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2011  
Interim Report

A leading independent, investment banking and stockbroking group. Offering a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.

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## Financial Highlights

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**Revenue**

2010 H2 £20.6m  
2010 H1 £31.3m

£26.5m

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**Adjusted profit before tax\***

2010 H2 loss £1.6m  
2010 H1 £9.4m

£4.1m

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**Statutory profit before tax**

2010 H2 loss £5.9m  
2010 H1 £6.1m

£1,000

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**Adjusted basic earnings per share\***

2010 H2 loss 1.2p  
2010 H1 7.8p

3.3p

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**Net assets**

September 2010 £106.7m

£101.3m

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**Interim dividend**

2010 4.00p

4.00p

\* Adjusted profit before tax and adjusted earnings per share are stated before the impact of investment portfolio results and share scheme charges after taking into account tax thereon. See note 2 for reconciliation to statutory measures.

## Operational Highlights

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**Corporate client base increased to**  
(September 2010: 133)

**138**

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**Number of FTSE 250 brokerships**  
(September 2010: 26)

**26**

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**Institutional commission  
and trading revenue up**  
Despite impact of electronic trading

**26%**

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**FTSE 250 market share**  
(2010 H2: 2.2%)

**3.2%**

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**FTSE Small Cap market share**  
(2010 H2: 5.9%)

**7.7%**

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**Deals announced in April 2011**  
With strong pipeline of corporate  
deals through to year end

**7**

## Chief Executive's Statement

We are pleased to report that the business has returned to profit following a disappointing second half in 2010. For the six months ended 31 March 2011 the business generated operating revenue of £26.5m (2010: £31.3m) and adjusted profit before tax of £4.1m (2010: £9.4m). In addition, there were £0.1m of gains (2010: £1.3m gains) recognised on investments held outside of our market making business and £4.2m of charges (2010: £4.6m charges) relating to employee share scheme arrangements. A reconciliation of the adjusted profit to the statutory result is set out in note 2.

Following the slower market conditions experienced during the second half of our 2010 financial year, the equity markets experienced a buoyant start to 2011. Equity indices rebounded strongly with the FTSE 100 up 6.5%, FTSE 250 up 10.1% and AIM up 15.1%. However, the marked slowdown in equity fund raising on the London Stock Exchange seen in the second half of 2010 has not abated with equity funds raised on AIM and the Main Market combined totalling £17.2bn during the first half of 2011 compared to £25.6bn during the first half of 2010.

These market conditions were broadly reflected in our revenue performance whereby combined institutional commission & trading revenues had a record first quarter and ended the first half at £17.2m (2010: £13.6m). Income from corporate and issuance transactions for the period was £6.7m (2010: £15.4m) although a further 7 transactions have been announced in April.

Our balance sheet remains robust with cash and cash collateral balances totalling £40.7m (September 2010: £58.2m) while net assets have reduced to £101.3m (September 2010: £106.7m). Cash outflows during the period largely reflect the purchase of shares into the Group's Employee Benefit Trust, the payment of our 2010 final dividend and increased investment in our trading book partially offset by the monetisation of two of our unquoted investments. The combined impact of these actions resulted in cash outflows of £14.6m.

During the six months ended 31 March 2011 we took the opportunity to monetise holdings within our investment portfolio. With net cash realisation of £4.7m, the portfolio is valued at £15.4m (September 2010: £20.3m) the majority of which comprises holdings in quoted companies. Overall, this portfolio experienced fair value losses of £0.2m offset by dividend receipts of £0.3m resulting in a net gain of £0.1m reported through the other operating income line of the income statement.

# Chief Executive's Statement continued

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## Corporate Finance & Corporate Broking

Notable deals include IPOs for Betfair and CatCo, equity issues for Fiberweb and Accsys Technologies and advising Brit Insurance and NR Nordic on their recent takeovers. In total we completed 9 (2H 2010: 7, 1H 2010: 18) equity issuance transactions and since 31 March 2011 a further 5 have been announced.

We continue to attract high quality corporate clients with 17 new clients added during the period bringing the total number for whom we act to 138 companies (September 2010: 133). We continue to focus our efforts across a broad range of corporate clients which include 53 FTSE Small Caps, 26 FTSE250 clients and one FTSE100 company. The offering to our corporate clients includes access to worldwide institutional investors, but also to a network of over 1,500 private client fund managers who manage c. £340bn of discretionary funds providing alternative sources of liquidity and investor interaction.

The strength of our dedicated corporate broking team was instrumental in Numis being voted #1 in both UK Mid Cap Corporate Broking and UK Small Cap Corporate Access in the 2010 Thomson Reuters Extel survey as well as #2 UK Smallcap Brokerage firm and #3 Leading UK Brokerage firm. Numis has been voted Leading Brokerage Firm or runner up in the Thomson Reuters Extel survey (for UK companies of up to £1bn market capitalisation) in each of the last 4 years.

## Research & Execution

Our research and execution services are recognised as being exceptional and have enabled us to maintain an increased market share throughout the period with FTSE 250 market share averaging 3.2% (2H 2010: 2.2%) and FTSE Small Cap market share averaging 7.7% (2H 2010: 5.9%).

Our research teams were ranked in the top three in five of the fifteen sectors that we cover. Our highly rated analysts produce research on over 400 companies (including coverage of over 40 FTSE 100 stocks and over 130 FTSE 250 stocks) and we have a recognised capability in fifteen sectors. External recognition has been achieved in the Starmine FTSE250 Best Recommendations in which Numis has been ranked number one in three of the last four years.

Our execution services, across an increasing range of 'lit' and 'dark' 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. Indeed, our trading and execution services were voted #1 for both UK Small Cap and UK Mid Cap in the 2010 Thomson Reuters Extel survey.

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Sales and 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 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 which is an important and valuable service as US investors represent a growing proportion of the FTSE250 share registers.

#### **Dividend and Scrip Alternative**

In light of our robust capital position coupled with a strong pipeline, the Board approved the payment of an interim dividend of 4.00p per share (2010: interim 4.00p per share, total 8.00p per share). The dividend will be payable on 1 July 2011 to all shareholders on the register at 13 May 2011. Shareholders will be offered the option to receive shares instead of a cash dividend.

#### **Litigation**

As noted in our market announcement on 31 August 2010 and subsequently in our 2010 annual report and accounts, Numis was served notice of a legal claim in relation to a private placing in 2007 in respect of Rock Well Petroleum Inc. Since the publication of the 2010 annual report and accounts, the legal process has progressed and, as required by that process, disclosure of documents has been made between Numis and the claimants. Having progressed to this stage, and after taking further legal advice based on review of the disclosed documents, the directors remain of the opinion that the allegations are entirely spurious and unfounded and continue to defend the claim vigorously. Consequently there is no provision in the financial information for future costs associated with or emanating from this claim.

#### **Outlook**

The beginning of the second half has seen a significant increase in client activity with 7 deals announced during April. Numis continues to build its franchise, attracting more high quality corporate clients who see the benefit of working with an independent adviser who has focus and presence in the market.

With the support of all of our stakeholders Numis can thrive in the current competitive environment through a mixture of innovation and excellence in everything we do. We will continue to build the company by attracting high quality individuals and teams whilst having a greater focus on profitability and generating shareholder value.

#### **Oliver Hemsley**

Chief Executive  
4 May 2011

# Consolidated Income Statement

<b>Continuing operations</b>		<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	4	26,475	31,278	51,940
Other operating income		83	1,333	59
<b>Total revenue</b>		<b>26,558</b>	<b>32,611</b>	<b>51,999</b>
Administrative expenses	5	(26,760)	(27,151)	(52,473)
<b>Operating (loss) / profit</b>		<b>(202)</b>	<b>5,460</b>	<b>(474)</b>
Finance income	6	273	696	673
Finance costs		(70)	(13)	(24)
<b>Profit before tax</b>		<b>1</b>	<b>6,143</b>	<b>175</b>
Taxation		(806)	(1,266)	(276)
<b>(Loss) / profit after tax</b>		<b>(805)</b>	<b>4,877</b>	<b>(101)</b>
<b>Attributable to:</b>				
Equity holders of the parent		(805)	4,877	(101)
<b>(Loss) / earnings per share</b>	7			
Basic		(0.8p)	4.7p	(0.1p)
Diluted		(0.8p)	4.5p	(0.1p)
Dividends for the period	8	(4,164)	(10,104)	(10,104)



## Consolidated Statement of Comprehensive Income

	<b>6 months ended 31 March 2011</b> Unaudited £'000	6 months ended 31 March 2010 Unaudited £'000	Year ended 30 September 2010 Audited £'000
(Loss) / profit for the period	(805)	4,877	(101)
Exchange differences on translation of foreign operations	(18)	(88)	12
<b>Other comprehensive (expense) / income for the period, net of tax</b>	<b>(18)</b>	<b>(88)</b>	<b>12</b>
<b>Total comprehensive (expense) / income for the period, net of tax, attributable to equity holders of the parent</b>	<b>(823)</b>	<b>4,789</b>	<b>(89)</b>

## Consolidated Balance Sheet

		<b>31 March 2011</b>	31 March 2010	30 September 2010
	Notes	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Non-current assets</b>				
Property, plant and equipment		2,035	2,241	2,125
Intangible assets		112	85	68
Derivative financial instruments		–	473	262
Deferred tax	9a	2,122	2,671	2,799
		<b>4,269</b>	<b>5,470</b>	<b>5,254</b>
<b>Current assets</b>				
Trade and other receivables	9b	313,178	236,841	235,337
Trading investments	9c	42,453	41,450	36,574
Stock borrowing collateral	9d	9,553	11,549	5,106
Derivative financial instruments		–	875	809
Cash and cash equivalents		36,222	53,388	55,370
		<b>401,406</b>	<b>344,103</b>	<b>333,196</b>
<b>Current liabilities</b>				
Trade and other payables	9b	(292,993)	(216,501)	(219,193)
Financial liabilities		(8,212)	(14,764)	(6,692)
Stock lending collateral	9d	(2,500)	(7,350)	(5,069)
Current income tax		(221)	(1,090)	(174)
Provisions		(418)	(207)	(263)
		<b>(304,344)</b>	<b>(239,912)</b>	<b>(231,391)</b>
<b>Net current assets</b>				
		<b>97,062</b>	<b>104,191</b>	<b>101,805</b>
Non-current liabilities				
Provisions		–	(438)	(349)
<b>Net assets</b>				
		<b>101,331</b>	<b>109,223</b>	<b>106,710</b>
<b>Equity</b>				
Share capital		5,610	5,593	5,593
Share premium account		30,493	30,106	30,106
Capital reserve		10,038	6,428	9,977
Retained profits		55,190	67,096	61,034
<b>Equity attributable to equity holders of the parent</b>				
		<b>101,331</b>	<b>109,223</b>	<b>106,710</b>

# Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital reserve £'000	Retained profits £'000	Total £'000
<b>Unaudited</b>					
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				(10,104)	(10,104)
Movement in respect of employee share plans			(226)	(144)	(370)
Deferred tax related to share based payments				(152)	(152)
Total comprehensive (expense)/income for the period			(88)	4,877	4,789
Other				72	72
<b>Attributable to equity holders of the parent at 31 March 2010</b>	<b>5,593</b>	<b>30,106</b>	<b>6,428</b>	<b>67,096</b>	<b>109,223</b>
<b>Audited</b>					
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				(10,104)	(10,104)
Movement in respect of employee share plans			3,223	(1,200)	2,023
Deferred tax related to share based payments				(180)	(180)
Total comprehensive (expense)/income for the period			12	(101)	(89)
Other				72	72
<b>Attributable to equity holders of the parent at 30 September 2010</b>	<b>5,593</b>	<b>30,106</b>	<b>9,977</b>	<b>61,034</b>	<b>106,710</b>
<b>Unaudited</b>					
Attributable to equity holders of the parent at 1 October 2010	5,593	30,106	9,977	61,034	106,710
New shares issued	17	387	–	–	404
Dividends paid				(4,164)	(4,164)
Movement in respect of employee share plans			79	(877)	(798)
Deferred tax related to share based payments				(92)	(92)
Total comprehensive (expense)/income for the period			(18)	(805)	(823)
Other				94	94
<b>Attributable to equity holders of the parent at 31 March 2011</b>	<b>5,610</b>	<b>30,493</b>	<b>10,038</b>	<b>55,190</b>	<b>101,331</b>

## Consolidated Statement of Cash Flows

		<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Notes	Unaudited £'000	Unaudited £'000	Audited £'000
Cash (used in) / from operating activities	10	(10,218)	(4,214)	2,723
Interest paid		(7)	(13)	(24)
Taxation (paid) / refunded		(174)	246	164
<b>Net cash (used in) / from operating activities</b>		<b>(10,399)</b>	<b>(3,981)</b>	<b>2,863</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(200)	(26)	(122)
Purchase of intangible assets		(89)	–	(26)
Interest received		273	515	614
<b>Net cash (used in) / from investing activities</b>		<b>(16)</b>	<b>489</b>	<b>466</b>
<b>Financing activities</b>				
Purchase of own shares		(5,115)	(8,599)	(13,058)
Dividends paid		(3,760)	(8,933)	(8,933)
<b>Net cash used in financing</b>		<b>(8,875)</b>	<b>(17,532)</b>	<b>(21,991)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(19,290)</b>	<b>(21,024)</b>	<b>(18,662)</b>
Opening cash and cash equivalents		55,370	74,266	74,266
Net movement in cash and cash equivalents		(19,290)	(21,024)	(18,662)
Exchange movements		142	146	(234)
<b>Closing cash and cash equivalents</b>		<b>36,222</b>	<b>53,388</b>	<b>55,370</b>

# Notes to the Financial Statements

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## 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 2010, 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 2010. 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.

These interim financial statements are prepared on a going concern basis as the directors have satisfied themselves that, at the time of approving these interim financial statements, the Group has adequate resources to continue in operational existence for at least the next twelve months.

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 2010.

# Notes to the Financial Statements

## 2. Adjusted profit measures

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

	<b>6 months ended 31 March 2011</b> Unaudited £'000	6 months ended 31 March 2010 Unaudited £'000	Year ended 30 September 2010 Audited £'000
Statutory group profit before tax	1	6,143	175
Items not included within adjusted profit before tax:			
Other operating income	(83)	(1,333)	(59)
Share scheme charge	4,090	4,247	7,313
National insurance provisions related to share scheme awards	110	387	427
Adjusted group profit before tax	4,118	9,444	7,856
Statutory group taxation	(806)	(1,266)	(276)
Tax impact of adjustments	54	(178)	(754)
Adjusted group taxation	(752)	(1,444)	(1,030)
Adjusted group profit after tax	3,366	8,000	6,826
Basic weighted average number of shares, number	101,429,079	102,738,919	102,770,978
Adjusted earnings per share, pence	3.3p	7.8p	6.6p

### 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:

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
United Kingdom	23,901	28,711	46,573
United States	2,574	2,567	5,367
	26,475	31,278	51,940

There are no customers which account for more than 10% of revenues in the six month period ended 31 March 2011, the six month period ended 31 March 2010 or the year ended 30 September 2010.

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:

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
United Kingdom	1,798	1,886	1,814
United States	349	440	379
	2,147	2,326	2,193

## 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.

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
Net institutional income	17,176	13,597	26,478
Total corporate transaction revenues	6,691	15,374	20,640
Corporate retainers	2,608	2,307	4,822
Revenue from investment banking & broking (see note 4)	26,475	31,278	51,940
Investment activity net gains	83	1,333	59
Contribution from investing activities	83	1,333	59
<b>Total</b>	<b>26,558</b>	<b>32,611</b>	<b>51,999</b>
Net assets			
Investment banking & broking	49,697	34,345	31,019
Investing activities	15,412	21,490	20,321
Cash and cash equivalents	36,222	53,388	55,370
<b>Total net assets</b>	<b>101,331</b>	<b>109,223</b>	<b>106,710</b>

### 4. Revenue

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
Net trading gains	3,232	2,981	3,418
Institutional commissions	13,944	10,616	23,060
Net institutional income	17,176	13,597	26,478
Corporate retainers	2,608	2,307	4,822
Deal fees	3,531	2,404	4,793
Placing commissions	3,160	12,970	15,847
<b>Total</b>	<b>26,475</b>	<b>31,278</b>	<b>51,940</b>



**5. Administrative expenses**

	<b>6 months ended 31 March 2011</b> Unaudited £'000	6 months ended 31 March 2010 Unaudited £'000	Year ended 30 September 2010 Audited £'000
Staff costs	16,400	18,598	34,157
Non-staff costs	10,360	8,553	18,316
	26,760	27,151	52,473

The major constituents of non-staff costs comprise our technology platform, premises costs and expenses incurred through brokerage, clearing and exchange fees. The overall run rate for non-staff costs is broadly in-line with the second half of 2010, albeit with some upward pressures arising from increased broker-to-broker trading activity, the rise in the standard rate of VAT and certain corporate legal costs.

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**

	<b>6 months ended 31 March 2011</b> Unaudited £'000	6 months ended 31 March 2010 Unaudited £'000	Year ended 30 September 2010 Audited £'000
Interest receivable and similar income	273	294	614
Net foreign exchange gains	–	402	59
	273	696	673

## Notes to the Financial Statements

### 7. (Loss) / earnings per share

Basic (loss) / earnings per share is calculated on loss after tax of £805,000 (2010: £4,877,000 profit) and 101,429,079 (2010: 102,738,919) ordinary shares being the weighted average number of ordinary shares in issue during the period. Diluted (loss)/earnings 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.

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited Number Thousands	Unaudited Number Thousands	Audited Number Thousands
Weighted average number of ordinary shares in issue during the period – basic	101,429	102,739	102,771
Dilutive effect of share awards	7,641	5,450	7,992
Diluted number of ordinary shares	109,070	108,189	110,763

For the 6 month period ended 31 March 2011 and the year ended 30 September 2010 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 (2010: Nil) new ordinary shares.

**8. Dividends**

	<b>6 months ended 31 March 2011 Unaudited £'000</b>	6 months ended 31 March 2010 Unaudited £'000	Year ended 30 September 2010 Audited £'000
Final dividend year ended 30 September 2009 (5.50p)		5,828	5,828
Interim dividend year ended 30 September 2010 (4.00p)		4,276	4,276
Final dividend year ended 30 September 2010 (4.00p)	4,164		
<b>Distribution to equity holders of the parent</b>	<b>4,164</b>	<b>10,104</b>	<b>10,104</b>

The board approved the payment of an interim dividend of 4p per share (2010: 4.00p per share) on 3 May 2011 for payment on 1 July 2011. The dividend is payable to all shareholders on the register on 13 May 2011. These financial statements do not reflect this dividend payable.

# Notes to the Financial Statements

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## 9. Balance sheet items

### *(a) Deferred tax*

As at 31 March 2011 deferred tax assets totalling £2,122,000 (30 September 2010 £2,799,000) 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. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £4,507,000 (30 September 2010: £2,811,000).

### *(c) Trading investments*

Included within trading investments is £15,412,000 (30 September 2010: £19,250,000) of investments held outside of the market making portfolio. The reduction in the carrying value of these investments during the six month period ended 31 March 2011 is primarily due to the liquidation of certain investments. As at 31 March 2011, £2,500,000 (30 September 2010: £5,069,000) 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 affect 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.

**10. Reconciliation of operating (loss) / profit to net cash (used in) / from operating activities**

	<b>6 months ended 31 March 2011</b>	6 months ended 31 March 2010	Year ended 30 September 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
Operating (loss) / profit	(202)	5,460	(474)
Depreciation charge on property, plant and equipment	241	320	511
Amortisation charge on intangible assets	45	61	104
Share scheme charges	4,090	4,247	7,313
Increase in current asset trading investments	(5,879)	(6,967)	(3,580)
Increase in trade and other receivables	(77,522)	(68,051)	(62,184)
Net movement in stock borrowing / lending collateral	(7,016)	(5,340)	(1,178)
Increase in trade and other payables	74,811	66,201	60,567
Decrease / (increase) in derivatives	1,071	(190)	1,576
Other non-cash movements	143	45	68
Net cash (used in) / from operating activities	(10,218)	(4,214)	2,723

For the 6 months ended 31 March 2011 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. The decrease in derivatives in the 6 months ended 31 March 2011 is due to the liquidation of those positions.

# Information for Shareholders

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## Directors

Sir David Arculus

Oliver Hemsley

Lorna Tilbian

Simon Denyer

Tom Bartlam

Geoffrey Vero

Gerald Corbett

Chairman

Chief Executive Officer

Executive Director

Group Finance 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

Half year results announced and half year report issued

Interim dividend paid

## Company Registration Number and Country of Incorporation

2375296, England & Wales

## Registered Office

10 Paternoster Square

London

EC4M 7LT

## Nominated Broker

Numis Securities Ltd

10 Paternoster Square

London

EC4M 7LT

## Nominated Adviser

PricewaterhouseCoopers LLP

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London

WC2N 6RH

## Registrar

Computershare Investor Services plc

The Pavilions

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BS13 8AE

## Auditors

PricewaterhouseCoopers LLP

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SE1 2RD

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Barclays Bank plc

Level 28, 1 Churchill Place

London

E14 5HP

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