

shareplc: interim report 2011

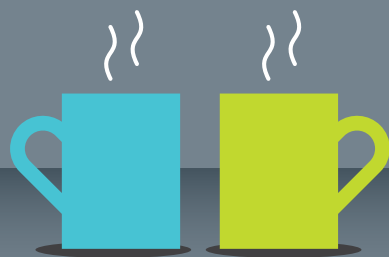


highlights

- Revenue decreased 2% to £7.4m (2010: £7.5m)
- Operating profit decreased by 40% to £0.9m (2010: £1.5m)
- Excluding the impact of the Group's Interest Rate Floor Policy (IRFP)* revenues increased 19% to £7.4m (2010: £6.2m) and operating profit increased 703% to £0.9m (2010: £0.2m)
- Benchmarked market share of peer group revenues increased to 6.12% in the first half of 2011 (2010: 5.08% excluding the IRFP)
- Underlying** basic and diluted earnings per share 0.6p (2010: 0.8p)
- Strong balance sheet with £11.4m in cash (2010: £15.0m)

* The Interest Rate Floor Policy (IRFP) was taken out by the Group to protect interest income. It ensured the Group received 3.5% interest on £90 million of deposits when base rates fell below that level. It expired on 1 November 2010.

** Excludes the impact of some items, in particular any large non-recurring items and share based payment charges as defined in note 6. Basic and diluted earnings per share were 0.5p (2010: 0.7p)



chairman's statement

I am pleased to present the results of Share plc for the half year to 30 June 2011, a period which saw our principal trading company, The Share Centre, celebrate its 20th Anniversary.

In particular, I am pleased to report that the Group continues to show strong growth characteristics – albeit this is masked in the headline figures by the ending of the interest rate floor policy which we put in place to protect our interest income, and which ended on 1 November 2010. The steps we have taken to help mitigate some of the impact of the ending of that policy have included seeking innovative ways to improve our interest income whilst always giving priority to the protection and security of our clients' funds.

To that end we announced in December agreement with a building society for a secured deposit. I am pleased to be able to announce today that we have now reached agreement with a second building society for a similar arrangement which will further improve our interest income.

I am also delighted to welcome to the Board Francesca Ecsery as a new Non-Executive Director. Francesca, who was previously the Global Business Development Director at Cheapflights, will bring valuable experience to the Board especially in the field of online marketing.

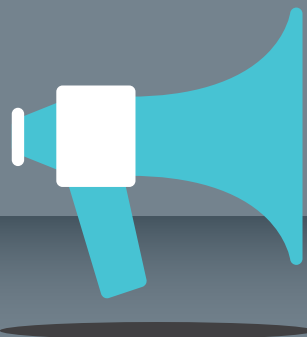
This area is of great importance to our core retail stockbroking business – The Share Centre – since the internet (www.share.com) now provides the gateway through which the majority of our new customers come to us and transact the majority of their account activity.

Market conditions

At a summary level, the market (FTSE All Share) ended the half year pretty much where it started. However, this overlooks what has been a period of two distinct quarters. The first was characterised by volatile markets but an overall sense of renewed optimism as the 2010 year end reporting season progressed. Dealing volumes were high continuing the pattern seen in the previous two years. This was overtaken in the second quarter by a return of anxiety and in particular concern over stability in the Eurozone, with the risk of potential contagion beyond Ireland and Greece, and the strength of the UK recovery.

We reported on our trading in the first quarter back in April, noting strong year on year growth in dealing commission and fees. The second quarter started with a flurry of bank holidays and dealing volumes fell back quite sharply across the market. Activity levels have remained subdued as caution has got the upper hand in the face of renewed economic uncertainty, giving investors no particular impetus to increase trading activity ahead of the usually quieter summer period.

As we enter the second half, questions regarding the Eurozone economies have again come to the fore. In addition, in the UK, further retail sector company failures and profits warnings, along with inflation figures, give weight to the view that the economic recovery is at best anaemic. As a result we continue to see volatile markets, cautious investors and no particular triggers for volumes or market values to increase significantly beyond the Q2 levels.



Headline performance

Overall revenues for the first half of the year were £7.4 million (2010 £7.5 million), a fall of just under 2% on the same period in 2010. Excluding the interest rate floor policy (IRFP), which protected our interest income until its expiry in November 2010 and which we have discussed in previous reports, revenues showed growth of 19% to £7.4 million from £6.2 million in the prior year.

Operating profit was £0.9 million (2010: £1.5 million) and overall profit after tax was £0.8 million (2010: £1.2m). The impact of the IRFP on revenues – which had no associated costs – naturally has a direct impact on profitability as well and excluding that from operating profit and profit after tax in the prior year would result in both measures demonstrating significant growth in the current period.

Underlying earnings per share (ie excluding one-off items and share-based payments) were 0.6 pence per share as compared to 0.8 pence per share in 2010. Basic and diluted earnings per share were 0.5 pence per share (2010: 0.7 pence per share).

Operating performance – revenues

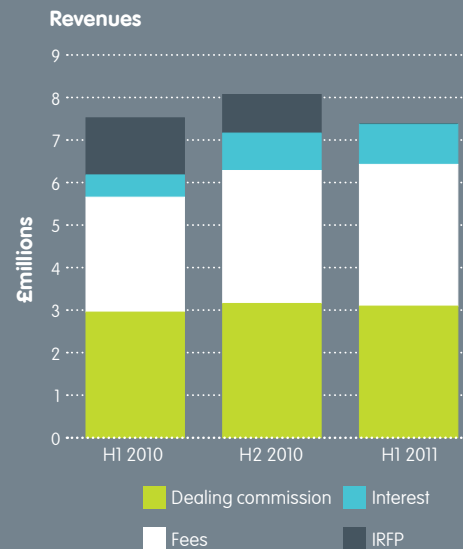
As noted above, in the first half of 2011 headline revenues were marginally lower than in the same period last year. As a result of the impact of the IRFP this does not reflect the true picture of the Group's performance and if each revenue stream is looked at in turn a more representative view emerges.

In terms of dealing commission, as we stated in April, the first quarter saw strong volumes and growth in dealing commission revenue. Much of

that growth was given up on the back of weaker second quarter activity levels and when compared to very strong second quarter comparables from 2010. The overall result for the first half was that dealing commission showed growth of just under 5% to £3.1 million (2010: £3.0 million).

Fees showed much stronger performance year on year as market values held the levels achieved in the recovery seen during the second half of 2010. Indeed, by way of illustration, the FTSE 100 closed the first half of 2010 below 5,000 and the first half of 2011 just below 6,000. In addition, the Group's fees were helped by the growth in account numbers, increase in customers taking our frequent trading option and growth in the Group's Sharefunds business: this did not start to have a material impact on the Group's revenues until the second half of 2010. Overall fee revenues showed growth of more than 23% to reach £3.3 million (2010: £2.7 million).

The growth in dealing commission and fee revenue streams – which reflect the increased level of overall customer engagement and activity combined with higher market values (and thus overall funds under administration) – was offset by the sharp decline in interest income resulting from the ending of the IRFP. Overall interest income was £0.9 million (2010: £1.9 million) a fall of 50% on the prior year. We have taken steps to mitigate some of the impact of the ending of the IRFP including our secured deposit with a building society and the use of some longer term deposits. These steps have resulted in an increase in underlying interest income of 79% from £0.5 million to £0.9 million, but clearly in the environment of continued low interest rates this has not been sufficient to replace the policy in full.



Operating performance – market share

The principal measure the Group uses to assess its performance in the market is the benchmark revenue share indicator based on data collected by Compeer from nine other companies in addition to Share plc (*). We have consistently reported this value on a quarterly basis for several years. In the second quarter of 2011 the benchmark revenue share increased slightly to 6.13% when compared to the first quarter (6.10%). Overall for the first half of 2011 the benchmark revenue share was 6.12%, the same as in the first half of 2010. The fact that the Group's market share has held up in the face of the ending of the IRFP indicates the strength of the Group's relative performance in terms of dealing commission, fees and underlying interest income. Indeed, excluding the IRFP from the prior year comparative the market share value was 5.08%.

By way of comparison:

- Share plc has delivered growth in dealing commission of 5% compared to the first half of 2010, for the peer group this revenue stream fell by 8% over the same period.

- Share plc has delivered growth in fees of 23% compared to the first half of 2010, for the peer group fee revenues grew by just 6% over the same period.

During the first half of 2011 The Share Centre – Share plc's principal trading subsidiary – welcomed over 8,000 new accounts. We transacted just over 290,000 trades on behalf of our customers (2010: 301,000) and received a total of just 1.1 complaints per 1,000 accounts (2010: 0.8).

Total customer funds under administration within The Share Centre were just over £1.6bn an increase of 6% since the end of 2010.

Operating performance – costs and operating profit

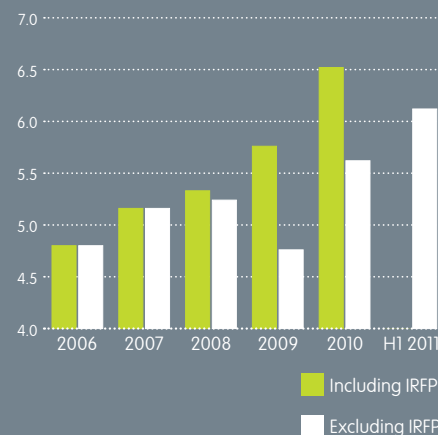
As detailed above, revenues excluding the IRFP increased by 19%. Costs have not shown a commensurate increase, rising by just over 6% to £6.4 million (2010: £6.1 million).

This increase in costs principally reflects increased salary costs as we have expanded some areas – in particular our Sharefunds and systems teams. Overall headcount at the end of June 2011 was 148 staff and directors as compared to 136 a year earlier.

The net impact of the increased costs when compared to the slight reduction in overall revenues has been a fall in operating profit to £0.9 million from £1.5 million in the first half of 2010. Dividend income and interest on our own cash balances is largely in line with the prior year so that the fall in operating profit flows directly through to profit before tax which was £1.1 million (2010: £1.6 million).

The overall operating margin was 12.6% (2010: 19.3%), below the level we believe is achievable as the business gains further scale and interest rates return to higher levels.

Revenues: percentage market share



Outlook and trading update

The second half of the year has started with further concerns being expressed over Eurozone stability, the US budget deficit and hence global growth prospects with consequent volatility in stockmarkets. As already noted, the result of this is that volumes remain subdued and we believe they will continue to do so through the summer months and until issues regarding Greece and other sovereign debt concerns are resolved.

With the UK recovery also looking fragile, the path for interest rates remains uncertain but the persistence of rates at very low levels continues to help boost interest in the market. This is because investors increasingly turn, through the internet, to self-select brokers such as The Share Centre in order to derive an income from capital. This in some way helps to counteract the extent of any nervousness arising from the state of markets more generally.

The second half of the year has also already seen our Group launch two new initiatives.

The first is a new tariff from The Share Centre aimed particularly at high frequency trading personal investors. The all in tariff of £2,500 + VAT per annum, with no additional dealing or administration fees, or £3,500 + VAT per annum

if the customer wishes to benefit from additional information services, is simple, clear and, we believe, unique within the market.

The second initiative is a new primary fundraising service launched by Sharemark. This is designed to offer companies a low cost means of raising equity capital, particularly targeted at companies seeking to raise sums up to €5m. The government has made clear the need to support small to medium sized enterprises (SMEs) as it will be these organisations which will drive growth and employment in the UK economy. SMEs have always found capital raising complex and costly to the extent that it is often prohibitive, stifling expansion and growth opportunities. We believe our new service, which can have a linked loan component, may help unlock some of those difficulties as well as giving retail investors better access to investment opportunities in SME companies which historically have been the preserve of institutional investors.

Finally, I am delighted to be able to announce today that the Group has reached agreement with a second building society to replicate the deposit arrangement we announced with a society in December 2010. This arrangement will involve the deposit of £15 million of customer monies secured by a charge over mortgage assets with a value of at least £22.5 million. The interest rate receivable on

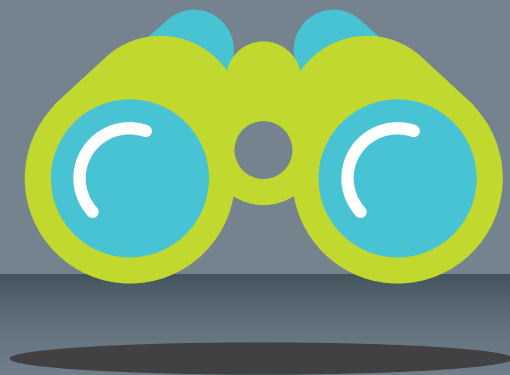
this deposit is a variable rate above and linked to the base rate. In addition to improving our return on cash deposits this also therefore serves to ensure our interest income increases in line with any increase in rates and does not suffer a lag which would be evident with more typical longer term deposit arrangements.

Notwithstanding current market conditions, our new initiatives and the agreement with a further building society all combine to the effect that we enter the second half of the year confidently. We will give a further update when we announce our third quarter benchmark revenue share data in October 2011.



Sir Martin Jacomb
Chairman
8 August 2011

*Benchmarked revenue peer group includes: Alliance Trust Savings, Barclays Stockbrokers, Equiniti, Halifax Sharedealing, HSBC Stockbrokers, NatWest Stockbrokers, SAGA Personal Finance, Selftrade and TD Waterhouse Investor Services Europe.



For the six months ended 30 June 2011	Notes	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Revenue		7,373	7,521	15,591
Administrative expenses		(6,442)	(6,066)	(12,548)
Operating profit		931	1,455	3,043
Investment revenues		122	135	217
Other gains and losses		-	(6)	(6)
Profit before taxation		1,053	1,584	3,254
Taxation	5	(307)	(428)	(978)
Profit for the period		746	1,156	2,276
Basic earnings per share*	6	0.5p	0.7p	1.5p
Diluted earnings per share*	6	0.5p	0.7p	1.5p

All results are in respect of continuing operations.

* The Directors consider that the underlying earnings per share as presented in note 6 represent a more consistent measure of the underlying performance of the business as this measure excludes 'Other gains and losses' and one-off items of income or expense.

8 consolidated statement of comprehensive income

For the six months ended 30 June 2011

	Notes	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Profit for the year		746	1,156	2,276
(Losses)/gains on revaluation of available-for-sale investments taken to equity		156	(343)	197
Tax on gains/(losses) on revaluation of available-for-sale investments at 26%		(16)	97	(26)
Exchange gains on available-for-sale investments taken directly to equity		50	(134)	(32)
Tax on exchange (losses)/gains on available-for-sale investments taken directly to equity at 26%		(9)	37	12
Recycled from equity to income in respect of the cash flow hedge		-	(1,339)	(2,249)
Tax on income recycled from equity to income in respect of the cash flow hedge		-	375	629
(Losses)/Gains on revaluation of cash flow hedge taken directly to equity		-	243	222
Tax on gain on revaluation of cash flow hedge taken directly to equity		-	(71)	(40)
Net (loss)/income recognised directly in equity		181	(1,135)	(1,287)
Total comprehensive income for the period		927	21	989
Attributable to equity shareholders		927	21	989

For the six months ended 30 June 2011	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 2010	804	19	1,072	(487)	14,233	3,079	18,720
Total comprehensive income for the period	-	-	-	-	1,059	(1,038)	21
Dividends	-	-	-	-	(396)	-	(396)
Purchase of Employee Share Ownership Plans (ESOP) shares	-	-	-	(130)	-	-	(130)
Sales of ESOP shares	-	-	-	53	-	-	53
Cost of matching and free shares in SIP	-	-	-	71	(71)	-	-
Profit on sale of ESOP shares and dividends received	-	-	-	(18)	18	-	-
Deferred tax on share-based payment	-	-	-	-	(11)	-	(11)
Balance at 30 June 2010 (unaudited)	804	19	1,072	(511)	14,832	2,041	18,257
Total comprehensive income for the period	-	-	-	-	1,197	(229)	968
(Buyback)/Issues of share capital	(85)	85	26	-	(3,837)	-	(3,811)
Purchase of ESOP shares	-	-	-	(423)	-	-	(423)
Sales of ESOP shares	-	-	-	139	-	-	139
Cost of matching and free shares in SIP	-	-	-	71	(71)	-	-
Profit on sale of ESOP shares and dividends received	-	-	-	38	(21)	-	17
Share-based payment credit	-	-	-	-	295	-	295
Deferred tax on share-based payment	-	-	-	-	(5)	-	(5)
Balance at 31 December 2010 (audited)	719	104	1,098	(686)	12,390	1,812	15,437
Total comprehensive income for the period	-	-	-	-	787	140	927
Dividends	-	-	-	-	(422)	-	(422)
Purchase of ESOP shares	-	-	-	(224)	-	-	(224)
Sales of ESOP shares	-	-	-	33	-	-	33
Cost of matching and free shares in SIP	-	-	-	78	(78)	-	-
Profit on sale of ESOP shares and dividends received	-	-	-	16	(16)	-	-
Share-based payment credit	-	-	-	-	107	-	107
Deferred tax on share-based payment	-	-	-	-	(9)	-	(9)
Balance at 30 June 2011 (unaudited)	719	104	1,098	(783)	12,759	1,952	15,849

10 consolidated balance sheet

	Notes	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Non-current assets				
Intangible assets		270	86	126
Property, plant and equipment		189	235	213
Available-for-sale investments		3,736	2,888	3,530
Deferred tax assets		111	157	148
		4,306	3,366	4,017
Current assets				
Trade and other receivables		16,254	15,026	16,832
Cash and cash equivalents	7	11,382	14,963	11,999
Derivative financial instruments		-	932	-
		27,636	30,921	28,831
Total assets		31,942	34,287	32,848
Current liabilities				
Trade and other payables		(15,001)	(14,696)	(16,110)
Current tax liabilities		(261)	(424)	(494)
		(15,262)	(15,120)	(16,604)
Net current assets		12,374	15,801	12,227
Non-current liabilities				
Deferred tax liabilities		(831)	(910)	(807)
Total liabilities		(16,093)	(16,030)	(17,411)
Net assets		15,849	18,257	15,437
Equity				
Share capital		719	804	719
Capital redemption reserve		104	19	104
Share premium account		1,098	1,072	1,098
Employee benefit reserve		(783)	(511)	(686)
Retained earnings		12,759	14,832	12,390
Revaluation reserve		1,952	2,041	1,812
Equity shareholders' funds		15,849	18,257	15,437

This condensed set of financial statements was approved by the Board on 8 August 2011

Signed on behalf of the Board

Martin W. Jacomb

Sir Martin Jacomb

For the six months ended 30 June 2011

	Notes	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Net cash from operating activities	8	(141)	1,247	2,088
Investing activities				
Interest received		50	64	118
Dividend received from trading investments		72	71	99
Purchase of property, plant and equipment		(18)	(33)	(56)
Purchase of intangible investments		(158)	(59)	(112)
Purchase of available-for-sale investments		-	(473)	(473)
Net cash received from investing activities		(195)	430	(424)
Financing activities				
Equity dividends paid	9	(422)	(396)	(396)
Issue of new shares			-	26
Share buyback			-	(3,837)
Net cash used in financing		(422)	(396)	(4,207)
Net (decrease)/increase in cash and cash equivalents		(617)	421	(2,543)
Cash and cash equivalents at the beginning of the period		11,999	14,542	14,542
Cash and cash equivalents at the end of the period		11,382	14,963	11,999

12 notes to the 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 (IFRSs) as adopted by the European Union. However, this announcement does not itself contain sufficient information to comply with IFRSs. The Group's published full financial statements comply with IFRSs.

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.

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.

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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Allowance for bad debts The Group makes a provision for the element of fees which it believes will not be recovered from customers. This is based on past experience and detailed analysis of the outstanding fees position particularly with regard to the value of customers' portfolios relative to the fees owed.

Fair value of investments The Group currently holds investments in the London Stock Exchange plc, Euroclear plc, WAY Group Limited, Eirx Therapeutics plc and Investbx Limited. These are held as available-for-sale financial assets and are measured at fair value at the balance sheet date.

London Stock Exchange plc shares trade in an active market and the fair value is readily determined by market price. The Euroclear plc shares do not trade in an active market, although a bulletin board system periodically collates buy and sell interest amongst shareholders. A view is therefore formed as to fair value based on the most recently traded price and the net asset value of the business adjusted for liquidity considerations. WAY Group Limited shares are carried at cost as the shares are not traded and there is no other means of determining a reliable and timely fair value based on the limited publicly available information. Both the Eirx Therapeutic plc shares and Investbx Limited shares are carried at nil value given the financial position of the companies and their recent history.

Share-based payments The Company's shares have been traded on Sharemark since 2000 and on AIM since May 2008. This provides a market price to help determine the fair value of equity-settled share-based payments but, in addition to this, estimations are made as to price volatility, risk free interest rate and expected life. These estimations enable the Black-Scholes model to then be used to determine the fair value of these equity-settled share-based payments.

Impairment The assets on the balance sheet are reviewed for any indications of impairment. This is done with reference to the recoverability and market value of the assets concerned but may involve an element of judgement or estimation in determining whether there are any indications of impairment and the extent of any impairment loss.

4 Business and geographical segments

The Group is required to disclose segment information in its annual financial statement as required by IFRS 8 and so we have provided equivalent half year disclosure opposite.

	The Share Centre		Sharefunds		Total	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	6,954	7,328	419	193	7,373	7,521
Operating profit/(loss)	1,066	1,425	(135)	30	931	1,455

It should be noted that the accounting policies of the reportable segments are the same as the Group's accounting policies and that there were no major customers contributing more than 10% of revenues in the Group as a whole.

5 Taxation

Tax for the six month period is charged at 26.5% (six months ended 30 June 2010: 28%), 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 2011 this was 26% (2010: 27%).

6 Earnings per share

	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share, being net profit attributable to equity holders of the parent company	746	1,156	2,276
Other gains and losses	-	6	6
Non-recurring expense – FSCS interim Levy	70	-	207
Share based payments	107	160	295
Related profit share paid	(22)	(21)	(106)
Taxation impact of the above adjustments	(41)	(6)	(29)
Earnings for the purposes of underlying basic and diluted earnings per share	860	1,295	2,649
Number of shares			
	Number ('000)	Number ('000)	Number ('000)
Weighted average number of ordinary shares	147,227	163,386	157,357
Non-vested shares held by employee share ownership trust	(3,041)	(2,256)	(2,858)
Basic earnings per share denominator	144,186	161,130	154,499
Effect of potential dilutive share options	108	838	845
Diluted earnings per share denominator	144,294	161,969	155,344
Basic earnings per share (pence)	0.5	0.7	1.5
Diluted earnings per share (pence)	0.5	0.7	1.5
Underlying basic earnings per share (pence)	0.6	0.8	1.7
Underlying diluted earnings per share (pence)	0.6	0.8	1.7

14 notes to the accounts

7 Cash at bank and in hand

Notes	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Cash	10,494	13,775	11,023
Cash held in trust for clients (a)	888	1,188	976
	11,382	14,963	11,999

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

(b) At 30 June 2011 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Services Authority amounted to £115.7 million (30 June 2010: £111.1 million). The Group has no beneficial interest in these deposits and accordingly they are not included on the balance sheet.

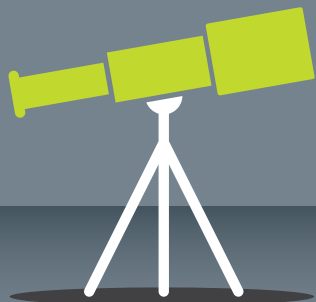
8 Cash flow

Reconciliation of operating profit to net cash inflow from operating activities

	Half Year 30 June 2011 (unaudited) £'000	Half Year 30 June 2010 (unaudited) £'000	Year 31 December 2010 (audited) £'000
Operating profit	931	1,455	3,043
Other gains and losses	(192)	(6)	(204)
Depreciation of property, plant and equipment	43	50	96
Amortisation of intangible assets	14	8	22
Share-based payments	107	(71)	153
Operating cash flows before movement in working capital	903	1,436	3,110
Decrease/(increase) in receivables	579	(5,478)	(7,283)
(Decrease)/increase in payables	(1,109)	5,579	6,993
Cash generated by operations	373	1,537	2,820
Income taxes paid	(514)	(290)	(732)
Net cash from operating activities	(141)	1,247	2,088

9 Distribution to shareholders

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
2010 Final Dividend paid in current year of 0.30p per ordinary share – 2010 0.5p (2010 Interim Dividend paid of 0.25p per ordinary share)	431	402	402
Less amount received on shares held via ESOP	(9)	(6)	(6)
	422	396	396



Brokers

The Share Centre Limited
Oxford House
Oxford Road
Aylesbury
Bucks
HP21 8SZ

Nominated advisor (NOMAD)

Peel Hunt LLP
111 Old Broad Street
London
EC2N 1PH

Independent auditors

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Principal bankers

Bank of Scotland
2nd Floor
Pentland House
8 Lochside Avenue
Edinburgh
EH12 9DJ

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA

Solicitors

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Public Relations

Lansons Communications
24a St John's Street
London
EC1M 4AY

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