

shareplc:

2005 Interim review



## highlights



**Turnover £4.5 million  
(2004: £4.7 million)**

Operating profit £0.3 million  
(2004: £0.9 million)

**Pre tax profits £2.0 million  
(2004: £1.1 million)**

Earnings per share 0.9p  
(2004: 0.5p)

**Strong balance sheet with  
£9.8 million in cash and no debt**

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# shareplc:

## what we do

### ■ **The Share Centre Limited**

The main trading arm of Share plc providing stockbroking services for private investors, together with a range of share-related services for companies and their employees and shareholders throughout the UK.

The Company is a corporate member of, and shareholder in, the London Stock Exchange.

### ■ **The Share Centre (Administration Services) Limited**

The services company through which systems and special projects are operated.

### ■ **The Shareholder Limited**

Publisher of our regular magazine for customers, and the trading vehicle for external products and services we may, from time to time, offer to customers.

### ■ **ShareMark Limited**

ShareMark is our alternative share market on which Share plc shares, amongst others, are dealt. Although ShareMark currently operates as a trading division of The Share Centre Limited, this company is expected to operate as a separately regulated entity in due course.

### ■ **The Share Centre (Investment Management) Limited**

The Authorised Corporate Director of The Share Centre Limited's managed fund.

### ■ **ShareSecure Limited**

The trustee service provider for participants in Share Incentive Plans.

### ■ **Share Nominees Limited and Stock Academy Nominees Limited**

The non-trading "bare trustee" companies which act as nominee custodians of our customers' individual shareholdings, thereby "ring-fencing" them from our own assets.

### ■ **Personal Retirement Account Limited**

The company protects the name of our pension service, operated by The Share Centre Limited in association with Sippdeal.

## Chairman's statement



Share plc, parent company of The Share Centre, presents its interim results for the half year ending 30 June 2005 showing a decrease in turnover of 3% to £4.5 million (2004: £4.7 million) and increase in profit before taxation from £1.1 million to £2.0 million.

### Operating Results

As we reported in our 2004 full year accounts, we took advantage of the strong rise in the price of London Stock Exchange plc to sell further LSE shares generating £1.4 million profit. We shared some of this profit with employees and this profit share is deducted from operating profit. This is reflected in the reduction in operating profit to £0.3m (2004: £0.9m). The sale leaves us with 411,434 LSE shares, and we are encouraged by the ongoing strength of the LSE share price.

We also reported our commitment to promotion of our own-brand investment services. We now expect our new website to be available in the final quarter of this year putting us in a good position to take benefit from the activity that will be generated towards the end of the tax year. However, this means that we will not be able to benefit during this year from the investment to the extent originally anticipated, and we expect lower profitability for the second half of the year compared with last year with a corresponding impact on the full year results.

### Business Development

Our Child Trust Fund services have got off to a good start, although take-up for the scheme across the whole market is lower than expected. The proportion of customers opting for our non-Stakeholder 'Child Investment Account' is particularly encouraging, and The Share Centre is pressing HM Treasury for improved terms on Inland Revenue-allocated Stakeholder accounts to assist provision in 2006. In the area of collective investment funds, The Share Centre has arranged fund supermarket facilities for its new website, and established a set of 'Preferred Funds' for those seeking assistance in selection. Meanwhile The Share Centre (Investment Management) has launched a new Global Fund.

On the corporate side of the business we are pleased to welcome a number of companies, including Oxford Technology VCTs and KP Renewables, to ShareMark, our trading platform, which continues to make progress as the technical engine behind the launch of InvestBX later this year.

Market and regulatory conditions remain under close review, with potential challenges arising from reduction in retail size trading facilities and the introduction of MiFID (the Markets in Financial Instruments Directive). The Share Centre has little involvement in pan-European trading, and is therefore unlikely to see benefit

from MiFID. We remain concerned, in common with many other retail investment firms, to see the burden of implementation of this European Directive kept to a minimum for UK retail investors. We know that these concerns are shared within Government and Regulatory bodies but we need action on their part as well.

Meanwhile we are pleased to note that progress in nominee shareholder enfranchisement is being maintained with the Company Law Reform Bill due to begin its Parliamentary stages in Autumn 2006.

### Outlook

The economic outlook is challenging, with higher oil prices restraining business activity and lower interest rates reflecting worries over lower retail activity and rising personal debt. However your Board remains committed to growth based on the need for higher levels of personal savings and investment. It believes that our continued investment in brand development and customer service will enable us to re-establish that growth in 2006 and beyond.

Sir Martin Jacomb, Chairman

## Consolidated profit and loss account

For the six months ended 30 June 2005

	Note	Half year 30 June 2005 (unaudited) £'000	Half year 30 June 2004 (unaudited) £'000	Year 31 December 2004 (audited) £'000
<b>Turnover</b>		<b>4,517</b>	4,669	8,907
Administrative expenses		<b>(4,246)</b>	(3,817)	(7,743)
<b>Operating profit</b>		<b>271</b>	852	1,164
Profit on sale of fixed assets investments		<b>1,362</b>	-	187
Dividend receivable		<b>68</b>	41	523
Interest receivable		<b>282</b>	214	456
Interest payable		<b>(1)</b>	-	(5)
<b>Profit on ordinary activities before taxation</b>		<b>1,982</b>	1,107	2,325
Taxation	2	<b>(595)</b>	(329)	(615)
<b>Profit on ordinary activities after taxation</b>		<b>1,387</b>	778	1,710
Distribution to shareholders	3	-	-	(221)
Retained profit for the period		<b>1,387</b>	778	1,489
Earnings per share	4	<b>0.9p</b>	0.5p	1.1p
Diluted earnings per share	4	<b>0.9p</b>	0.5p	1.1p

There are no recognised gains or losses for the current or prior periods other than stated above. Accordingly no statement of total recognised gains and losses is given.

The notes on pages 9 to 10 form part of these financial statements.

## Consolidated balance sheet

	Note	30 June 2005 (unaudited) £'000	30 June 2004 (unaudited) £'000	31 December 2004 (audited) £'000
<b>Fixed assets</b>				
Tangible		113	263	136
Investments		217	217	217
Intangible		116	132	116
		<b>446</b>	612	469
<b>Current assets</b>				
Debtors		5,742	10,288	4,884
Cash at bank and in hand		9,848	7,203	8,931
		<b>15,590</b>	17,491	13,815
<b>Creditors:</b> amounts falling due within one year		<b>(6,606)</b>	(10,587)	(6,156)
<b>Net current assets</b>		<b>8,984</b>	6,904	7,659
<b>Total assets less current liabilities</b>		<b>9,430</b>	7,516	8,128
<b>Capital and reserves</b>				
Called up share capital		798	798	798
Share premium account		29	29	29
Employee benefit reserve		(334)	(199)	(249)
Profit and loss account		8,937	6,888	7,550
<b>Equity shareholders' funds</b>	5	<b>9,430</b>	7,516	8,128

The notes on pages 9 to 10 form part of these financial statements.

## Consolidated cash flow statement

	Note	Half year 30 June 2005 (unaudited) £'000	Half year 30 June 2004 (unaudited) £'000	Year 31 December 2004 (audited) £'000
<b>Net cash (outflow)/inflow from operating activities</b>	6	<b>(89)</b>	333	1,613
Interest received		282	214	456
Interest paid		(1)	-	(5)
Dividend received		68	41	523
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>349</b>	255	974
<b>Taxation</b>				
Tax paid		(360)	(252)	(585)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(39)	(40)	(67)
Receipts from sale of investments		1,362	-	187
Payments to acquire shares for employee benefit trust		(115)	(123)	(313)
Receipts from sale of shares from the employee benefit trust to employees exercising share options		31	42	133
<b>Net cash inflow/(outflow) from capital expenditure</b>		<b>1,239</b>	(121)	(60)
<b>Equity dividends paid</b>		<b>(222)</b>	(293)	(292)
<b>Increase/(Decrease) in cash</b>		<b>917</b>	(78)	1,650

## Notes to the financial statements

### 1 Basis of preparation

This interim statement has been prepared on the basis of accounting policies set out in the Group Financial Statements for the year ended 31 December 2004.

The financial information as set out in this statement is unaudited and does not comprise full financial statements within the meaning of Section 240 of the Companies Act 1985.

The comparative figures for the year ended 31 December 2004 have been taken from, but do not constitute, the Company's statutory financial statements for that financial year. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. Their report was unqualified and did not contain a statement made under either section 237(2) of the Companies Act 1985 (accounting records or returns inadequate or accounts not agreeing with records or returns) or section 237(3) (failure to obtain necessary information and explanations).

### 2 Taxation

The charge to taxation is an estimate based on the anticipated effective rate of tax ending 31 December 2005.

### 3 Distribution to shareholders

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Interim dividend nil pence per share (2004: Interim dividend nil; final dividend 0.1452p)	-	-	222
Less: amount received on shares held via ESOP	-	-	(1)
	-	-	221

### 4 Earnings per share

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Profit for the period	<b>1,387</b>	778	1,710
Loan interest on convertible loan stock	<b>1</b>	1	4
Basic earnings attributable to ordinary shareholders	<b>1,388</b>	779	1,714
Diluted earnings attributable to ordinary shareholders	<b>1,388</b>	<b>779</b>	<b>1,714</b>



**4 Earnings per share (continued)**

	<b>30 June 2005 Number (‘000)</b>	30 June 2004 Number (‘000)	31 December 2004 Number (‘000)
Weighted average number of ordinary shares	<b>161,420</b>	161,883	161,430
Non vested shares held by employee share ownership trusts	<b>(2,404)</b>	(1,345)	(1,781)
Effect of potential dilutive share options	<b>242</b>	793	384
Adjusted weighted average number of ordinary shares	<b>159,258</b>	161,331	160,033
	<b>Pence per share</b>	Pence per share	Pence per share
<b>Basic earnings per share</b>	<b>0.9</b>	0.5	1.1
<b>Diluted earnings per share</b>	<b>0.9</b>	0.5	1.1

**5 Movement on consolidated shareholders' funds and statement of movements in reserves**

	<b>Total</b>	<b>Issued share capital</b>	<b>Share premium account</b>	<b>Employees benefit reserve</b>	<b>Profit and Loss account</b>
	£'000	£'000	£'000	£'000	£'000
At 1 January 2005	8,128	798	29	(249)	7,550
Purchase of ESOP shares	(115)	-	-	(115)	-
Sale of ESOP shares	31	-	-	31	-
Profit on sale of ESOP shares and dividends received	-	-	-	(1)	1
Retained profit for the period	1,386	-	-	-	1,386
At 30 June 2005	9,430	798	29	(334)	8,937

**6 Cash flow**

Reconciliation of operating profit to net cash inflow from operating activities

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Operating profit	<b>270</b>	852	1,164
Depreciation and amortisation charges	<b>62</b>	119	280
Loss on sale of fixed assets	-	-	9
(Increase) in debtors	<b>(858)</b>	(5,977)	(633)
Increase in creditors falling due within on year	<b>437</b>	5,339	793
Net cash (outflow)/inflow from operating activities	<b>(89)</b>	333	1,613

## Group information

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