

# **Numis Corporation Plc Preliminary Results**

## **for the year ended 30 September 2010**

**Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2010. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.**

### **Financial Highlights**

- Revenue of £51.9m, up 9% (2009: £47.5m)
- Adjusted profit before tax (see footnote) of £7.9m, up 87% (2009: £4.2m)
- Statutory profit before tax of £0.2m (2009: loss £10.5m)
- Adjusted basic earnings per share (see footnote) of 6.6p, up 106% (2009: 3.2p)
- Well capitalised with a strong balance sheet comprising net assets of £106.7m (2009: £113.8m) and cash and collateral balances of £58.2m
- Final dividend of 4.00p, maintaining the total dividend at 8.00p per share (2009: 8.00p) after 10 years of successive growth

### **Operational Highlights**

- Won 29 new corporate clients during the year bringing the total to 133 with an average market cap of £278m and total market cap. of £36.2bn
- Currently broker to 26 FTSE250 corporate clients and won our first FTSE100 corporate client
- Funds raised for corporate clients £1,315m, up 67% (2009: £787m) through 25 transactions (2009: 18)
- 6 IPOs during the period raising £713m and 1 further IPO completed in October
- Strong cost management resulting in a 7% reduction in non-compensation costs versus 2009 and 14% reduction versus 2008 levels
- Ranked #1 for both UK Mid Cap Corporate Broker and UK Mid Cap Trading & Execution (Thomson Reuters Extel 2010 survey) as well as #1 for FTSE250 Best Recommendations by StarMine for the third year running
- Appointment of a highly experienced head of corporate finance and additional sector specialists to further strengthen our offering and benefit our client base

Footnote: 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 10 for reconciliation to statutory measures.

**Commenting on the results, Oliver Hemsley, Chief Executive, said:**

"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 26 corporate clients. Alongside this, we continue to attract high calibre employees which is fundamental to our long term success.

Although markets remain extremely challenging and uncertain, we are confident that the investment we have made in our people and our clients whilst maintaining a firm control over our cost base puts us in a strong position for future success."

**Contacts:**

Oliver Hemsley, Chief Executive 020 7260 1256

**Brunswick:**

Gill Ackers 020 7396 5382

Carole Cable 020 7396 7458

**PricewaterhouseCoopers LLP (Nominated Adviser):**

Simon Boadle 020 7583 5000

Jon Raggett 020 7583 5000

## **CHIEF EXECUTIVE'S STATEMENT**

We are pleased to report that the business has delivered an improved performance for the year ended 30 September 2010 generating operating revenue of £51.9m (2009: £47.5m) and adjusted profit before tax of £7.9m (2009: £4.2m). In addition, there were £0.1m of net gains (2009: £7.8m losses) recognised on investments held outside of our market making business and £7.7m of charges (2009: £6.9m) relating to employee share scheme arrangements. A reconciliation of the adjusted profit to the statutory result is set out in note 10.

Having made sure that the firm was well positioned to weather the global financial crisis, we are pleased to report a stronger set of results, a 67% increase in equity funds raised to £1,315m, an increase in FTSE 250 corporate clients to 26 (from 16 a year ago) and continued strengthening of our franchise with the introduction of debt issuance and secondary market capability, the appointment of a head of corporate finance and additional sector specialists in corporate finance. In addition, our combined institutional commission and trading result held up extremely well in the face of lower volumes and competition from electronic trading.

Our revenue performance was impacted by the difficult market conditions prevailing in the second half following the declining confidence created by the UK government elections, the coalition budget and Euro-zone sovereign debt concerns. These conditions led to volatile markets, declining volumes and a marked slow down in equity fund raising on the LSE with equity funds raised on AIM and the Main Market combined totalling £16.4bn during the second half compared to £25.6bn during the first half.

Our balance sheet remains robust with cash and cash collateral balances totalling £58.2m (September 2009: £77.8m) while net assets have reduced to £106.7m (September 2009: £113.8m). Cash outflows during the year primarily reflect the purchase of shares into the Group's Employee Benefit Trust and the re-balancing of our interim dividend. The combined impact of these actions together with the payment of the 2009 final dividend resulted in cash outflows of £22.0m.

Our investment portfolio (the results of which are reported through the other operating income/(loss) line of the income statement) has stabilised. During 2009, fair value losses of £8.0m were recorded, the majority of which occurred in October and November 2008. However, 2010 has seen fair value losses of £0.6m combined with dividend receipts of £0.7m and net cash realisation of £0.7m. The portfolio is valued at £20.3m (September 2009: £21.7m) the majority of which comprises holdings in quoted companies.

Having made significant progress on cost reduction initiatives we are now seeing the benefit in our cost base. Non compensation costs are 7% down on 2009 and 14% down on 2008 and we continue to examine further opportunities to improve our performance in this area and reduce the on-going cost of our operating platform. Staff costs have been maintained at 2009 levels.

### ***Corporate Finance & Corporate Broking***

We are particularly pleased to report that our clients raised a total of £1,315m (2009: £787m) through 25 transactions (2009: 18). This has been achieved despite equity capital raising across all LSE markets being 53% lower than the same 12 month period last year. We continue to attract high quality corporate clients with a further 29 new clients added bringing the total number for whom we act to 133 companies having an average market capitalisation of £278m. We now represent 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 which provides alternative sources of liquidity and investor interaction.

External recognition of our dedicated corporate broking team was achieved in the 2010 Thomson Reuters Extel survey in which Numis was voted #1 in both UK Mid Cap Corporate Broking and UK Small Cap Corporate Access.

### ***Research & Execution***

Our research and execution services are recognised as being exceptional and have enabled us to maintain an increased market share throughout the year. 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. In particular, our research teams were ranked in the top three in five of the sectors that we cover. Our highly rated analysts produce research on over 400 companies and we have a recognised capability in fifteen 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 '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.

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 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***

In view of our robust cash position, the fact that our core business remains profitable and the strength of our franchise, the Board has proposed a final dividend of 4.00p per share (2009: 5.50p) which maintains the total distribution for 2010 at 8.00p per share (2009: 8.00p). The dividend will be payable on 18 February 2011 to all shareholders on the register at 10 December 2010. Shareholders will be offered the option to receive shares instead of a cash dividend, the details of which will be explained in a circular to accompany our Annual Report, which will be circulated to all shareholders on 5 January 2011.

#### ***Litigation***

As noted in our market announcement on 31 August 2010, Numis was served notice of a legal claim in relation to a private placing in 2007 in respect of Rock Well Petroleum Inc. After taking legal advice, the directors remain of the opinion that the allegations are entirely spurious and unfounded and are defending the claim vigorously. Consequently there is no provision in the financial information for future costs associated with or emanating from this claim.

#### ***Board Appointment***

As announced separately today, Simon Denyer joins the Board in the role of Group Finance Director. Simon has been the Finance Director of the trading entity Numis Securities Limited for over 3 years and has been Acting Group Finance Director since January 2009.

#### ***Outlook***

The renewed turmoil in the Eurozone continues to cast a shadow over equity markets and until this recedes activity levels are likely to remain subdued in both secondary trading and primary fundraising.

Against this background, we are encouraged that in the first two months of the new financial year our commission and trading revenue is marginally ahead of last year's run rate. In addition, we have won 13 new corporate clients in just two months and have a promising pipeline of primary and secondary corporate activity. However, until a line is drawn under the debt crisis in Europe, translating this potential into profit remains challenging. In the meantime, we will continue to invest in our franchise within an overall framework of strong cost control and maintaining a robust balance sheet.

Ultimately, it is the strength of our franchise, and the ability to provide high quality unconflicted advice to our growing client base that provides the platform for future success.

Oliver Hemsley  
Chief Executive  
1 December 2010

## Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2010

		<b>2010</b>	<b>2009</b>
<b>Continuing operations</b>	Notes	<b>£'000</b>	<b>£'000</b>
Revenue	3	51,940	47,533
Other operating income/(loss)		59	(7,846)
<b>Total revenue</b>		<b>51,999</b>	<b>39,687</b>
Administrative expenses	4	(52,473)	(52,915)
<b>Operating loss</b>		<b>(474)</b>	<b>(13,228)</b>
Loss on disposal of subsidiary	5	-	(138)
Finance income		673	2,901
Finance costs		(24)	(54)
<b>Profit/(loss) before tax</b>		<b>175</b>	<b>(10,519)</b>
Taxation		(276)	1,870
<b>Loss after tax</b>		<b>(101)</b>	<b>(8,649)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(101)	(8,649)
Loss per share			
Basic	6	(0.1p)	(8.4p)
Diluted	6	(0.1p)	(8.4p)
Memo – dividends for the year	7	(10,104)	(7,855)

**Consolidated Statement of Comprehensive Income**  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the period	(101)	(8,649)
Exchange differences on translation of foreign operations	12	62
<b>Other comprehensive income for the period, net of tax</b>	<b>12</b>	<b>62</b>
<b>Total comprehensive expense for the period, net of tax, attributable to equity holders of the parent</b>	<b>(89)</b>	<b>(8,587)</b>

## Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2010

	Notes	2010 £'000	2009 £'000
<b>Non current assets</b>			
Property, plant and equipment		2,125	2,509
Intangible assets		68	146
Derivative financial instruments		262	645
Deferred tax	8a	2,799	2,782
		<b>5,254</b>	<b>6,082</b>
<b>Current assets</b>			
Trade and other receivables	8b	235,337	165,341
Trading investments	8c	36,574	32,994
Stock borrowing collateral	8d	5,106	5,759
Derivative financial instruments		809	2,002
Current income tax		-	463
Cash and cash equivalents		55,370	74,266
		<b>333,196</b>	<b>280,825</b>
<b>Current liabilities</b>			
Trade and other payables	8b	(219,193)	(159,872)
Financial liabilities		(6,692)	(5,192)
Stock lending collateral	8d	(5,069)	(6,900)
Provisions		(263)	(580)
Current income tax		(174)	-
		<b>(231,391)</b>	<b>(172,544)</b>
<b>Net current assets</b>		<b>101,805</b>	<b>108,281</b>
<b>Non current liabilities</b>			
Provisions		(349)	(546)
<b>Net assets</b>		<b>106,710</b>	<b>113,817</b>
<b>Equity</b>			
Share capital		5,593	5,557
Share premium account		30,106	28,971
Capital reserve		9,977	6,742
Retained profits		61,034	72,547
<b>Equity attributable to equity holders of the parent</b>		<b>106,710</b>	<b>113,817</b>

**Consolidated Statement of Changes in Equity**  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Profits £'000	Total £'000
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 income/(expense) 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>

	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	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 income/(expense) for the period			62	(8,649)	(8,587)
Other				12	12
<b>Attributable to equity holders of the parent at 30 September 2009</b>	<b>5,557</b>	<b>28,971</b>	<b>6,742</b>	<b>72,547</b>	<b>113,817</b>



**Consolidated Statement of Cash Flows**  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Notes	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Cash flows from operating activities	9	2,723	20,653
Interest paid		(24)	(54)
Taxation refunded		164	643
<b>Net cash from operating activities</b>		<b>2,863</b>	<b>21,242</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(122)	(191)
Purchase of intangible assets		(26)	(33)
Proceeds from disposal of subsidiary		-	7
Interest received		614	875
<b>Net cash from investing activities</b>		<b>466</b>	<b>658</b>
<b>Financing activities</b>			
Purchases of own shares		(13,058)	(2,533)
Dividends paid		(8,933)	(6,924)
<b>Net cash used in financing activities</b>		<b>(21,991)</b>	<b>(9,457)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(18,662)</b>	<b>12,443</b>
Opening cash and cash equivalents		74,266	59,899
Net movement in cash and cash equivalents		(18,662)	12,443
Exchange movements		(234)	1,924
<b>Closing cash and cash equivalents</b>		<b>55,370</b>	<b>74,266</b>

## Notes to the Financial Information

### 1. Basis of preparation

#### *Basis of preparation*

The consolidated financial information contained within these preliminary results is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2010 will be delivered to the Registrar of Companies in due course. The annual report will be posted to shareholders on 4 January 2011 and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 1 February 2011.

The preparation of the preliminary results 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 preliminary results have been applied on a consistent basis with the statutory accounts for the years ended 30 September 2009 and 2008. Although such 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 preliminary results are in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and are in accordance with the accounting policies that were applied 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 preliminary results 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.

## 2. Segmental analysis

### *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 3) 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>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	46,573	42,347
United States	5,367	5,322
Rest of World	-	(136)
	<b>51,940</b>	<b>47,533</b>

There are no customers which account for more than 10% of revenues in the year ended 30 September 2010 (2009: Nil).

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>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	1,814	2,185
United States	379	470
	<b>2,193</b>	<b>2,655</b>

### *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>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Net institutional commission and trading income	26,478	25,191
Corporate transaction revenues	20,640	17,759
Corporate retainers	4,822	4,583
<b>Revenue from investment banking &amp; broking</b> (see note 3)	<b>51,940</b>	<b>47,533</b>
Investment activity net gains/(losses)	59	(7,846)
<b>Contribution from investing activities</b>	<b>59</b>	<b>(7,846)</b>
<b>Total</b>	<b>51,999</b>	<b>39,687</b>
<b>Net assets</b>		
Investment banking & broking	31,019	17,818
Investing activities	20,321	21,733
Cash and cash equivalents	55,370	74,266
<b>Total net assets</b>	<b>106,710</b>	<b>113,817</b>

### 3. Revenue

	2010	2009
	£'000	£'000
Net trading gains	3,418	1,716
Institutional commissions	23,060	23,475
Net institutional income	26,478	25,191
Corporate retainers	4,822	4,583
Deal fees	4,793	5,422
Placing commissions	15,847	12,337
	<b>51,940</b>	<b>47,533</b>

### 4. Administrative expenses

	2010	2009
	£'000	£'000
Wages and salaries	22,431	22,323
Social security costs	3,216	3,435
Compensation for loss of office	257	230
Other pension costs	940	943
Share based payments	7,313	6,208
Non compensation costs	18,316	19,776
	<b>52,473</b>	<b>52,915</b>

### 5. Loss on disposal of subsidiary

	2010	2009
	£'000	£'000
Sale proceeds	-	7
Share of net assets disposed of	-	(138)
Disposal expenses (comprising charges)	-	(7)
	-	<b>(138)</b>

The loss on disposal of subsidiary in 2009 relates to the sale of the Group's interest in Numis Caspian Limited LLP. This wholly owned subsidiary was created under the laws of the Republic of Kazakhstan and officially registered with the local authorities in September 2006. The company was formed to take advantage of perceived business opportunities arising in Kazakhstan at that time, however these did not materialise to the extent originally envisaged. As a result the Group disposed of its entire interest during 2009. The activities of the subsidiary were not treated as discontinued operations under IFRS 5 as they did not represent a separate major line of business or geographical area of operation.

### 6. Loss per share

Basic loss per share is calculated on a loss after tax of £101,000 (2009: loss £8,649,000) and 102,770,978 (2009: 102,539,193) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted 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 trusts on behalf of the Group.

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares in issue during the year – basic	102,771	102,539
Dilutive effect of share awards	7,992	3,518
<b>Diluted number of ordinary shares</b>	<b>110,763</b>	<b>106,057</b>

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 both 2010 and 2009.

## 7. Dividends

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Final dividend for year ended 30 September 2008 (5.00p)		5,212
Interim dividend for year ended 30 September 2009 (2.50p)		2,643
Final dividend for year ended 30 September 2009 (5.50p)	5,828	
Interim dividend for year ended 30 September 2010 (4.00p)	4,276	
<b>Distribution to equity holders of the parent</b>	<b>10,104</b>	<b>7,855</b>

The board has proposed a final dividend of 4.00p per share for the year ended 30 September 2010. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. These financial statements do not reflect this dividend payable.

## 8. Balance sheet items

### (a) *Deferred tax*

As at 30 September 2010 deferred tax assets totalling £2,799,000 (2009: £2,782,000) have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments. A deferred tax asset of £1,532,000 (2009: £1,391,000) relating to unrelieved trading losses incurred by Numis has not been recognised as there is insufficient supportable evidence that there will be taxable gains in the future against which the deferred tax asset could be utilised.

### (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 such balances varies 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 £2,811,000 (2009: £3,500,000).

### (c) *Trading investments*

Included within trading investments is £19,250,000 (2009: £19,086,000) of investments held outside of the market making portfolio. As at 30 September 2010, £5,069,000 (2009: £6,900,000) of trading investments had been pledged to certain institutions under stock lending arrangements.

### (d) *Stock borrowing and 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 the 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.

## 9. Reconciliation of operating loss to net cash flows from operating activities

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Operating loss	(474)	(13,228)
Impairment of property, plant and equipment	-	5
Depreciation charges on property, plant and equipment	511	838
Amortisation charges on intangible assets	104	177
Share scheme charge	7,313	6,208
(Increase)/decrease in current asset trading investments	(3,580)	3,142
(Increase)/decrease in trade and other receivables	(62,184)	62,979
Net movement in stock borrowing /lending collateral	(1,178)	1,233
Increase/(decrease) in trade and other payables	60,567	(42,652)
Decrease in derivatives	1,576	2,159
Other non-cash movements	68	(208)
<b>Net cash flows from operating activities</b>	<b>2,723</b>	<b>20,653</b>

## 10. 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:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Statutory group profit/(loss) before tax	175	(10,519)
Items not included within adjusted profit/(loss) before tax:		
Other operating (income)/loss	(59)	7,846
Share scheme charge	7,313	6,208
National insurance provisions related to share scheme awards	427	660
<b>Adjusted group profit before tax</b>	<b>7,856</b>	<b>4,195</b>
Statutory Group taxation	(276)	1,870
Tax impact of adjustments	(754)	(2,733)
Adjusted group taxation	(1,030)	(863)
<b>Adjusted group profit after tax</b>	<b>6,826</b>	<b>3,332</b>
	<b>2010</b>	<b>2009</b>
Basic weighted average number of shares, number	102,770,978	102,539,193
Adjusted basic earnings per share, pence	6.6p	3.2p