf of the Group.

	6 months ended 31 March 2010 Unaudited Thousands	6 months ended 31 March 2009 Unaudited Thousands	Year ended 30 September 2009 Audited Thousands
Weighted average number of ordinary shares in issue during the period – basic	102,739	101,256	102,539
Dilutive effect of share awards	5,450	3,384	3,518
Diluted number of ordinary shares	108,189	104,640	106,057

For the 6 month period ended 31 March 2009 and the year ended 30 September 2009, there were no potential ordinary shares whose conversion would have resulted in an increase in the basic loss per share. The table above shows the diluted number of ordinary shares that would have been appropriate if the Group had reported a profit after tax in those periods.

During the period the Company issued and allotted Nil (2009: 2,800,000) new ordinary shares in order to fund awards made under the Group's share scheme arrangements.

8 Dividends

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Final dividend year ended 30 September 2008 (5.00p)		5,212	5,212
Interim dividend year ended 30 September 2009 (2.50p)			2,643
Final dividend year ended 30 September 2009 (5.50p)	5,827		
Interim dividend year ended 30 September 2010 (4.00p)	4,276		
Distribution to equity holders of the parent	10,103	5,212	7,855

The board approved the payment of an interim dividend of 4.00p per share (2009: 2.50p per share) on 18 February 2010 for payment on 31 March 2010 (2009 interim paid 1 July 2009). The dividend was payable to all shareholders on the register on 26 February 2010. This dividend is included in the results presented.

9 Balance Sheet Items

(a) Deferred tax

As at 31 March 2009 potential deferred tax assets totalling £1,007,000 were not recognised due to uncertainties in assessing the level of future taxable gains at that time. As at 30 September 2009 many of these uncertainties had been removed with the general improvement in market conditions and encouraging performance of the underlying business. Hence deferred tax assets totalling £2,782,000 were recognised at 30 September 2009.

As at 31 March 2010 deferred tax assets totalling £2,671,000 have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which these deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments.

(b) Trade and other receivables and Trade and other payables

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of these balances does vary with the level of business being transacted around the reporting date. These levels were particularly subdued at this time last year but have returned to levels previously seen at the end of 2008. Also included within Trade and other receivables are cash collateral balances held with securities clearing houses of £4,626,000 (September 2009: £3,500,000).

(c) Trading investments

Included within trading investments is £20,141,000 (30 September 2009: £19,086,000) of investments held outside of the market making portfolio. As at 31 March 2010, £7,350,000 (30 September 2009: £6,900,000) of trading investments had been pledged to certain institutions under stock lending arrangements.

(d) Stock borrowing/lending collateral

The Group enters stock borrowing and lending arrangements with certain institutions which are entered into on a collateralised basis with securities or cash advanced or received as collateral. Under such arrangements a security is purchased or sold with a commitment to return it at a future date at an agreed price. The securities purchased are not recognised on the balance sheet whereas the securities sold remain on the balance sheet with the transaction treated as a secured loan made for the purchase or sale price. Where cash has been used to effect the purchase or sale, an asset or liability is recorded on the balance sheet as stock borrowing or lending collateral at the amount of cash collateral advanced or received.

Where trading investments have been pledged as security these remain within trading investments and the value of security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of 3 months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS

10 Reconciliation of Operating Profit/(Loss) to Net Cash Flows From Operating Activities

	6 months ended 31 March 2010 Unaudited £'000	6 months ended 31 March 2009 Unaudited £'000	Year ended 30 September 2009 Audited £'000
Operating profit/(loss)	5,460	(10,893)	(13,228)
Impairment of property, plant and equipment	–	–	5
Depreciation charge on property, plant and equipment	320	480	838
Amortisation of intangible assets	61	100	177
Share scheme charge	4,247	1,149	6,208
(Increase)/decrease in current asset trading investments	(6,967)	4,453	3,142
(Increase)/decrease in trade and other receivables	(68,051)	94,169	62,979
Net movement in stock borrowing/lending collateral	(5,340)	(7,191)	1,233
Increase/(decrease) in trade and other payables	66,201	(84,468)	(42,652)
(Increase)/decrease in derivatives	(190)	1,611	2,159
Other non-cash movements	45	12	(208)
Net cash flows from operating activities	(4,214)	(578)	20,653

For the 6 months ended 31 March 2010 the movement in trade and other receivables and trade and other payables is principally due to movements in amounts due from and due to clients, brokers and other counterparties.

LEFT BLANK FOR YOUR NOTES

INFORMATION FOR SHAREHOLDERS

Directors

Sir David Arculus
Oliver Hemsley
Lorna Tilbian
Tom Bartlam
Geoffrey Vero
Gerald Corbett

Chairman
Chief Executive Officer
Executive Director
Non-executive Director
Non-executive Director
Non-executive Director

Financial Calendar

December
January
February
May
July

Year end results announced
Annual report issued
Final dividend paid
Interim results announced and Interim statement issued
Interim dividend paid

Company Registration No

2375296

Registered Office

10 Paternoster Square
London
EC4M 7LT

Nominated Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Nominated Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrar

Computershare Investor Services plc
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Bristol
BS99 6ZZ

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hays Lane
London
SE1 2RD

Bankers

Barclays Bank plc
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