

shareplc:

# annual report 2010



- ★ **Revenue increased by 10.4% to £15.6 million** (2009: £14.1 million).
- ★ **Operating profit increased by 41.2% to £3.0 million** (2009: £2.2 million).
- ★ **Underlying\* basic and diluted earnings per share increased to 1.7p** (2009:1.3p per share).
- ★ **Basic and diluted earnings per share increased 36% to 1.5p** (2009: 1.1p).
- ★ **Final dividend declared for 2010 of 0.30p per share** (2010: Interim dividend 0.25p).
- ★ **Strong balance sheet with £11 million in cash** (2009: £13.8 million)\*\*
- ★ **Growth in benchmarked\*\*\* revenue market share to 6.52%** (2009: 5.76%).

\* excludes the impact of some items, in particular large non-recurring items, as defined in note 14.

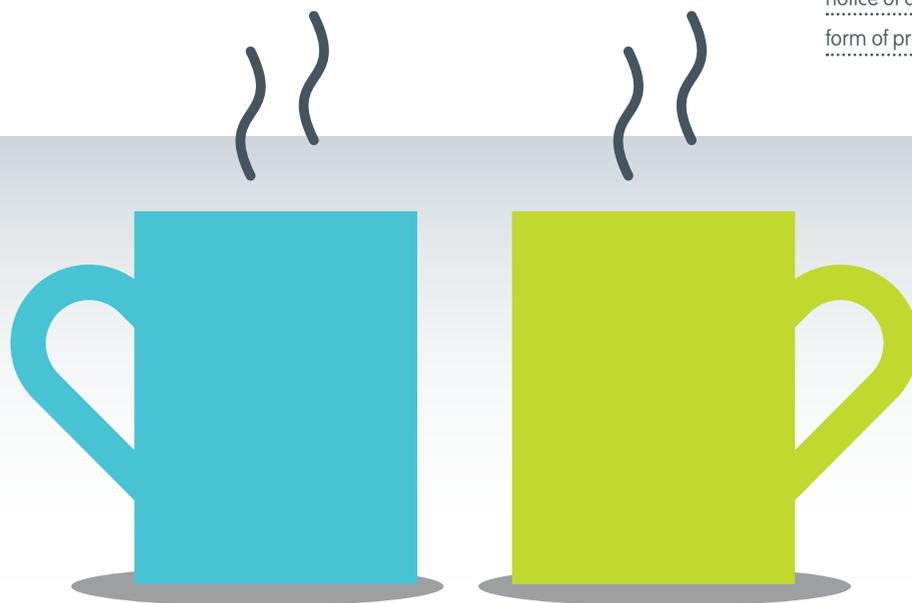
\*\* In addition, cash on the balance sheet includes £1.0m (2009: £0.7m) of money held in trust for clients.

\*\*\* The benchmark peer group used comprises: Alliance Trust Savings, Barclays Stockbrokers Ltd, Equiniti, Halifax Share Dealing Ltd, HSBC Stockbrokers Ltd, NatWest Stockbrokers Ltd, Saga Personal Finance, Selftrade and T D Waterhouse Investor Services Europe Ltd.



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# chairman's statement



I am pleased to report a strong set of results achieved by your company in 2010, notwithstanding the backdrop of continuing economic uncertainty and market volatility. That said, the stock market staged something of a recovery during the latter part of the year, with plenty of activity driven by investors' search for income underpinned by continued strength in corporate earnings.

The company has delivered significant growth, building further on the performance achieved in 2009. Operating profit for 2010 was £3.0m (2009: £2.2m), growth of 41%. Revenues were 10.4% higher at £15.6m (2009: £14.1m). Of the £1.5m growth in revenue, £0.9m or 61% fed through into operating profit. This was achieved by limiting the increase in costs to 4.8% - including the impact (1.7%) of the Financial Services Compensation Scheme (FSCS) Interim Levy. Headcount growth and increased profit sharing payments to all staff (arising from the Group's improved profitability) was offset by a small reduction in the amount spent on marketing in the year. This reflects the ability to command marketing space at reduced rates in an economic downturn, combined with an increased proportion of marketing delivered online.

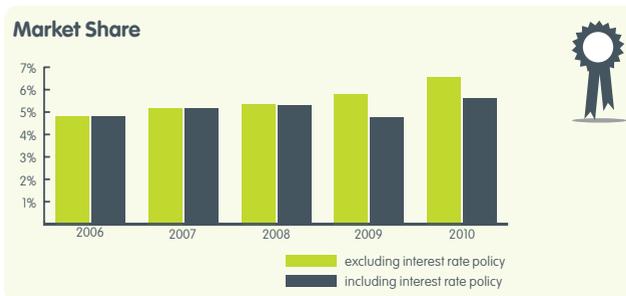
Thus over the last two years, since 2008, the Group has grown revenues by more than 30% and operating profit by 133%.

Dealing commission and fee income showed growth of 18.3% in the year, building still further on the significant growth (28.8%) in these revenue streams in 2009. These were the principal drivers of the Group's growth in 2010 as interest income in the continuing low interest rate environment held back the overall headline growth rate.

The increase in activity reflects the empowerment customers enjoy when using our services. Research published during 2010 has shown that The Share Centre's style of business – self-directed (often described as execution only) and offering a high degree of transparency and investor control – is responsible for a substantial rise in UK personal share ownership. Moreover not only has our sector grown strongly but our market share has increased.

Our revenue growth, underpinned by the increased activity levels, is well ahead of that experienced by our peers. We measure our market share of revenues relative to a consistent peer group of nine other brokers, and our share has increased significantly during 2010. Excluding the benefit of the interest rate floor policy which matured in November 2010, our market share has still shown substantial improvement.

Overall for the year our market share was 5.62% (2009: 4.76%) excluding the interest rate floor policy. (The market share was 6.52% (2009: 5.76%) including the impact of the interest rate floor policy.)



We have welcomed thousands of new customers to The Share Centre during the year, most of whom use our services online. During 2010 we also welcomed several thousand former customers of Wills & Co Stockbrokers Limited to The Share Centre. The acquisition of these accounts in circumstances where their existing provider was ceasing business involved detailed discussions between ourselves and the Financial Services Authority (FSA) which we consider reflects well on the quality of our service. By year end, The Share Centre's accounts exceeded 275,000.

The number of deals executed by The Share Centre in 2010 was over 736,000 - 600,000 of these were customer-originated, up 3% on 2009, which itself showed an increase of 75% on 2008. This compares to a fall in trading activity reported elsewhere. Meanwhile, our fund distribution activities have grown significantly during the year with fund purchases and transfers inwards rising by 61% relative to the prior year.

Our interest rate floor policy ended on 1 November 2010. We originally took out the policy in 2007 at a time when we felt the economic environment may turn deflationary, as there was no evidence of inflation in spite of an overheating economy. We therefore considered that interest rates could go exceptionally low in the event of an economic downturn and the insurance policy compensated for a reduction in interest rates for its duration. In the event the benefit we obtained from the policy over the last two years was substantial. The policy cost £94,500 and has contributed £4.96m to revenues since November 2008.



**Sir Martin Jacomb, 81**  
Chairman and non-executive director

Sir Martin brings to the Share plc Board a wealth of experience from across the business spectrum. Currently non-executive Chairman of Canary Wharf plc, and Chancellor of the University of Buckingham, his previous experience includes Chairman of Prudential, Chairman of BZW, Deputy Chairman of Barclays plc and directorships including the Bank of England, Rio Tinto plc, and Marks and Spencer plc.

Unfortunately the policy is not replaceable. However, we have sought to improve the interest income we earn without adversely impacting liquidity, a task which is not easy in such a flat, low interest rate environment. Steps taken have included an innovative agreement with a building society where the Group will earn 2.5% above base rate on deposits. Those deposits are secured by a charge over the building society's assets. This arrangement protects the security of those deposits which is of paramount importance.

Other parts of the Group also continue to make good progress. Following the transaction in October 2009 with WAY Fund Managers Limited, the fund accounting service in respect of the collective funds they administer was transferred to Sharefunds. That process was completed in the first half of 2010 and started to contribute fully to group revenues in July.

As in the past, we have presented underlying earnings per share, which excludes the impact of one-off items. This year, one particular exceptional item is the impact of the additional levy charged on The Share Centre Limited by the FSCS. This is our compulsory contribution to cover the compensation costs paid out to customers of failed investment firms. The total interim levy charged on the industry was £326m. This charge relates to the 2010-11 financial year and takes The Share Centre's compulsory levy payment to just over £333,000 for that period. This very high cost is mostly because of the compensation payments made by the FSCS relating to the failure of a firm called Keydata. That firm, which was regulated by the FSA, had nothing to do with us. We did not sell its products and never would have done so. This charge thus highlights the burden of failures of regulation to prevent losses caused by those who do not operate within the spirit as well as the letter of those regulations.

The Group continues to have a strong balance sheet. In August 2010 the company undertook a 'share buyback' which resulted in the purchase by the company of just over 17m of its own shares which were then cancelled. The Group paid out £3.8m to buy back these shares. At the same time we offered a commission-free dealing opportunity to our shareholders to facilitate trading, particularly for those with smaller shareholdings for whom the buyback would have involved suffering a discount to the market price. We were delighted that the demand from existing shareholders to purchase shares was more than double the amount of shares offered for commission-free dealing sale by shareholders. Yet again this demonstrates the significant support

we have from our shareholders, the majority of whom are also our customers, and for which we are very grateful. In order to facilitate future trading by shareholders with smaller holdings as well as to encourage new shareholders, I am pleased to report that the Board has decided to continue indefinitely to offer commission-free dealing in Share plc shares for all customers of The Share Centre.

The Group continues to have in excess of £11m of cash. The Group has capital well in excess of the levels required by the FSA and adequate resources to invest in the growth of the business, both organically and through acquisition.

Given the performance this year and the strength of our balance sheet I am pleased to be able to report that the Board is recommending a final dividend of 0.30p per share (2010 interim dividend in lieu of a 2009 final dividend was 0.25p per share). This represents growth of 20% on the last dividend paid; a step up from the growth rate in dividend payments which the Group has delivered for the last seven years of around 10%, and a rate of dividend growth the Board believes will be deliverable for the foreseeable future.

In terms of contribution to the UK economy, it should also be noted that in 2010 we paid and/or collected a total of £6.1m in tax revenues (2009: £5.8m).

In April 2011 The Share Centre will celebrate its 20th anniversary. This will be a milestone for the Group and an opportunity to reflect on past success as well as look forward with enthusiasm to a future which will certainly be challenging, but which will continue to present good opportunities for the Group. Finally, I would therefore like to take this opportunity to thank all of our staff who have contributed this year, and in the past 20 years, to making this business the success that it is. I would also like to thank our customers for their support and loyalty. The combination of shareholders, employees and customers creates a very special sense of purpose and belonging, on which our success continues to be built.

*Martin G. Jacomb*

Sir Martin Jacomb  
Chairman  
29 March 2011

# who we are

## **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.

## **Sharefunds Limited**

The investment management and fund administration subsidiary of the Group.

## **Sharemark Limited**

Sharemark is our alternative share market on which Share plc shares, amongst others, are dealt. Sharemark currently operates as a trading division of The Share Centre Limited.

## **The Shareholder Limited**

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

## **Personal Retirement Account Limited**

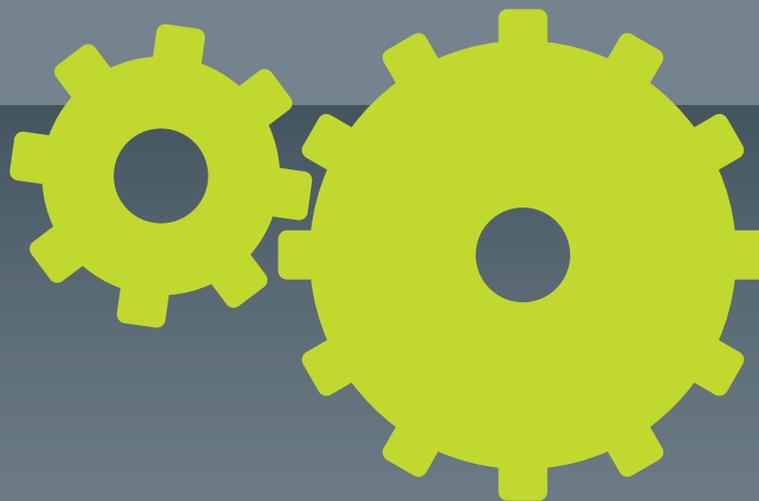
The company which protects the name of our pension service, operated by The Share Centre Limited in association with Sippdeal.

## **Sharesecure Limited**

The corporate trustee 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.



# business review



## Strategy for Growth

We identified in last year's Annual Report four key principles which have driven the Group's strategy and business model since it began life as The Share Centre back in 1991. Those are: **first class customer service, scalability and operational efficiency, regulatory compliance and financial performance.** As the business approaches its 20th anniversary there is the opportunity to reflect on past success as well as look forward with confidence to the future. In so doing, we have identified the Group's core values which underpin all that the Group does and have set our sights on what may be achieved in the medium term as detailed below.

The core values of the business are respect for others, empowerment, clarity, long-term stability and enterprise. These values, combined with the principles behind our growth strategy, have created a firm foundation on which the business continues to build. As noted in the Chairman's statement, this is the third Annual Report written in the context of economic uncertainty following the credit crisis of 2008. Throughout this period the Group has continued to grow, expand its customer base, improve and extend its customer propositions and increase profitability. This is achievable because of the firm foundation on which the business is based.

As we noted last year, delivering growth rates ahead of those experienced by our peers is a central objective of the Group and the continued progress in our benchmarked market share of revenues demonstrates our achievements in this regard. We remain focused on this central objective delivered through organic growth with an awareness of acquisition opportunities – such as that presented by the acquisition of customers from Wills & Co – as and when they arise.

The strong growth in market share provides a consistent, long-term basis for achieving the Group's objective of inclusion in the FTSE 350 within the next 10 years. However, the availability – or otherwise – of interest on cash balances can act in the short-term as either a headwind or tailwind in determining the overall pace of growth. At present its effect is the former, but as interest rates rise in due course to more conventional levels we should see a corresponding tailwind effect on our performance.

## First Class Customer Service

A very high standard of customer service is central to our culture and the foundations on which the business has been built. At the core of all that we do are very large numbers of personal investors who place their trust in our services and who expect a first class experience in return. Respect for customers, regardless of their level of investment or experience, and clarity in the way we communicate are central to that philosophy.

**Online experience** Increasingly people engage with our services through the internet: opening accounts, sourcing information and research, using the investment tools we provide and placing deals. In 2010 89% (2009: 84%) of new Share Accounts were opened online and the substantial majority of all individually instructed trades were placed online. As a result, the online experience is critical to our customers.

During 2010 we have continued to enhance the appeal of our website to personal investors. The content rich and easy-to-use site includes a wealth of tools and information designed to aid personal investors in making informed investment decisions. These include tools such as SharePicker, FundPicker and ETFPicker, as well as features like the Platinum 120 hand-picked range of funds designed to assist investors in navigating the ever expanding funds market. We also offer all our customers services to help protect their investments such as investment advice, stop-loss and tracking stop-loss limits. We offer these tools without any additional charges.

The success of the Group's main customer interface can be measured by the high and growing levels of customer engagement and interaction. For example, in 2010 the Group's main website [www.share.com](http://www.share.com) received an average of over 150,000 unique visitors per month, an increase of 25% on 2009. On average, each month in 2010 saw over 24,500 individual customers signing in on average over 13 times in the month to use and view their account(s) online. The average time spent on our website during each visit is over nine minutes. We appreciate that not all our customers are able to interact with the business over the internet and for those individuals we offer telephone and mail capabilities. Unlike many of our competitors we do not make additional charges for dealing by telephone or post. This ensures technology is not a barrier to accessing our services.

We also employ a team of dedicated investment advisors. Access to our advice service is at no extra charge to all our customers and our advisers can assist customers across a range of asset classes including equities, funds and exchange traded funds (ETFs). Two of the advisors also act as fund managers for our portfolio of Funds of Funds. The three Funds of Funds we offer provide an easy access point to the funds market for customers based on their risk appetite – cautious, positive or adventurous.



**Gavin Oldham, 61**  
Chief Executive

Gavin's responsibilities include all aspects of control and oversight, including the Group's strategy for growth. Founder of The Share Centre, having previously established Barclayshare (now Barclays Stockbrokers) for Barclays Bank, Gavin plays an active role in business affairs and is a regular contributor to radio and TV. An elected member of the General Synod and a Church Commissioner (and member of its Assets Committee), he also serves on the Church's Ethical Investment Advisory Group, and is a trustee of pfeq (Personal Finance Education Group) and founder of The Share Foundation.

**Customer satisfaction** In striving to provide first class customer service, feedback is always valued and in particular we carefully review all expressions of dissatisfaction as well as the compliments we receive. We continue to receive a low level of complaints (c. 1.9 complaints per 1,000 accounts held in 2010 (2009: 1.5)), and the number escalated to the Financial Ombudsman Service (FOS) remains low. In 2010 we had two complaints upheld against us (2009: Nil).

To aid feedback the website includes guestbook and forum facilities. The Group undertakes regular customer research and many people contact the Group directly. In addition, many of our customers are also shareholders and attend the Group's AGM where senior management is always available to answer any questions.

**Awards** Finally, we are delighted that 2010 saw the Group add to its tally of awards. This included the MoneyAM Best Online Funds Service 2010 Award which is voted for specifically by users of the MoneyAM financial news website. This reflects our high quality customer experience, the investment we have made in improving our online funds service and the impact our Platinum 120 range of funds has had in the market. We also received the Best Small-Cap Broker award in the Shares magazine awards. This reflects the focus we have given to the needs of those interested in investing in smaller companies, including those traded on Sharemark, our alternative trading platform.

## Scalability and Operational Efficiency

**Systems and people** As outlined above, core to the Group's service offerings are reliable systems. The information systems used by the Group are essential for the efficient running of the business, and for that reason we manage all our systems and do all of our own systems development in-house. As identified in last year's annual report, we are currently undertaking a programme of moving away from legacy programming languages inherent in our systems and this process is continuing successfully. This will, for example, provide all relevant staff with a browser based interface to our core trading system enabling more efficient interrogation, retrieval and processing of information. That in turn should enhance the service we can provide customers, particularly over the telephone.

The security of our systems and data contained therein is also paramount. In the last year we have been through a process of further upgrading our security systems, in particular to ensure compliance with the new Payment Card Industry Data Security Standards (PCI DSS) as specified for firms such as ours which take card payments from customers. We also undertake regular penetration testing of our systems.

In addition to technology, the Group could not operate efficiently and effectively without high quality staff. Based on a single site in Aylesbury, we are able to attract talented individuals to work for us, many of whom have had previous relevant experience in similar roles in the City or other locally based financial services companies.

The Group invests heavily in training and development at all levels including a dedicated personal development programme. We also support any member of staff seeking to voluntarily undertake additional study or qualifications relevant to their role. We use best practice to guide our employment terms, including a wide range of benefits such as an 8% pension contribution (already at the level which will be mandated for companies by 2016), participation in the Group's Share Incentive Plan with 2:1 matching of employee contributions, and private medical cover. We aim to have a diverse workforce, and where possible accommodate requests for flexible or part-time working (14% of the Group's staff work part-time). The Group's ratio of male to female staff is 3:4 (2009: 23:27).

The combination of high quality employees and systems enables the Group to operate in an efficient and scalable manner. With the increasing shift to online interaction by our customers, the additional cost of servicing each additional customer is limited and the Group can swiftly accommodate changes in volumes without issue or commensurate increases in costs. This was evidenced by our taking on the several thousand Wills & Co Stockbrokers Limited customers in February 2010 without any additional resource or systems requirements.

**White-label services** The scalability of the Group's services also means they can readily be offered to third parties on a white-label basis. To this end white-label clients currently include This is Money, 0800 Shares and Moneyextra. The retail customers of these corporate clients enjoy all the high quality customer service enjoyed by The Share Centre's customers, and as services develop in conjunction with these clients, their customers will also soon be able to enjoy increased online functionality such as account opening and online funding of accounts.

**Sharefunds** Sharefunds has used our own scalable systems to rapidly grow its fund administration service. Again, this demonstrated the Group's ability to transfer in significant volumes of business over a concentrated period as the fund accounting for WAY Fund Managers' funds commenced in the first half of 2010. This has necessitated additional resource due to the scale of change in this business division but the Group has been able to recruit expert individuals in this field and as the business has expanded is now developing its own separate fund accounting system in order to improve automated functionality and the range of services offered. In addition, the fund management of the Group's Cautious, Positive and Adventurous Funds of Funds has

progressed well. These will receive crown ratings in March 2011 with the Positive and Adventurous funds having performed in the first quartile and the Cautious fund in the second quartile of their respective peer groups.

**Sharemark** Sharemark has also demonstrated the ability of the Group to develop efficient solutions using the Group's in-house systems. The Sharemark service attracted a number of new lines of stock in 2010, whilst some lines of stock departed. At the end of the year the market had 23 securities trading on it (2009: 24). Sharemark has recently developed a share trading service for ShariaUMEX designed to facilitate trading in Sharia-compliant stocks and in 2011 will be seeking ways to facilitate the use of the market to help small to medium sized enterprises raise additional capital.

## Regulatory Compliance

**FSA regulation** The Group contains two entities which are authorised and regulated by the FSA. They are: The Share Centre Limited (FSA reference number 146768) and Sharefunds Limited (FSA reference number 227807). The Group has to comply with the FSA's rules and regulations including the submission of data to the FSA on a monthly, quarterly and annual basis. All these returns were completed and submitted ahead of the relevant deadlines.

The strong culture of control and compliance is maintained through the work of the compliance team within the Group. In addition to regular departmental reviews, thematic reviews and an oversight of the Group's implementation of the FSA's Treating Customers Fairly initiative, the compliance team also signs off all the Group's retail promotions and ensures staff training is up to date on topics such as Money Laundering legislation.

The Group contributes to the Financial Services Compensation Scheme (FSCS) by way of a compulsory levy charged by the FSCS on the industry in accordance with rules laid down by the FSA. As noted elsewhere in this review the costs on our Group, as a compliant organisation which adheres to the rules, have been significant this year following the failures of other firms. We also incur charges from the Financial Ombudsman Service in cases where customers escalate complaints. As noted in the First Class Customer Service section above, we have very few complaints referred to the Ombudsman.

**Corporate governance** Where appropriate for the size and nature of the Group, the Group endeavours to act in line with corporate governance best practice for AIM companies. This includes the area of risk management where the Board has oversight of the Audit and

Risk Committee and its Risk Sub-Committee. Details of all aspects of corporate governance are included in the Corporate Governance section of the Directors' Report.

The Company Secretary provides the Board with regular updates on corporate governance best practice and in 2010 this has included details of the new UK Corporate Governance Code which was issued in June following consultation in the wake of the Walker Review. In addition, the FSA issued a paper on effective corporate governance. The Board has, where appropriate, sought to adopt best practice, for instance undertaking a regular assessment of Board competencies and behaviours, extending the FSA's approved person regime to include the Group's Chairman in line with the newly identified 'Significant Influence Functions' and ensuring the Chairman stands for re-election on an annual basis.

**Tax compliance** In common with other businesses in our industry, the Group acts as a significant tax collector for the government. In doing so the Group has to comply with a wide range of legislation covering Corporate Taxation, PAYE, National Insurance, VAT, Stamp Duty and other legislation affecting specific products and services we offer such as Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs). Compliance with these various aspects of tax legislation is not without costs. In return the Government benefits significantly from our tax collecting capabilities. In 2010 the Group collected a total of £6.1 million (2009: £5.8 million) in tax for the government, including £3.1 million (2009: £2.8 million) of Stamp Duty, a tax which acts as a friction on the free movement of capital and individuals' ability to participate in the stockmarket, and particularly affects the secondary market liquidity of small and medium sized business.

**Industry memberships** The Group has always played an active role in the stockbroking industry and more widely, seeking to advance the interests of retail investors. It continues to do this both directly and through active membership of a number of bodies, including, the London Stock Exchange, the Association of Private Client Investment Managers and Stockbrokers (APCIMS), the Tax Incentivised Savings Association (TISA), the Personal Finance Education Group (pfeg), the London Chamber of Commerce, and the Centre for the Study of Financial Innovation (CSFI). In addition, Share plc is a member of the Quoted Companies Alliance (QCA) and Sharefunds is a member of the Investment Management Association (IMA). Many of the Group's staff also hold individual memberships relevant to their professional skills including membership of the Chartered Institute for Securities and Investment (CISI).



**Iain Wallace, 41**  
Compliance and Legal Services Director

Iain's experience as a private client stockbroker and latterly a regulator with the Securities and Futures Authority and the Financial Services Authority, ensures we maintain a strong compliance culture delivering clear, fair and effective services for our customers. He also maintains oversight of the Sharemark and Sharefunds services for corporate clients, as well as The Share Centre's advice service and HR function. Iain holds a Masters Degree in Financial Services Law (LLM) and is also a non-executive director of WAY Group Limited.



**Richard Stone, 37**  
Finance Director



Richard, a qualified Chartered Accountant, joined Share plc in April 2006, from his previous role as a Director of Huntswood - an outsourcing business serving the financial services sector. His earlier investment market experience as an equity research analyst with the US investment bank, Robertson Stephens, included involvement in a number of initial public offerings across Europe, and enables him to contribute to the further development of Share plc's profile in addition to managing the financial and administrative affairs of the Group.

## Financial Performance

The Group's stated objective is to deliver revenue growth and to do so at a rate which is in excess of that achieved by our competitors. Combined with the ability to readily translate revenue growth into profit growth, this will enable the Group to deliver increased earnings such that we can achieve the medium term objectives outlined below. This year has been a year of growth in all the principal areas of our business, evident in the financial metrics detailed below.

**Revenue growth** The Group delivered strong revenue growth, building further on the achievements of 2009 and in spite of not having the benefit of the interest rate floor policy for the last two months of the year. Overall revenues for 2010 were £15.6 million, growth of 10.4% on the £14.1 million achieved in 2009.

The principal drivers of growth in 2010 were the continued high levels of customer engagement combined with the recovery in market values as the FTSE All Share rose 10.9% in the year. These two factors boosted dealing commission income and fees, a significant proportion of which are linked to the value of customer accounts. Fees were also boosted by the growth of the Sharefunds business and the service agreement with WAY Fund Managers.

Dealing commission showed year on year growth of 12.2% to reach £6.1 million (2009: £5.4 million). Fee income grew by 25.3% to £5.8 million (2009: £4.7 million). These two revenue streams reflect the level of customer engagement and activity and together grew by 18.3%, accounting for 76.6% of overall revenues.

Interest income reduced by 9.5% during the year as had been anticipated. This reflects the ending of the interest rate floor policy on 1 November.

The overall impact of the relative performances of the three revenue streams detailed above has been to see a shift in the revenue mix from interest income to dealing commission as noted in the Key Performance Indicators commentary on page 12.

In addition to the Group's core stockbroking services provided to retail customers, a number of services are provided to corporate clients. These include the services of the Sharefunds and Sharemark business divisions, along with white-labelled shared dealing, Share Incentive Plan (SIP) and Enterprise Investment Scheme (EIS) administration. The Sharefunds business division has grown significantly during 2010 following the agreement with WAY Fund Managers and the subsequent transfer of

its fund accounting requirements to Sharefunds. The performance of Sharefunds is now sufficiently material as to be separately identified within the Group's segmental reporting disclosures in note 6. Overall revenues from services provided to corporate clients were £2.0 million (2009: £1.6 million). This accounted for 12.5% (2009: 11.9%) of total revenues.

**Operating costs – people and marketing** High quality and dedicated staff comprise the Group's largest single area of expenditure, and combined with the ongoing investment in retail promotional activity these two categories accounted for 64% of the Group's total expenditure (2009: 69%).

The total spend on salaries and related headcount costs in 2010 was £6.0 million (2009: £5.8 million). This amounted to 48% of total expenditure (2009: 48%). The increase in the absolute cost related to the increase in headcount as well as increased profit share payments. All members of staff benefit from the Group's profit share arrangements whereby a percentage of the Group's profit is set aside and distributed amongst staff according to grade and salary. The overall improved profitability of the Group therefore resulted in an increase in these payments. The increased headcount related primarily to additional resource within the Sharefunds business division and additional systems and customer services staff.

Discretionary marketing spend, primarily on retail promotion, is the second largest area of operational cost and in 2010 was £2.0 million (2009: £2.6 million). This amounts to 16% of total expenditure (2009: 21%). The reduction in spend year on year reflects the improved ability to command advertising space at reduced costs in the current economic climate as well as an increased focus on internet based marketing where results are more readily measured. The overall effectiveness of this spending is best illustrated through the Group's principal Key Performance Indicator – benchmarked revenue share – as illustrated on page 12. Over the long term, this has the effect of stripping out the impact of movements in market values and demonstrates how the Group is performing relative to its peers.

Other costs incurred by the Group are predominantly in relation to its premises, IT systems and irrecoverable VAT which arises as a function of some of the revenue streams (principally dealing commission) being free of VAT. This latter point means that rising VAT adds a cost to the Group – the increase from 17.5% to 20% in 2011 will add c.£60,000 to costs in 2011 – as not all input VAT is recoverable.

**Operating profit** The growth in revenue led to an increase in operating profit of 41.2% to £3.0 million (2009: £2.2 million). This includes the impact (£0.2m) of the FSCS Interim Levy for 2010-11 as referred to in the Chairman's statement, without which the operating profit of the business would have increased by more than 50%. This increase reflects the scalability of the business and the ability to deliver revenue growth to the bottom line. Of the £1.5 million increase in revenues, 61% went straight through to increased operating profit. This resulted in an overall operating margin for the year of 19.5% (2009: 15.3%) and nearly double the margin of 10.9% achieved in 2008. This is discussed further within the Key Performance Indicator commentary on page 12.

**Interest rate floor policy and treasury management** As reported in previous annual reports, the Group held an interest rate floor policy which expired on 1 November 2010. The policy paid the Group interest on a principal sum of £90 million at a rate of 3.5% less the base rate. This contributed £2.2 million (2009: £2.6 million) to revenues in 2010 and over the three year life of the policy contributed just under £5.0 million, a significant return on the original premium paid of £94,500. The ending of this policy will therefore clearly have a material effect on the Group's performance but steps have been, and continue to be, taken to mitigate the impact.

The Group always takes its fiduciary duty over customer assets, whether stock or cash, very seriously, and in particular the security of those assets where we place them into the hands of third parties such as banks. All the institutions we use are subject to ongoing review. The FSCS has confirmed to us previously that our customers' money is covered by the scheme for each of our customers individually were any of the counterparty banks we use to fail. Spreading our deposits between banks also serves to provide most customers with a potentially higher level of compensation.

The Group currently uses HBOS (now part of the Lloyds Banking Group), Clydesdale Bank (part of the National Australia Bank Group), RBS (majority owned by the UK Government), HSBC and a building society to hold customer money deposits. We currently place our customers' money with these institutions in a mix of current, instant access and deposit accounts. The deposit accounts have varying terms and durations. The institutions we use for taking deposits are reviewed regularly by the Board.

Steps taken by management to improve the interest income of the Group whilst not compromising the security of our customers assets have included the use of some longer term deposits as well as an agreement with a building society to place £10.0 million on deposit at a variable rate of base (currently 0.5%) plus 2.5%. The deposit is secured by means of a charge to 150% of the deposits' value over mortgage assets. The Group hopes to be able to reach a similar agreement with at least one other building society during 2011.

Any rise in rates during 2011 from their current historic lows will also help the Group's financial performance although the full benefit may lag slightly due to the impact of the use of term deposits.

**Balance sheet** The balance sheet continues to be strong with cash totaling some £12.0 million, £11.0 million of which is the group's own cash balance (2009: £13.8 million), and the remainder being included as cash held in trust on behalf of customers in the course of settling trades and receiving dividends. The debtor and creditor positions principally reflect the open customer positions with the market – i.e. unsettled customer stock purchases and sales. The reduction in the Group's own cash balance reflects the £3.8 million spent in August 2010 on a share buyback as noted below. In terms of cash generation, the Group's operating activities generated over £2.0 million in cash as shown in note 27.

The Group continues to hold investments in the London Stock Exchange plc (LSE), Euroclear plc and Eirx Therapeutics plc. During the year the LSE share price increased from £7.20 to £8.38 per share which increased the value recognised on the balance sheet and in the revaluation reserve. The valuation of the Euroclear plc shares, in Euros, has not changed relative to 2009 but in our financial statements has shown a slight fall due to movements in the exchange rate when converting the value of that holding back into Sterling. The investment in Eirx Therapeutics plc is carried at nil value (2009: £Nil). The Group also now has an investment in WAY Group Limited as a result of a loan converting to equity, as planned, during the year. More details of these investments and their values are shown in note 17 to the Financial Statements.

The overall value of Shareholder Funds, or Net Assets, at the end of the year was £15.4 million (2009: £18.7 million). The Group's cash balance represented 71% of that total (2009: 74%). The reduction in Shareholders' Funds reflects the share buyback. The value of Shareholders' Funds per share amounted to 10.7p per share in issue at the year end (2009: 11.7p).

**Dividends** Last year the Board declared an interim dividend of 0.25p per share, paid before 5 April, rather than proposing a final dividend for 2009. This enabled shareholders to receive their dividend payments ahead of adverse tax rate changes on 5 April. As noted at the time, the Board has returned to normal practice this year, and is proposing a final dividend of 0.30p per share. This increases the rate of growth in dividends from 10% per annum (which has been consistently delivered since 2002) to 20%. This move reflects the Board's confidence in the Group's performance in that this higher rate of dividend growth is expected to be maintained in future years.

The dividend of 0.30p per share is covered five times by basic and diluted earnings per share.



**Jeremy Helliwell, 55**  
Operations Director  
The Share Centre Limited

Jeremy worked in a variety of project and systems based roles at Barclays, and was part of the core team which created Barclayshare (now Barclays Stockbrokers). Responsible for the day-to-day operations of the business including the front office activities of Customer Services and Dealing, as well the firm's IT systems and infrastructure, Jeremy has significant day-to-day involvement in delivering quality services to our customers.


**Richard Tolkien, 56**

Non-Executive Director



Richard started his career with five years at HM Treasury, and then went on to spend 24 years as an investment banker with advisory and management experience gained in senior corporate finance and executive roles with Morgan Grenfell, HSBC and Macquarie Bank. He is also a non-executive director of Parkwood Holdings plc.

**Capital requirement** The Group is required by the FSA to maintain a capital position so as to ensure it can always meet its current and anticipated short-term liabilities. Monitoring the Group's financial resources against this capital requirement is an important metric as identified within the Key Performance Indicator commentary on page 18. The Group held a significant surplus over and above the requirement throughout the year, and would seek to always maintain a level of capital of at least twice the requirement. The Group's Pillar III disclosures with respect to capital requirements and capital resources can be found at [www.shareplc.com](http://www.shareplc.com) and are referred to in note 29.

## Key Performance Indicators

The Group uses a number of key performance indicators to monitor and measure its progress through the year. These are both quantitative and qualitative and relate to activity levels as well as financial metrics. The key performance indicators discussed below are consistent with those disclosed in previous Annual Reports.

## Business Performance

**Market Share** The Group continues to spend significant sums on promotional marketing to attract new customers. This net inflow of accounts is one measure of the effectiveness of our marketing efforts. However, the principal key performance indicator, on which the Group reports quarterly, is the market share of benchmarked revenues. This is measured against a peer group of nine other retail stockbrokers and serves to identify whether our performance is exceeding that of our peers irrespective of underlying market sentiment and trends which affect the industry as a whole. The data for the measurement of this indicator is drawn from Compeer, the independent company which gathers and provides data and analysis to the wealth management community.

The fourth quarter data indicated a headline market share of 6.65% (Q4 2009: 5.91%). For the year as a whole the market share was 6.52% (2009: 5.76%). This data shows the strong performance of the Group has been in excess of that demonstrated by its peers allowing it to gain significantly in terms of market share. We recognise the performance of the Group, as outlined elsewhere in the Business Review, has been underpinned by the interest rate floor policy which ran until 1 November 2010. However, excluding the benefit gained from that policy the data actually demonstrates even greater growth in market share, reflecting the relatively static nature of interest income over the last year and the strong performance of dealing commission and fee income. In Q4 2010

the market share excluding income from the interest rate floor policy would have been 6.29% (Q4 2009: 4.83%) and for the year as a whole would have been 5.62% (2009: 4.76%).

The data behind these figures shows the progress the Group has made in terms of dealing commission and fee revenues in particular. In terms of dealing commission, the Group grew revenues by 12% year on year whilst the peer group reported a collective fall in dealing commission of 6.7%. In terms of fee income, the Group grew revenues by 25% whilst the peer group collective grew their fee income by 22%.

As we seek to accelerate the growth rate the Group is demonstrating we would expect to see continued upward movement in this indicator. Going forward, now that the interest rate floor policy has ceased, our reporting will use the figures excluding the interest rate floor policy for comparative purposes to ensure we compare like with like.

**Customer interaction** We measure the levels of interactions with customers and prospective customers through a range of metrics. These include the level of enquiries, accounts opened and website usage. Our website continues to attract an increasing number of visitors and remains the predominant route through which new accounts are opened. In 2010 the average monthly number of unique visitors was 153,500 (2009: 123,000) - growth of 25% on the prior year. On average over 24,500 individuals signed-in to [www.share.com](http://www.share.com) to access their account on average over 13 times each month (2009: 20,500). Overall account numbers increased by 4.9% to 277,000 (2009: 264,000), and of the new Share Accounts opened during the year 89% were opened online (2009: 84%).

**Headcount** We monitor levels of headcount and staff costs on a monthly basis, reviewing the actual levels (140 at December 2010 (2009: 134)) as well as assessing staff turnover rates and our success in attracting and recruiting new staff. Headcount levels have increased in the year as we have expanded further our Sharefunds team, as well as our systems and customer service teams. We greatly appreciate the contribution of all our staff. Every employee can participate in the Group's Share Incentive Plan and receives a quarterly profit share payment based on the profits generated by the Group. In 2010 our staff turnover rate was 10.8% (2009: 6.3%).

## Financial

**Revenue** In 2010 total revenue generated was £15.6 million (2009: £14.1 million). Given that a majority of our cost base consists of headcount costs and discretionary marketing spend driving revenue is key to driving the profitability of the Group. This is therefore monitored closely on a monthly

basis. In addition to the absolute value, we also look at the split between dealing commission, fees and interest income. In 2010 that split was 39%, 37% and 24% respectively (2009: 38%, 33% and 29% respectively). The shift towards dealing commission income was noted in the 2009 Annual Report when we commented that this pattern was “likely to persist in the near term”. That has indeed been proven to be the case and will continue into 2011 as the level of interest income is expected to fall given the absence of any benefit from an interest rate floor policy. We place particular emphasis on fees and interest income as these represent higher quality recurring revenue streams. In 2010 they represented 61% (2009: 62%) of total revenues. The revenue mix continues to be more evenly distributed than our benchmarked peer group which collectively garnered just 30% of their revenues from fees and interest in 2010.

We also monitor the levels of revenue generated by Sharefunds and Sharemark, and for the first time this year within our segmental reporting identify the performance of Sharefunds. These two divisions combined represented 4.7% of the Group’s total revenues (2009: 2.4%). See note 6.

**Operating margin** In driving revenue growth it is important that a significant element of that growth translates into increased profits. We therefore monitor the operating margin of the Group on a monthly basis. This increased in 2010 for the year as a whole to 19.5% (2009: 15.3%). The significant increase in the year, on top of a significant increase in 2009, demonstrates again the scalability of the Group’s operating model. This also demonstrates considerable progress towards the level of operating margin, between 25% and 30%, which the Group considers to be its longer term aspiration. As revenues expand further we would expect to see increased margins, although 2011 may well see a reduction in the short term as the loss of interest income, which has no directly associated cost, impacts this and other margin calculations. In contrasting the operating margin with other businesses in our sector, it is worth considering the proportion of costs represented by discretionary marketing spend which represents an investment in future growth. Our percentage is unusually high at 13% (2009: 18%) of our gross revenues

**Assets under administration** The level of assets under administration measures the collective value of the investments and cash held by our customers. We look at this in absolute terms and at the rate of change relative to overall market levels. At the end of the year this value was £1.54bn (2009: £1.27bn), 21% higher than a year earlier which compares to an increase in the FTSE All-Share index over the same period of 10.9%. A rate of increase greater than the market as a whole potentially indicates the Group’s ability to attract new accounts and additional investment from existing customers. As a proxy, assuming our customers performed in line with the FTSE 100 index this would imply a net inflow of funds of c.£145 million during 2010 (2009: £127 million).

**Cash flow** The Group’s full cash flow statement is presented on page 36. We monitor cash flows on a monthly basis and in particular review the Group’s ability to translate post tax profits into cash. The current year shows the impact of the share buyback which used £3.8 million of our cash resources to acquire and cancel shares, and the investment in WAY Group Limited which cost a further £0.5 million (this was shown as a loan receivable in last year’s annual report). As a result of these items the Group saw a drop in its cash balance relative to 2009. However, as can be seen from the cash flow statement, the net cash flow from operating activities was £2.0 million and when interest income and dividends are included this equates to £2.3 million, demonstrating the Group’s ability to expand with little demand on working capital and to translate profits virtually directly into cash.

**Financial resources** The FSA requires that regulated entities in the Group, as well as the Group as a whole, maintain certain levels of capital. We monitor the level of the Group’s financial resources and regulatory capital regularly and ensure this is above the minimum requirement, completing the necessary monthly, quarterly and annual regulatory returns to the FSA to demonstrate this. The Group currently has regulatory capital resources many times the required level and most of that capital is in effect held in liquid form as cash. As at 31 December 2010 our financial resources for this purpose – for the Group as a whole – stood at £17.1 million, 6.9 times the amount required by the FSA (2009: £17.3 million, 8.3 times the requirement). The reduction year on year reflects the impact of the share buyback.

The Group has in place an Internal Capital Adequacy Assessment Process (ICAAP) which was reviewed by the FSA in 2009. Full details of our capital requirements as required to be disclosed under Pillar III of the Capital Requirements Directive can be found on our website – [www.shareplc.com](http://www.shareplc.com).



### Guy Knight, 52

Sales and Marketing Director  
The Share Centre Limited

Guy brings extensive practical experience across the insurance, investment banking, stockbroking and retail banking sectors. He has held a variety of Marketing, General Management and Board positions at companies including Hiscox Insurance, Deutsche Bank, Charles Schwab, Credit Agricole, The Mortgage Corporation and Nationwide Building Society. He is responsible for PR, marketing communications, brand management, product and pricing strategy and the corporate sales function.

# principal risks & uncertainties



The Directors have identified and continually monitor the principal risks and uncertainties facing the Group. These may change over time as new risks emerge and others cease to be of concern. The principal risks to the Group are detailed below. The Directors believe that the identified risks have been addressed and where possible, and within the Group's control, mitigating actions have been taken to ensure processes and procedures are in place and followed to limit any impact which could arise. (See note 20 for further detailed information.)

**Regulatory risk** The Group contains regulated entities. As such it is essential that it abides by the rules and requirements of the FSA. Failure to do so, especially with regard to the treatment of customers and the handling of customer money, could lead to sanctions and fines on entities within the Group. A significant amount of the regulations which impact the Group originate from Europe and include directives such as the Capital Requirements Directive (CRD) and the Markets in Financial Instruments Directive (MiFID). MiFID is currently being reviewed by the European Union and consultations are taking place the outcome of which could impact the business. The Group is also subject to the decisions of the FOS and FSCS. In respect of the latter, the Group, through The Share Centre Limited and Sharefunds Limited, is liable for any fees levied by the FSCS to cover compensation costs incurred in respect of the customers of failed firms in our industry. These charges may be material as was the case with the interim levy in 2010.

**Systems failure** The operations of the Group are highly dependent on technology. A failure in the Group's core systems or customer interfaces could pose a significant risk to the business. Were it to affect the ability to reconcile accounts or maintain records this could also have regulatory implications. This would also be the case were any of the Group's systems or processes in respect of data security to fail.

**Reputational risk** The Group is continuing to spend significant sums of money on marketing and building The Share Centre's brand to attract new customers. Were the brand to be affected in any way through bad publicity or negative associations this could impact customer confidence in that brand and damage the prospects of the business.

**Investor sentiment** The Group has a diversified customer base and is not subject to any significant concentration risk. However, most revenues are derived from personal investors and were investor confidence in the stockmarket to be adversely affected, or were there to be a very deep, prolonged recession with very high unemployment which reduced the ability of personal investors to undertake savings and investment activity, this could impact the performance of the Group.

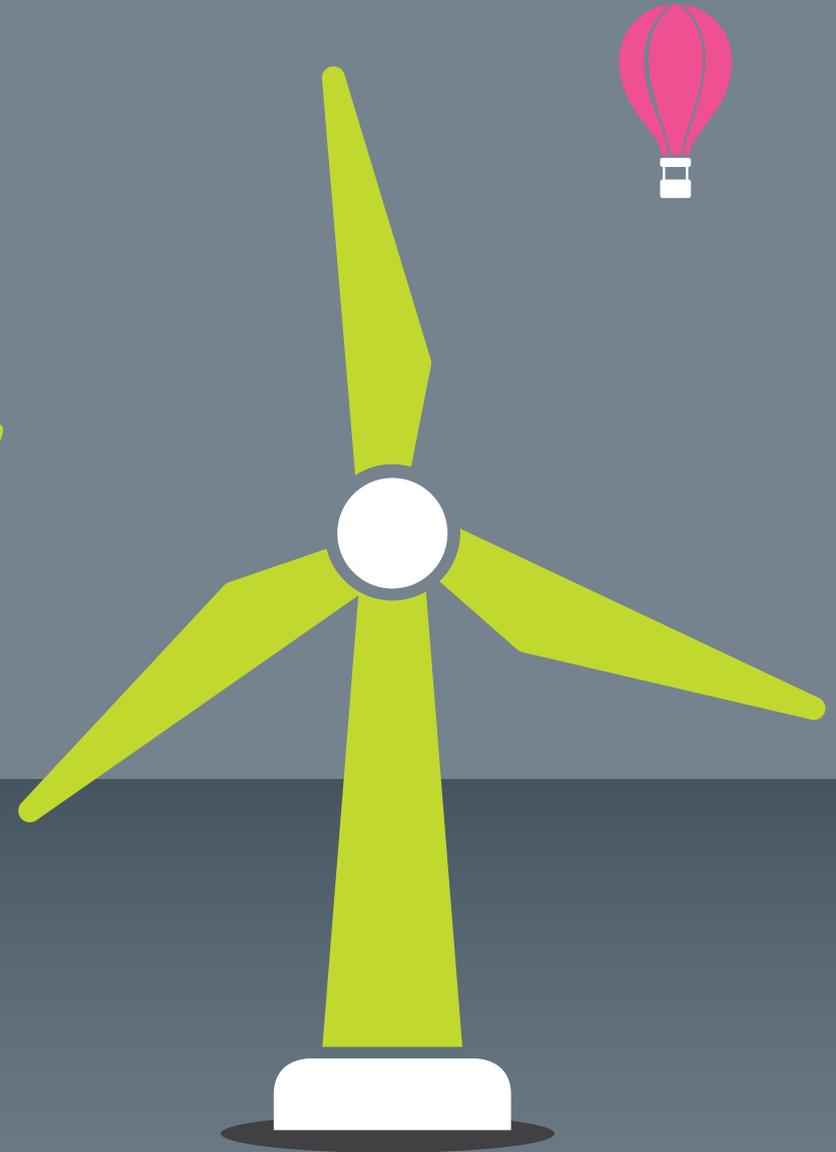
**Stock market volatility** Changes in the value of the stock market directly impact the level of ad valorem fees and therefore revenues. Sharp changes in valuations can also damage investor confidence and therefore damage the prospects of the Group more widely. The Group's business model and split of revenues across commission, fees and interest help mitigate exposure to any one factor. However, a combination of falling stock values and sharply reduced investor activity could have a significant impact on the performance of the Group.

**Competition risk** The Group faces competition from a number of other brokers and larger financial institutions offering similar services. The Group has successfully differentiated itself by targeting investors at an earlier stage than many brokers, by offering a clear and easy to use service, through its high quality customer service and low prices. However, the Group is always susceptible to the impact of short-term cut-price offers from competitors who, in the case of the large financial institutions, may have substantial financial resources to support such initiatives.

**Interest rate risk** The Group derives a significant proportion of its income from interest on the cash it holds, both on its own and its customers' accounts. The interest rate floor policy in place until November 2010 protected this revenue stream. In its absence, prolonged low interest rates will impact the Group's ability to earn a return on cash at the level experienced in previous periods and this, along with fluctuations in interest rates more generally, may impact the Group's revenues and profitability.

**Sharefunds risks** The Group operates a fund administration business through Sharefunds which has grown substantially during 2010. This business has a different risk profile from The Share Centre retail stockbroking business. In particular, there is an exposure to concentration risk as the principal client is WAY Fund Managers Limited, there is increased risk where Sharefunds acts as Authorised Corporate Director (ACD) for some funds, and there is a greater exposure to systemic risk arising from mis-pricing of funds. Where possible these risks are mitigated through controls and limited by contractual arrangements, however, a failure in any of these areas could have a material impact on the Group's performance.

# corporate and social responsibility



The principal objective of the Group's corporate and social responsibility policy is to ensure a long term sustainable future for Share plc, all its stakeholders and the communities in which it operates.

The directors of Share plc believe the Group has an important role to play in the local community and more broadly. The active role the Group plays has a number of facets including:

**Financial education** Gavin Oldham is a Board member of pfeg, the personal finance education charity, and the Group makes a £10,000 donation to its activities by way of its corporate membership. The Share Centre also operates Shares4Schools ([www.shares4schools.org](http://www.shares4schools.org)), a real investment competition for Year 12 students.

**Charitable activities** Staff at The Share Centre regularly organise a variety of fundraising events and participate in the monthly 'dress down' day for charity. In 2010 these activities raised almost £2,000 (2009: £2,200). The Share Centre makes donations to these and other relevant activities as well as supporting children in care from Buckinghamshire through The Share Foundation which contributes to their Child Trust Funds. In 2010 the Group donated £1,350 (2009: £3,300) to The Share Foundation. The Group has a policy of making no political donations.

## The environment

As an office-based business our impact on the environment is relatively light by the nature of our services. One impact is the effect of staff driving to work which is in part mitigated through our participation in the Government's Cycle to Work initiative, working with our landlord to provide more bicycle parking, through encouraging some flexible working patterns to enable staff to avoid peak travel times, and through being based in a relatively residential location.

Further environmental impacts arise from the energy we use and through the level of paper we consume, both of which we try to mitigate through increased staff awareness. In addition, we are continually seeking to increase the extensive use of electronic communications in delivering our services which provides opportunities not only to improve customer facilities but also to minimise our carbon 'footprint'.

## Our customers

We are committed to providing all of our customers, and those of our corporate clients with whom we deal, with outstanding customer service. We have embraced the concept of Treating Customers Fairly and through training and company culture have embedded this throughout our organisation.

We are committed to fulfilling our customers' investment needs and this includes investing in new services and technologies to enable customer interaction and a proactive approach to customer contact, resolving issues which may arise at the earliest opportunity.

## Our employees

We are committed to the development of all our staff and believe all our employees should share in the success of the business. We have adopted best practice with regard to all legislation as noted in the Directors' Report.

We support our employees' personal and professional needs and seek to stay ahead of corporate best practice in many areas. This includes making significant contributions to employees' personal pension plans, sick pay in excess of statutory minimums, sabbatical leave opportunities and flexible working where appropriate.

We also aim to provide a safe and supportive environment in which to work, and all staff receive appropriate training and workstation assessments to ensure Health and Safety issues are addressed and risks mitigated. We also provide all staff with the ability to join the Group's private medical scheme covering them and their dependents, and provide access to regular preventative health screening for all managers.

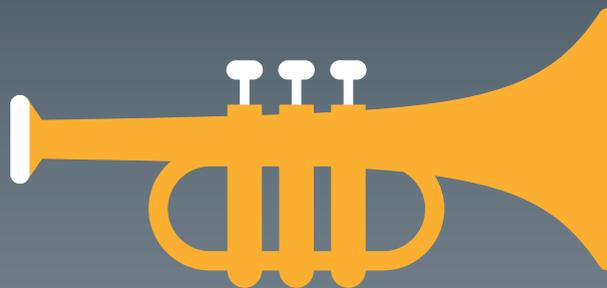
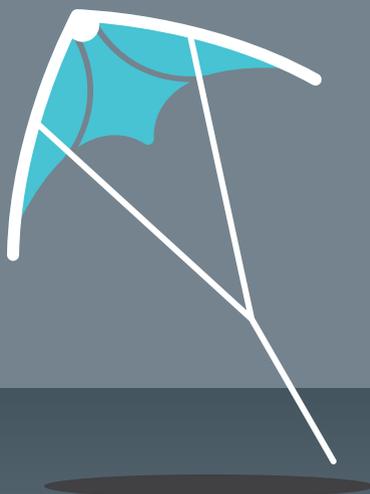
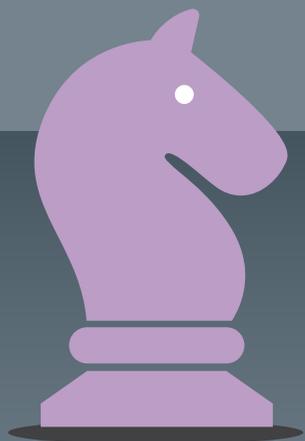
## Ethical

Share plc is committed to the highest standards of corporate behaviour from its directors and employees, and expects all staff to perform their duties with efficiency and diligence, treating others with care and courtesy. The Group has a strict conflict of interest policy and rules on the acceptance of any gifts, which requires any such material gifts to be recorded on a central register maintained by the compliance department. All personal share dealing by staff is also monitored to ensure conflicts are avoided and regulatory obligations are met.

The Group pays 'bonuses' to directors and staff based on a profit share or, in one case, revenue growth. In 2010 this profit share element was 13.9% of base salaries (2009: 13.4%). No member of staff is rewarded on the basis of sales or commissions in respect of transactions undertaken by individual customers.



# financial report



The directors submit their report and the audited accounts for the Year Ended 31 December 2010.

#### Principal activities

The Company acts as the holding company for the Group with subsidiaries as set out in Note 18. The principal business of the Group is made up of two fully integrated activities provided through The Share Centre Limited. These are:

- the provision of custodial administration whereby the Company acts as nominee for a number of different types of accounts including Share Accounts, ISAs and Child Trust Funds; and
- a low-cost dealing service to allow customers holding accounts to trade in their shares.

In addition, the Group operates a fund administration business (Sharefunds) and its own market platform for trading shares (Sharemark).

#### Review of the business

A review of the business during the year is given in the Chairman's statement and in the Business Review on pages 6 to 13 of this Annual Report. Included in those reviews are details of the key performance indicators used by the directors to monitor the Group's performance, along with explanations of the principal risks and uncertainties facing the business, and references to the Group's future prospects. These statements should all be read and considered as part of this Directors' Report.

#### Results for the year

The results for the Year Ended 31 December 2010 and the financial position at that date are set out in the financial statements. The profit after taxation of the Group amounted to £2,276,000 (2009: £1,706,000).

#### Dividends and transfers to reserves

During 2010 an interim dividend of £402,000 in respect of 2010 was paid (0.25 pence per share). A final dividend has been proposed by the Board of 0.30 pence per share. This would amount to a total gross final dividend payment of £432,000 given the current number of shares in issue.

The retained profit after tax of £2,276,000 (2009: £1,706,000) has been transferred to reserves.

#### Policy on payment to suppliers

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. At 31 December 2010 Group trade creditors represented approximately 29 days (2009: 27 days).

#### Directors and their interests

The directors who were in office at the end of the year and their interests in the 0.5p ordinary shares of the Company were as follows:

	2010	2009
Sir Martin Jacomb (Chairman)	423,691	410,566
G D R Oldham (including related parties)	109,327,447	125,052,868
R I Tolkien	80,419	43,898
I P Wallace	111,702	134,580
R W Stone	85,621	69,214

Details of the directors' share options are included in the directors' remuneration report and none of the directors had an interest in any shares of any other Group company. The Company maintains a liability insurance cover on behalf of directors and officers of the Company and its subsidiary undertakings.

**Share capital**

As at 29 March 2011 the following persons or entities held an interest of three percent or more in the issued share capital of the Company. In accordance with the requirements of Rule 26 of the AIM Rules this information is also available on the Group's website [www.shareplc.com](http://www.shareplc.com):

Shareholder	Holding	Percentage of issued Share Capital
Gavin Oldham controlled Trusts*	71,868,750	50.0%
Gavin Oldham*	17,378,042	12.1%
Virginia Oldham (including Trust)*	12,352,737	8.6%
Cuillin Investments Limited	5,355,000	3.7%

\*These are related parties

Share Nominees Limited, the non-trading bare trustee for The Share Centre Limited's customers, holds 43,962,984 shares (30.6%), including some of the shareholdings detailed above.

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Charitable and political donations**

During the year the Group made charitable donations of £1,425 (2009: £4,055). No political donations were made in the year (2009: £Nil).

**Employment policies**

The Group encourages employees to participate in its success through performance based bonus arrangements and through its use of share-based incentive arrangements among its senior employees. To further this overall equity participation the Company offers a Share Incentive Plan, which allows every employee to purchase up to £1,500 worth of the Company's shares per annum on a tax efficient basis. These are purchased on a monthly basis and held in trust and the shares acquired by the employee are supplemented by the Company on the basis of two matching shares for each employee's share.

Employees are kept informed of the Group's progress, including the key performance indicator (benchmarked revenue share), by quarterly presentations alongside information issued by way of press releases.

It is the Group's policy that no employee, or applicant for employment, receives less favourable treatment (including training and development, recruitment and promotion) by the Group or any other employee, on the grounds of disability, sex, age, race or religion nor be disadvantaged by conditions, management attitudes, behaviour or requirements that cannot be justified.

**Financial risk management**

The Group, overall, has a risk averse attitude. In terms of specific risks, with the exception of strategic holdings in the London Stock Exchange plc, Euroclear plc and WAY Group Limited, the Group does not take equity positions on its own account so is not exposed to equity security price risk, and it has no credit concentration or relationships with customers which expose it to any significant credit risk. The level of debtors and creditors in the balance sheet predominantly represents customers' open positions with the market. The Group has no borrowings and has significant cash resources which are held on short-term deposit – these two factors limit any exposure to interest rate or liquidity risk. The Sharefunds business division is exposed to different risks to the rest of the Group and has an element of concentration risk as the majority of its revenues derive from fund administration in respect of funds managed by WAY Fund Managers.

Further information on financial assets and risks is contained within the Business Review and Note 20 to the Financial Statements.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review and Chairman's Statement on pages 2 to 13. This also includes a discussion of the Group's cash flows and liquidity position as well as details of how the Group manages risk. The notes to the Financial Statements include a discussion of credit and liquidity risk.

The Group has considerable financial resources and no external debt. With a diversified customer base and core recurring revenue streams along with large elements of discretionary spending in the Group's cost base, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook. Therefore, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be used in the preparation of the Annual Report and Financial Statements.

**Independent auditor**

Each of the persons who is a director at the date of approval of this annual report confirms that;

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

*Martin G. Jacomb*

Sir Martin Jacomb  
Chairman  
29 March 2011

The directors acknowledge the importance of the UK Corporate Governance Code and have complied with its requirements so far as is appropriate to a Group the size and nature of Share plc. Although not always required to do so, the directors have consistently provided corporate governance disclosures comparable with those that are voluntarily provided by AIM-quoted companies.

### Board

The Board consists of three executive directors and two non-executive directors whose biographies are set out within the Business Review. These biographies demonstrate a range of experience and sufficient calibre to bring independent judgment on issues of strategy and performance which is vital to the success of the Group. The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the financial statements is set out on page 21 and a statement of going concern is set out on page 22.

The structure of the Board and its sub committees is regularly reviewed and these committees are as follows:

Meeting	Attendees	Chairman	Minimum Frequency	Purpose
Board	Board directors	Chairman	Quarterly	Group strategy and regulatory control
Executive	Executive directors	Chief executive	Fortnightly	Operational management of the Group
Audit and Risk	Board directors	Senior non-executive	Biannually	Review of internal control, compliance, effectiveness and costs of audit
Risk sub-committee	Compliance director, Finance director, Operations director (The Share Centre Limited) Non-executive director	Compliance director	Biannually	Monitoring of Group risk
Remuneration and Nomination	Non-executive directors, Chief executive	Chairman	Biannually	Structure of Board remuneration and the Board's composition

### Policy on non-audit services provided by the auditor

To safeguard the independence of the audit process, non-audit services provided by the auditor are usually limited to defined audit related work and tax services that fall within specific categories. The auditor's remuneration for taxation services relates to advice in connection with the completion of the current and prior year tax computations for the Group.

#### **Risk management and internal control**

The Board has overall responsibility for risk management and internal controls. The schedule of matters reserved for the Board ensures that the directors maintain full and effective control over all significant strategic, financial, organisational and compliance issues. The Audit and Risk Committee have considered the absence of a formal internal audit function in the context of the Group's compliance procedures and other controls, and have concluded this is appropriate.

The directors have delegated to executive management the establishment and implementation of a system of internal controls appropriate to the regulatory and business environment in which it operates. This system of controls has been developed and refined over time to meet the Group's current and future needs and the risks and opportunities to which it is exposed. These controls include but are not limited to:

- Strategic planning and the related annual planning and quarterly re-forecasting process including the ongoing review by the Board of the Group's strategies;
- The definition of the organisational structure and appropriate delegation of authorities to operational management;
- The internal financial reporting and review of financial results and other key performance criteria;
- Accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Group's financial records;
- Regulatory control, compliance and application of the FSA rulebook;
- Client asset control and reconciliation; and
- Internal control and compliance reviews providing formal monitoring, risk assessment and reporting of weaknesses in departmental processes.

#### **Relations with shareholders**

The Board recognises the importance of communications with shareholders. The Chairman's statement and the Business Review in this Annual Report include a detailed consideration of the business, its strategy, operations and future prospects.

The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. All directors are available at Annual General Meetings to answer questions. The proxy votes cast on each resolution proposed at general meetings are disclosed at those meetings. Regular press announcements are also provided to inform shareholders and potential investors and are posted on the Group's website, [www.shareplc.com](http://www.shareplc.com), as well as through the London Stock Exchange news service.

As stated in the Corporate Governance Statement on pages 23 and 24, the Company acknowledges the importance of the UK Corporate Governance Code and has complied with its requirements so far as is appropriate to a Group of the size and nature of Share plc. The directors' remuneration report is made voluntarily but complies with the Directors' Remuneration Report Regulations 2002 and describes how the Board has applied the principles of good governance relating to directors' remuneration.

The auditor reports to the Company's members on the "auditable part" of the directors' remuneration report and states whether in its their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited Information

### Remuneration committee

The Remuneration committee has responsibility for making recommendations to the Board on the Group's general policy on remuneration and for specific packages for individual executive directors.

The membership of the committee is:

Sir Martin Jacomb (Chairman)  
G D R Oldham  
R I Tolkien

No director plays any part in any discussions about their own remuneration. There have been no changes to the composition of the committee since 31 December 2004.

### Remuneration policy

The Company's policy is to provide remuneration packages to attract, motivate and retain directors of the right calibre who will make a significant contribution to the performance of the Company. The Board's policy for executive remuneration is designed to:

- Ensure the directors' rewards are competitive when compared to similar companies in terms of size and/or industry; and
- Give executive directors the opportunity to increase their earnings by achieving and exceeding key performance objectives.

As part of its on-going business the Committee undertakes periodic reviews of market levels of pay amongst similar companies. Based on these reviews the Committee has determined a base salary for the Chief Executive but has noted the decision of the current incumbent to draw a lower salary than that established by the Committee as appropriate for the position. In conducting these reviews of directors remuneration, the pay and conditions of all staff within the Group are considered including the level of any general increases awarded.

### Base salary and benefits in kind

An executive director's basic salary is set by the Remuneration committee to reflect the director's responsibility, experience and market conditions. The basic salary is reviewed annually with effect from 9 April.

The benefits in kind provided include medical cover, life assurance and car allowance.

### Profit share

The Company operates a profit sharing arrangement for its executive directors, who do not receive sales commission, thereby ensuring that the interests of shareholders and executives in sustaining increased profits are closely aligned and risks and rewards are shared. This arrangement principally operates through the creation of a pool based on a percentage of operating profits and operating profit growth, which is then distributed on the basis of salary.

### Pensions

Executive directors are responsible for their own pension arrangements and are eligible to receive an additional 8% of their annual salary payable into their personal money purchase pension scheme. This is the same rate as applied to all staff throughout the Group.

### Share options

Executive directors are eligible to participate in the Company's share option schemes. Details of the schemes are provided in notes 29 and 30 to the financial statements. The committee ensures that awards are made within the overall limits authorised by the shareholders and at an appropriate level for an individual, taking into account their role, contribution to the business, previous option grants and market practice.

**Share incentive scheme**

The Company operates a Share Incentive Plan which is open to all employees. The executive directors, with the exception of G D R Oldham, are eligible to participate in the plan and their interests in the shares of the Company are as set out in the Directors' Report.

G D R Oldham holds a controlling interest in the Company and is not eligible to participate in the scheme. He therefore receives an additional remuneration payment equivalent to the value of the contribution that the Company would have made had he been entitled to participate in the scheme, and uses the net payment to purchase shares in the Company.

**Service contracts**

The Company has entered into the following non fixed term service contracts with its directors:

	Date of service agreement	Notice period (months)
Sir M Jacomb	18 March 2008	1
G D R Oldham	14 April 2008	12
R I Tolkien	18 March 2008	1
I P Wallace	14 April 2008	6
R W Stone	14 April 2008	6

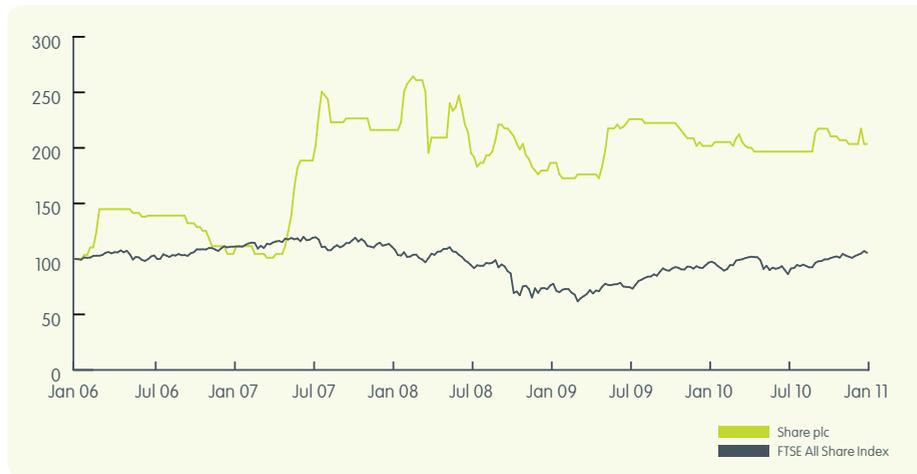
In the event of termination of employment of any of the directors, compensation amounting to that falling due under the notice period would be payable.

**Non-executive directors**

The Board determines the level of non-executive remuneration after considering fee levels in comparable businesses. A basic fee is set for normal duties and supplementary fees are paid for additional duties.

Whilst the Combined Code suggests that to retain their independence, non-executive directors should not be able to participate in the Company's share option schemes, the Company believes that the size of the share options granted to its non-executive directors does not affect their independence.

## Total shareholder return performance graph



The above graph shows performance relative to the FTSE All Share Index which the directors believe to be the most appropriate benchmark, particularly given the broad investments held by our customers and the consequent exposure elements of the Group's revenues have to the constituents of that index.

## Audited Information

## Directors' emoluments

	Salary	Benefits	One off payment <sup>1</sup>	Profit share	2010 total	2010 pension contribution	2009 total	2009 pension contribution
	£	£	£	£	£	£	£	£
Sir Martin Jacomb	26,000	-	-	-	26,000	-	25,667	-
G D R Oldham	126,500	9,083	7,500	57,956	201,039	10,000	190,070	9,733
R W Stone	110,382	9,083	-	51,929	171,394	8,960	162,000	8,720
R I Tolkien	20,750	-	-	-	20,750	-	20,500	-
I P Wallace	116,833	9,083	-	51,929	177,845	9,067	166,812	8,773
	400,465	27,249	7,500	161,814	597,028	28,027	565,049	27,226

<sup>1</sup> This additional remuneration payment for G D R Oldham is equivalent to the value of the contribution that the Company would have made had he been entitled to participate in the Company's Share Incentive Plan.

## Directors' share options

Under the Company's executive share option scheme, enterprise management incentive scheme and co-ownership equity incentive plan, as at 31 December 2010 options and interests in shares were held by directors over ordinary 0.5p shares as follows. No options lapsed during the year.

		At 1 Jan 2010	Granted in year	Exercised in year	At 31 Dec 2010	Date of grant	Exercise price	Date first exercisable	Expiry
Sir Martin Jacomb	(U)	165,000	-	-	165,000	15/11/01	20p	15/11/04	15/11/11
R W Stone	(E)	50,000	-	-	50,000	10/07/06	20p	10/07/09	10/07/16
R W Stone	(E)	50,000	-	-	50,000	10/07/06	20p	10/01/11	10/07/16
R W Stone	(E)	50,000	-	-	50,000	10/07/06	20p	10/07/12	10/07/16
R I Tolkien	(U)	100,000	-	100,000	-	21/03/03	12p	21/03/06	21/03/13
I P Wallace	(E)	200,000	-	125,000	75,000	15/11/01	20p	21/12/05	14/11/11
I P Wallace	(E)	11,111	-	-	11,111	15/11/01	20p	21/06/07	14/11/11
I P Wallace	(U)	207,778	-	207,778	-	15/11/01	20p	21/06/07	14/11/11
I P Wallace	(U)	200,000	-	-	200,000	21/03/03	12p	21/03/06	21/03/13
I P Wallace	(U)	200,000	-	-	200,000	21/03/03	12p	21/03/07	21/03/13
I P Wallace	(U)	200,000	-	-	200,000	21/03/03	12p	21/03/08	21/03/13
I P Wallace	(U)	61,111	-	-	61,111	19/03/07	36p	19/03/07	20/06/11
R W Stone	(E)	50,000	-	50,000	-	19/03/07	15p	19/03/10	19/03/17
R W Stone	(E)	50,000	-	-	50,000	19/03/07	15p	19/09/11	19/03/17
R W Stone	(E)	50,000	-	-	50,000	19/03/07	15p	19/03/13	19/03/17
I P Wallace	(E)	41,274	-	-	41,274	02/04/07	14.5p	02/04/10	02/04/17
R W Stone	(E)	38,295	-	38,295	-	02/04/07	14.5p	02/04/10	02/04/17
I P Wallace	(E)	19,960	-	-	19,960	22/12/07	30p	22/12/10	22/12/17
R W Stone	(E)	18,973	-	-	18,973	22/12/07	30p	22/12/10	22/12/17
I P Wallace	(E)	28,473	-	-	28,473	15/05/08	27p	15/05/11	15/05/18
I P Wallace	(E)	250,000	-	-	250,000	15/05/08	14.5p	15/05/11	15/05/18
R W Stone	(E)	27,930	-	-	27,930	15/05/08	27p	15/05/11	15/05/18
R W Stone	(E)	250,000	-	-	250,000	15/05/08	14.5p	15/05/11	15/05/18
I P Wallace	(U)	19,850	-	-	19,850	22/12/08	24.5p	22/12/11	22/12/18
R W Stone	(U)	19,470	-	-	19,470	22/12/08	24.5p	22/12/11	22/12/18
I P Wallace	(C)	9,947	-	-	9,947	25/06/09	36p	25/06/12	25/06/19
R W Stone	(C)	9,947	-	-	9,947	25/06/09	36p	25/06/12	25/06/19
I P Wallace	(C)	9,947	-	-	9,947	23/12/09	33p	23/12/12	23/12/19
R W Stone	(C)	9,947	-	-	9,947	23/12/09	33p	23/12/12	23/12/19
I P Wallace	(C)	-	86,068	-	86,068	29/06/10	32p	29/06/13	29/06/20
R W Stone	(C)	-	86,068	-	86,068	29/06/10	32p	29/06/13	29/06/20
I P Wallace	(E)	-	10,071	-	10,071	22/12/10	28.5p	22/12/13	22/12/20
R W Stone	(E)	-	9,894	-	9,894	22/12/10	28.5p	22/12/13	22/12/20
<b>TOTAL</b>		<b>2,399,013</b>	<b>192,101</b>	<b>521,073</b>	<b>2,070,041</b>				

- (E) Share options granted under the Company's EMI share option scheme  
 (U) Share options granted under the Company's unapproved share option scheme  
 (C) Shares held under the co-ownership equity incentive plan

The market price of the Company's ordinary shares at 31 December 2010 was 27.5 pence and their price had ranged from 26.5 pence to 29.5 pence during 2010. Iain Wallace and Richard Stone both exercised options during the year realising gains of £26,622 and £9,889 respectively.

There are no performance conditions that have to be fulfilled before share options can be exercised.

**Resolution**

A resolution to shareholders to adopt the directors' remuneration report will be put forward at the Annual General Meeting.

Approved by the Board and signed on its behalf



Sir Martin Jacomb  
Remuneration Committee Chairman  
29 March 2011

We have audited the financial statements of Share plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Other matters**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

Simon Cleveland FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom  
29 March 2011

For the year Ended 31 December 2010	Notes	2010 £'000	2009 £'000
<b>Revenue</b>	5	15,591	14,128
Administrative expenses		(12,548)	(11,972)
Operating profit	7	3,043	2,156
Investment revenues	10	217	303
Other losses	11	(6)	(114)
<b>Profit before taxation</b>		3,254	2,345
Taxation	12	(978)	(639)
<b>Profit for the year</b>		2,276	1,706
Basic earnings per share*	14	1.5p	1.1p
Diluted earnings per share*	14	1.5p	1.1p

All results are in respect of continuing operations.

\* The directors consider that the underlying earnings per share as presented in note 14 represent a more consistent measure of the underlying performance of the business as this measure excludes the impact of some items, including any large non-recurring items.

**32 consolidated and  
company statements of  
comprehensive income**

For the Year Ended 31 December 2010 Group	2010 £'000	2009 £'000
Profit for the year	2,276	1,706
Gains on revaluation of available-for-sale investments taken to equity	197	340
Tax on gains on revaluation of available-for-sale investments taken to equity	(26)	(96)
Exchange losses on available-for-sale investments taken directly to equity	(32)	(170)
Tax on exchange losses on available-for-sale investments taken directly to equity	12	49
Recycled from equity to income in respect of the cash flow hedge	(2,249)	(2,566)
Tax on income recycled from equity to income in respect of the cash flow hedge	629	718
Gain on revaluation of cash flow hedge taken directly to equity	222	2,060
Tax on gain on revaluation of cash flow hedge taken directly to equity	(40)	(576)
Net loss recognised directly in equity	(1,287)	(241)
Total comprehensive income for the period	989	1,465
Attributable to equity shareholders	989	1,465

The Company had no items to report in its statement of comprehensive income other than the profit for the year of £6,037,000 which was attributable in full to equity shareholders of the Company. (2009: £194,000).

At 31 December 2010	Notes	Group 2010 £'000	2009 £'000	Company 2010 £'000	2009 £'000
<b>Non-current assets</b>					
Intangible assets	15	126	36	-	-
Property, plant and equipment	16	213	253	-	-
Available-for-sale investments	17	3,530	2,892	473	-
Investment in subsidiaries	18	-	-	264	264
Deferred tax assets	21	148	157	-	-
		4,017	3,338	737	264
<b>Current assets</b>					
Trade and other receivables	19	16,832	9,549	157	482
Derivative financial instruments	20	-	2,033	-	-
Cash and cash equivalents	19	11,999	14,542	3,045	1,360
		28,831	26,124	3,202	1,842
<b>Total assets</b>		<b>32,848</b>	<b>29,462</b>	<b>3,939</b>	<b>2,106</b>
<b>Current liabilities</b>					
Trade and other payables	22	(16,110)	(9,117)	(290)	(281)
Current tax liabilities		(494)	(270)	-	-
		(16,604)	(9,387)	(290)	(281)
<b>Net current assets</b>		<b>12,227</b>	<b>16,737</b>	<b>3,649</b>	<b>1,561</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	21	(807)	(1,355)	-	-
<b>Total liabilities</b>		<b>(17,411)</b>	<b>(10,742)</b>	<b>(290)</b>	<b>(281)</b>
<b>Net assets</b>		<b>15,437</b>	<b>18,720</b>	<b>3,649</b>	<b>1,825</b>
<b>Equity</b>					
Share capital	23	719	804	719	804
Capital redemption reserve	25	104	19	104	19
Share premium account	24	1,098	1,072	1,098	1,072
Employee benefit reserve	25	(686)	(487)	-	-
Retained earnings	25	12,390	14,233	1,728	(70)
Revaluation reserve	25	1,812	3,079	-	-
<b>Equity shareholders' funds</b>		<b>15,437</b>	<b>18,720</b>	<b>3,649</b>	<b>1,825</b>

These financial statements for Share plc (company registration number 02966283) were approved by the Board and authorised for issue on 29 March 2011.

Signed on behalf of the Board

*Martin G. Jacomb*

Sir Martin Jacomb

**34 consolidated and company statements of changes in equity**

For the Year Ended 31 December 2010	Share capital	Capital redemption reserve	Share premium account	Employee benefit reserve	Retained earnings	Revaluation reserve	Attributable to equity holders of the company
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	801	19	931	(535)	12,878	3,198	17,292
Total comprehensive income for the period	-	-	-	-	1,584	(119)	1,465
Issue of share capital	3	-	141	-	-	-	144
Dividends	-	-	-	-	(348)	-	(348)
Purchase of Employee Share Ownership Plans (ESOP) shares	-	-	-	(224)	-	-	(224)
Sales of ESOP shares	-	-	-	109	-	-	109
Cost of matching and free shares in the Share Incentive Plan	-	-	-	138	(138)	-	-
Profit on sale of ESOP shares and dividends received	-	-	-	25	(25)	-	-
Share-based payment credit	-	-	-	-	287	-	287
Deferred tax on share-based payment	-	-	-	-	6	-	6
Other deferred tax	-	-	-	-	(11)	-	(11)
Balance at 31 December 2009	804	19	1,072	(487)	14,233	3,079	18,720
Total comprehensive income for the period	-	-	-	-	2,256	(1,267)	989
(Buyback)/issue of share capital	(85)	85	26	-	(3,837)	-	(3,811)
Dividends	-	-	-	-	(396)	-	(396)
Purchase of ESOP shares	-	-	-	(553)	-	-	(553)
Sales of ESOP shares	-	-	-	192	-	-	192
Cost of matching and free shares in the Share Incentive Plan	-	-	-	142	(142)	-	-
Profit on sale of ESOP shares and dividends received	-	-	-	20	(3)	-	17
Share-based payment credit	-	-	-	-	295	-	295
Deferred tax on share-based payment	-	-	-	-	(16)	-	(16)
Balance at 31 December 2010	719	104	1,098	(686)	12,390	1,812	15,437

For the Year Ended 31 December 2010	Share capital	Capital redemption reserve	Share premium account	Retained earnings	Attributable to equity holders of the company
Company	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	801	19	931	114	1,865
Total comprehensive income for the period	-	-	-	194	194
Dividends	-	-	-	(353)	(353)
Issue of share capital	3	-	141	-	144
Contribution to Sharefunds Limited	-	-	-	(25)	(25)
Balance at 31 December 2009	804	19	1,072	(70)	1,825
Total comprehensive income for the period	-	-	-	6,037	6,037
Dividends	-	-	-	(402)	(402)
(Buyback)/issue of share capital	(85)	85	26	(3,837)	(3,811)
Balance at 31 December 2010	719	104	1,098	1,728	3,649

**36 consolidated and company cash flow statements**

For the Year Ended 31 December 2010	Notes	Group 2010 £'000	2009 £'000	Company 2010 £'000	2009 £'000
Net cash from operating activities	27	2,088	2,442	(154)	(747)
Investing activities					
Interest received		118	156	25	21
Dividend received from trading investments		99	147	-	-
Purchase of property, plant and equipment		(56)	(227)	-	-
Purchase of intangible investments		(112)	-	-	-
Purchase of available for sale investments		(473)	-	(473)	-
Net cash (used in)/received from investing activities		(424)	76	(448)	21
Financing activities					
Equity dividends received		-	-	6,500	750
Equity dividends paid		(396)	(348)	(402)	(353)
Capital contribution to subsidiary company		-	-	-	(25)
Issue of new shares		26	-	26	-
Share buyback		(3,837)	-	(3,837)	-
Net cash (used in)/from financing		(4,207)	(348)	2,287	372
Net (decrease)/increase in cash and cash equivalents		(2,543)	2,170	1,685	(354)
Cash and cash equivalents at the beginning of the year		14,542	12,372	1,360	1,714
Cash and cash equivalents at the end of the year		11,999	14,542	3,045	1,360

## 1 General information

Share plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ. The nature of the Group's operations and its principal activities are set out in the Business Review on pages 6 to 13.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

## 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB (together "IFRS") as endorsed by the European Union. The Company's financial statements have been prepared on the same basis and as permitted by Section 408 of the Companies Act 2006, no income statement is presented for the Company. Of the consolidated profit for the financial year, a profit of £6.0 million (2009: £0.2 million) before the payment of dividend distributions, has been dealt with in the financial statements of the Company, the increase predominantly reflecting a dividend payment to Share plc from The Share Centre Limited.

The consolidated financial statements of the Group have been prepared on a going concern basis as detailed in the Directors' Report.

In the current year various amendments to International Financial Reporting Standards (IFRSs) were made as part of Improvements to IFRSs (2009). None of those amendments or any of the new standards introduced during the year were directly relevant to the Group.

At the date of this preliminary announcement, the following Standards and Interpretations, which have not been applied, were in issue but not yet effective.

- IFRS 9 Financial Instruments
- IAS 24 (Amended) Related Party Disclosures
- Improvements to IFRSs (May 2010)
- The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

## 3 Accounting policies

### Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries, the Share Centre Limited, the Share Centre (Administration Services) Limited, the Shareholder Limited, and Sharefunds Limited, which all make up their annual financial statements to 31 December. Other subsidiaries are not included in the consolidation as they are not trading and not material to the Group. The accounting policies used have been consistently applied for many years.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and any other sales related taxes.

Revenue is recognised on an accruals basis and primarily comprises dealing commissions, fees earned in the provision of broking and custodian services and interest income on client money. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established, typically on cash receipt.

**Leasing**

The Group has no finance leases, all leases are classified as operating leases without any substantial transfer of the risks and rewards of ownership to the lessee.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Any benefits received or receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Foreign currencies**

The consolidated and individual financial statements of each Group company are presented in pounds Sterling, which is the currency of the primary economic environment in which they operate. The Group has no material foreign currency balances on the balance sheet date. Any exchange differences arising on the incidental foreign currency balances the Group does periodically hold are recognised in profit or loss in the period in which they arise.

**Operating profit**

Operating profit is stated before investment income and any other gains or losses which arise in respect of the available-for-sale investments held by the Group.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 2010 this was 27% (2009: 28%). Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Property, plant and equipment**

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Motor vehicles, computer hardware, fixtures and equipment - 25%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

### Intangible fixed assets

The Group's investment in the share.com domain name is stated at cost and is amortised over 10 years on a straight-line basis from the year of completion of the transaction purchase. The intangible asset arising from the acquisition of the Wills & Co customer base was calculated based on the cost of that acquisition and is being amortised over 5 years on a straight-line basis from the year of completion of the transaction. The Group has committed to develop a bespoke computer system for its funds division Sharefunds Limited. This meets the accounting definition of an internally generated intangible asset and costs incurred to the year end are capitalised on the balance sheet. The computer system is anticipated to have a maximum economic life of 5 years over which period the asset will be amortised starting from the month that the system becomes fully operational. After 5 years, the asset is expected to reach the end of its commercial value or be subject to upgrade or replacement such that the initial investment should be considered spent.

### Investments in subsidiaries

Fixed asset investments in subsidiaries are shown at cost less provision for any impairment.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible assets with an indefinite useful life are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

**Financial assets** Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: Financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Available-for-sale financial assets** Listed and unlisted shares held by the Group are classified as being AFS and are stated at their fair value. Fair value is determined in the manner described in note 19. Gains and losses arising from changes in fair value are recognised directly in equity in the investments' revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments' revaluation reserve is included in the profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised directly in equity.

**Loans and receivables** Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Trade receivables** Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as debtors.

**Impairment of financial assets** Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as AFS, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty
- Default or delinquency in interest or principal payments, and
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

**Cash and cash equivalents** Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Included within cash balances are amounts held on client settlement accounts as shown in note 19.

**Derecognition of financial assets** The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

**Financial liabilities and equity** Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**Equity instruments** An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

**Financial liabilities** Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group has no financial liabilities 'at FVTPL'. 'Other financial liabilities', including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

**Trade payables** Trade payables are measured at fair value. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

**Derecognition of financial liabilities** The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**Derivative financial instruments** Derivative financial instruments are used solely by the Group to reduce or eliminate exposure to interest rate risks. Further details of derivative financial instruments are disclosed in notes 19 and 20 to the financial statements. From 1 October 2008 the intrinsic value of the derivative contract has been designated a cash flow hedge and the time value is treated as fair value through profit and loss. See hedge accounting policy below.

**Provisions** Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes model. Details of the Group's share-based payments are disclosed in Note 31 to these financial statements.

#### Purchase of shares for Employee Benefit Trust

During the year, the Group acquired a number of shares in Share plc, which are held by Sharesecure Ltd, a trustee provider, 100% owned by Share plc. The purchases were made to meet potential obligations arising from the issue of share options made to employees. The original cost of investment has been deducted in arriving at shareholders' funds (the amounts are shown in a separate reserve, called 'Employee Benefit Reserve').

#### Pension scheme

If requested, the Group contributes 8% of the employee's gross salary to a defined contribution pension scheme of the employee's choice. Contributions are charged to the income statement as they become payable. The assets of these schemes are held separately from those of the Group in independently administered funds belonging to the relevant employees.

#### Hedge accounting

The Group had an interest rate floor policy which expired on 1 November 2010. The intrinsic value element of that policy was designated as a cash flow hedge in line with IAS 39 on 1 October 2008. Subsequent to 1 October 2008 movements in the fair value of the time value element of the policy passed through the income statement. The fair value of the intrinsic element of the policy and movements in that fair value were taken through equity. The revaluation reserve established in equity in respect of the interest rate floor policy was recycled to the income statement as cash payments were received from the policy.

Given the matching nature of the terms of the hedged item and the hedged instrument, the hedge was assessed as being 100% effective as measured using the 'changes in fair value' methodology and undertaking prospective and retrospective testing.

During 2010, a total of £2,249,000 (2009: £2,566,000) was reclassified from equity to the income statement within revenues, representing the value of cash received from the interest rate floor policy during the year. There was £nil (2009: £2,060,000) recognised in equity as the instrument had been derecognised following its maturity in November 2010.

## 4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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 and Eirx Therapeutics plc. 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, whilst the Eirx Therapeutic plc shares are carried at nil value given the financial position of the company and its recent history. Further detail is contained in note 17.

**Fair value of derivative financial instruments**

The Group had a single derivative financial instrument which matured in November 2010. Its fair value in 2009 was determined by reference to the valuation provided by the counterparty to the policy which was considered an appropriate third party valuation.

**Share-based payments**

The Company's shares have been traded on Sharemark since 2000 and 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 judgment or estimation in determining whether there are any indications of impairment and the extent of any impairment loss.

**5 Revenue**

An analysis of the Group's revenue is as follows:	2010 £'000	2009 £'000
Commission income	6,109	5,440
Fee income	5,830	4,651
Interest income on customer deposits	3,652	4,037
	15,591	14,128

**6 Business and geographical segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The reportable segments are therefore represented by the following three business divisions:

The Share Centre – this is the main trading business and provides stock-broking and custodian services to retail investors. The vast majority of this business is done directly with those retail customers, though in some cases the relationship is through a third party, typically on a white-labelled basis.

Sharefunds – this is the division which operates a fund administration service. The division's customers are authorised funds for whom a range of administration services may be provided. This can include taking on the role of Authorised Corporate Director. In addition to external third party funds, Sharefunds acts as investment manager to Sharefunds' three Funds of Funds. The majority of revenues are derived from fees in respect of administration services provided to funds administered by WAY Fund Managers.

Sharemark – this is the division which operates an alternative share market on which Share plc shares, amongst others, are dealt. This business division has a corporate customer base being those clients whose securities are traded on the Sharemark platform. The market can also be provided, as a trading platform, to third parties on a white-label basis and Sharemark may generate consulting fees in respect of supporting those third parties.

In 2009 Sharemark and Sharefunds contributed a combined total of less than £350,000 in revenues and as such neither was material to the Group's performance to a level where disclosure of the performance of the segment would have been meaningful.

In 2010 Sharefunds has expanded, as anticipated in 2009, such that it is meaningful to disclose the performance of that division separately. The split of revenues and operating profit are therefore as below. On the grounds of materiality, prior year comparatives are not disclosed and Sharemark is not separately identified but is included within The Share Centre.

	The Share Centre £'000	Sharefunds £'000	2010 Total £'000
Revenue	15,021	570	15,591
Operating profit	2,881	162	3,043

It should be noted that the accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 and that there were no major customers contributing more than 10% of revenues in the Group as a whole. The assets of the Group are principally used by The Share Centre. The services offered by the Group vary by business division as described above. However, within each business division there is only one principal revenue stream and therefore there is no separate or further segmentation by service offered. Sharefunds has no material assets which would meaningfully be separated from The Share Centre and therefore no separate disclosure of the balance sheet is provided.

## 7 Operating profit

Operating profit for the year has been arrived at after charging:	2010 £'000	2009 £'000
Depreciation of property, plant and equipment	96	76
Amortisation of intangible assets (see note 15)	22	16
Staff costs (see note 8)	5,966	5,772
Operating lease rentals – property	420	431
Operating lease rentals - other	68	54

### Auditor's remuneration

The analysis of auditor's remuneration is as follows:	2010 £'000	2009 £'000
Audit fees: Fees payable to the Group's auditor for the audit of the Group's annual accounts, those of its subsidiaries and of its three Fund of Funds	69	75
Fees payable to the Group's auditor for other services to the Group		
Tax services	43	10
Other services	12	41
Total non-audit fees	55	51

The fees payable to the Company's auditor for the audit of the Company's annual accounts amount to £20,000 (2009: £16,000).

## 8 Group staff costs

	2010 Number	2009 Number
The average number of employees of the Group (including executive directors) was:		
Operating and support functions	101	95
Administrative and systems related functions	38	36
	139	131

	2010 £'000	2009 £'000
Staff costs during the year (including executive and non-executive directors)		
Wages and salaries	4,282	4,228
Profit sharing bonus	583	514
Social security costs	507	461
Pension costs	299	282
Share-based payments	295	287
	5,966	5,772

It should be noted that the Company itself does not have any employees. (2009: Nil)

## 9 Directors

Detailed information concerning directors' emoluments and share options is disclosed in the directors' remuneration report.

## 10 Investment revenues

	2010 £'000	2009 £'000
Interest on bank deposits	118	156
Dividends from equity investments	99	147
	217	303

Investment revenues earned on financial assets, by category of asset, were as follows:	2010 £'000	2009 £'000
Loans and receivables (including cash and bank balances)	118	156
Available-for-sale financial assets	99	147
	217	303

## 11 Other losses and gains

	2010 £'000	2009 £'000
Decrease in the fair value of investments held at year end	(6)	(114)
	(6)	(114)

## 12 Taxation

	2010 £'000	2009 £'000
Current taxation	(956)	(674)
Deferred taxation	(22)	35
	(978)	(639)

The tax assessed for the current year can be reconciled to the profit per the income statement as follows:	2010 £'000	2009 £'000
Profit before taxation	3,254	2,345
Tax at 28% (2009: 28%)	(911)	(657)
Effects of		
Items not deductible for tax purposes	(36)	(29)
Foreign tax suffered	(8)	-
Prior year adjustments	(52)	(2)
Exempt dividend income	28	12
Rate differences on current tax	6	6
Share-based payments	(5)	31
	(978)	(639)

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's investments amounting to £576,000 (2009: £84,000) has been credited directly to equity.

## 13 Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the period		
2010 Interim dividend paid of 0.25 pence per ordinary share (2009: 2008 Final Dividend paid of 0.22p)	402	353
Less amount received on shares held via ESOP	(6)	(5)
	396	348

The directors are proposing a final dividend of 0.30p per share in respect of the year to 31 December 2010. This would amount to a gross dividend payment of £432,000 given the current share capital.

## 14 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming conversion of all potential dilutive ordinary shares. The potential ordinary shares consist of those share options and warrants where the exercise price is less than the average price of the Company's ordinary shares during the year. The calculation results in a difference of only a small fraction of a penny, which is eliminated in roundings.

Underlying basic and diluted earnings per share are calculated as for basic and diluted earnings per share but using an adjusted earnings figure before any one-off gains, losses, income or expense. In 2010 the main adjustments are in respect of the share-based payment charge and the Financial Services Compensation Scheme (FSCS) Interim Levy which was charged on all investment class firms arising from the compensation costs met by the FSCS in respect of failed firms which is then funded by other firms within the industry. The Directors consider that the underlying earnings per share represent a more consistent measure of the underlying performance of the Group.

	2010 £'000	2009 £'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being net profit attributable to equity holders of the parent company	2,276	1,706
Other losses	6	114
Non-recurring expense – FSCS Interim Levy for 2010-11	207	-
Share-based payments	295	287
Profit share impact of the above adjustments	(106)	(36)
Taxation impact of the above adjustments	(29)	(10)
Earnings for the purposes of underlying basic and diluted earnings per share	2,649	2,061

Number of shares	Number (000s)	Number (000s)
Weighted average number of ordinary shares	157,357	162,839
Non vested shares held by employee share ownership trust	(2,858)	(2,297)
Basic earnings per share denominator	154,499	160,542
Effect of potential dilutive share options	845	1,003
Diluted earnings per share denominator	155,344	161,545
Basic earnings per share (pence)	1.5	1.1
Diluted earnings per share (pence)	1.5	1.1
Underlying basic earnings per share (pence)	1.7	1.3
Underlying diluted earnings per share (pence)	1.7	1.3

## 15 Intangible assets

The Group	Share.com domain name £'000	Wills and Co customer list £'000	Sharefunds Computer System £'000	Total £'000
<b>Cost</b>				
At 1 January 2008, 1 January 2009, 1 January 2010	164	-	-	164
Additions	-	59	53	112
At 31 December 2010	164	59	53	276
<b>Accumulated amortisation</b>				
At 1 January 2008	96	-	-	96
Charge for the year	16	-	-	16
At 1 January 2009	112	-	-	112
Charge for the year	16	-	-	16
At 31 December 2009	128	-	-	128
Charge for the year	16	6	-	22
At 31 December 2010	144	6	-	150
<b>Net book value</b>				
At 31 December 2010	20	53	53	126
At 31 December 2009	36	-	-	36

## 16 Property, plant and equipment

The Group	Motor vehicles £'000	Computer hardware £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 January 2009	12	297	62	371
Additions	-	196	31	227
At 1 January 2010	12	493	93	598
Additions	-	50	6	56
At 31 December 2010	12	543	99	654
Accumulated depreciation				
At 1 January 2009	12	214	43	269
Charge for the year	-	61	15	76
At 1 January 2010	12	275	58	345
Charge for the year	-	82	14	96
At 31 December 2010	12	357	72	441
Net book value				
At 31 December 2010	-	186	27	213
At 31 December 2009	-	218	35	253

## 17 Available-for-sale investments

The Group	2010 £'000	2009 £'000
Unlisted investment at fair value	2,038	1,633
Listed investment at fair value	1,492	1,259
	3,530	2,892

All investments held by the Group have been classified as available-for-sale. These available-for-sale assets have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 26, until sale when the cumulative gain or loss is transferred to the income statement.

**Euroclear plc ("Euroclear")**

The unlisted investment includes 6,030 shares in Euroclear plc of one Euro each. These shares have a historical cost of £217,390 representing the investment made in Crest Co. Ltd, which was acquired by Euroclear during 2002. As at 31 December 2010, each share has an estimated fair value of £260 (2009: £270) based on an analysis of Euroclear's net assets as shown in its latest available financial information for the first half of 2010. The shares trade via a bulletin board system but no trades have been publicly recorded since 2006. The fair value represents a 64% discount to the net assets per share to reflect this illiquidity. This level of discount has been consistently applied for a number of years and the resulting valuation is compared to the indicative prices as shown on the bulletin board, the implied price earnings ratio and the dividend flows. Euroclear was profitable in the first half of 2010 and there is no evidence that the value per share has been impaired.

**Way Group Limited**

The Group holds 150,000 1p ordinary shares in Way Group Limited, acquired in 2010 at cost of £472,500. These shares are not publicly traded, and unlike Euroclear plc, there is no bulletin board facility to collate expressions of buy and sell interest at a range of prices. In the absence of any evidence of impairment or any other means of determining a reliable and timely alternative fair value based on the limited publicly available information, these shares are held at cost and included in the unlisted investment balance above.

**Eirx Therapeutics Plc**

The Group also holds a total of 246,996,816 shares in Eirx Therapeutics plc, which represents 2.7% of that company’s issued share capital. This holding arose in 2008 as a result of making good three customers’ accounts which, due to key logging virus software which had affected the customers’ computers, had been compromised by fraudsters. This holding cost £164,000 of which £124,000 was paid by our insurers. The shares have not traded since March 2008 but the company continues to trade and this holding may have future value. Given the net liabilities position of the company’s balance sheet, its limited trading revenues and profits, and a first call on any disposal proceeds by our insurers this investment has been written down to nil value (2009: £nil).

**London Stock Exchange plc (“LSE”)**

The Group was the beneficial owner of 175,000 LSE ordinary shares of 5p each (2009: 175,000) which have a fair value of £8.525 each based on the traded market price as at 31 December 2010 (2009: £7.195).

**18 Subsidiaries**

The Company	2010 £'000	2009 £'000
Shares in subsidiaries	264	264

The Company has investments in the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Proportion of ordinary shares held by the Company
The Share Centre Limited	Retail stock broking	100%
The Share Centre (Administration Services) Limited	Administration services	100%
The Shareholder Limited	Publishing/mail order	100%
Share Nominees Limited	Bare trustee nominee <sup>1</sup>	100% <sup>2</sup>
Stock Academy Nominees Limited	Bare trustee nominee <sup>1</sup>	100% <sup>2</sup>
Sharesecure Limited	Bare trustee <sup>1</sup>	100%
Personal Retirement Account Limited	Dormant <sup>1</sup>	100%
Sharemark Limited	Share trading market <sup>1</sup>	100%
Sharefunds Limited	OEIC Authorised Corporate Director	100%

<sup>1</sup>Subsidiaries not included in consolidation other than at cost in investments as the companies are not trading and are not material to the Group

<sup>2</sup> Ordinary shares held by The Share Centre Limited

All the above companies are registered and incorporated in England and Wales.

## 19 Other financial assets

Trade and other receivables	Group 2010 £'000	2009 £'000	Company 2010 £'000	2009 £'000
Gross amounts receivable	14,134	7,300	-	-
Allowance for doubtful debts	(112)	(135)	-	-
	14,022	7,165		
Amounts owed by Group undertakings:				
By subsidiaries due in over one year	-	-	150	150
Other debtors	440	583	-	-
Prepayments and accrued income	2,370	1,801	7	332
	16,832	9,549	157	482

Trade receivables are measured at initial recognition at fair value. These principally represent unsettled customer trades with our market counterparties (£13.3million). No provision is considered necessary in respect of amounts outstanding from market counterparties. In respect of non-counterparty amounts included within trade receivables, appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the value of the asset is impaired.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,503,000 (2009: £508,000) which are past due date at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The largest element of these balances is in respect of fees due from customers and those customers have sufficient asset values on their accounts to cover the fees due.

Ageing of past due but not impaired trade receivables	2010 £'000	2009 £'000
0-90 days	1,096	162
90-180 days	142	87
180+ days	265	259
Balance at the end of the period	1,503	508

Movement in the allowance for doubtful debts	2010 £'000	2009 £'000
Balance at the beginning of the period	135	131
Impairment losses recognised	45	25
Amount written off as uncollectable	(3)	-
Amounts recovered during the year	(3)	(2)
Impairment losses reversed	(62)	(19)
Balance at the end of the period	112	135

In determining the recoverability of trade receivables the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In respect of balances due from customers, the principal consideration is the customers' asset holdings relative to any fees owed. The concentration of credit risk in respect of customer balances is limited due to the customer base being large and unrelated. The credit risk related to market counterparties is limited due to the regulated nature of those counterparties and the stock held against the balances due in respect of unsettled sales. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables	2010 £'000	2009 £'000
0-90 days	15	14
90-180 days	12	9
180+ days	85	112
Balance at the end of the period	112	135

Cash and cash equivalents	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash and cash equivalents	11,023	13,815	3,045	1,360
Cash held on trust for clients (a)	976	727	-	-
	11,999	14,542	3,045	1,360

Cash and cash equivalents comprise cash held by the Group with major banks with instant or short-term access.

(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.

At 31 December 2010 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 £115,534,000 (2009: £108,268,000). The Group has no beneficial interest in these deposits and accordingly they are not included in the balance sheet.

## 20 Financial Instruments

### Financial risk management

The Group maintains a risk averse attitude and the principal assets of the Group are cash balances held with major banks and investments in the London Stock Exchange plc and Euroclear plc. The Group conducts regular reviews of capital adequacy, cash flow and general financial performance as part of its ongoing risk management framework and as part of meeting its regulatory obligations in particular under the Capital Requirements Directive (CRD) and FSA rules. The Group uses financial derivatives to minimise or mitigate its exposure to interest rate risk as detailed below.

With regard to the maturity of non-derivative financial assets, the non-derivative financial assets held by the Group amount to trade receivables as detailed in note 19, cash and cash equivalents as detailed in note 19 and equity investments in London Stock Exchange plc, Euroclear plc, WAY Group Limited and Eirx Therapeutics plc shares. The equity investments are classified as available-for-sale and will be realised when economic conditions are appropriate and the directors consider it to be in the best interests of the Group.

### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

**Categories of financial instruments**

The carrying amount for each category of financial instrument as required under IAS 39 is disclosed on the face of the balance sheet. There have been no reclassifications between categories during the course of the year. The derivative financial instrument with a fair value of £2,033,000 as at 31 December 2009 came to an end on 1 November 2010.

**Foreign currency risk management**

The Group's principal trading entity, The Share Centre Limited, trades investments in equities and funds on behalf of its customers. The Company operates such that all those investments are Sterling denominated and all fees and amounts receivable are denominated and payable in Sterling. The Group only operates in the UK and all suppliers are UK based with amounts payable in Sterling. As such the Group has no trading exposure to foreign currency risk.

The Group holds 6,030 shares in Euroclear plc. These shares are denominated in Euros and as such the Group is exposed to an element of foreign exchange risk in respect of the impact of currency movement on the value of this investment. Dividend income received in respect of this investment in Euros is not material and the Group does not hedge any of the exposure in respect of this investment.

**Foreign currency sensitivity analysis**

The Group only has an exposure to movements in Sterling relative to the Euro in respect of the investment in Euroclear plc which is Euro denominated. If there were a 10% move in the value of Sterling against the Euro then the value of this investment would move by 10% or c.£157,000 based on the year end valuation.

**Interest rate risk**

The Group has no external borrowings and is not exposed to interest rate or refinancing risk in this regard. The Group does hold client money balances (cash held on behalf of customers) and earns interest on those balances which forms a significant part of the Group's revenues. The interest paid to customers is typically the base rate less 3.5%. As such, the Group's revenue in this regard is effectively fixed at 3.5% of the client money balances as it is unaffected by movements in interest rates unless rates fall below 3.5%.

The Group uses current accounts and short-term money market deposits for all its own cash and its client money. These monies are currently split between four institutions – Bank of Scotland, Royal Bank of Scotland, HSBC, Clydesdale Bank and Melton Mowbray Building Society – and all client monies are maintained in customer trust status accounts separate from the Group's own funds in accordance with the FSA's client money rules. To the extent that the Group uses term deposits for holding client money the Group is exposed to the variability of LIBOR rates relative to base rates and will experience a lag in the impact of any changes.

The Group is also subject to interest rate risk in respect of its own principal cash balances. These balances earn interest at the prevailing rate and the income is disclosed in the income statement under investment revenues.

Historically the Group has protected against circumstances where base rates fall below 3.5% through an interest rate floor policy. The last policy expired on 1 November 2010 and is clearly not replaceable with base rates at 0.5%. The expiry of this policy will impact interest income but risk of further diminutions due to changes in base rate are limited as scope for further reductions by the central bank are minimal.

**Interest rate sensitivity**

The direct link between the bank base rate and the interest rate paid to customers means that the Group's interest income from client money balances is not generally sensitive to interest rate movements either up or down. However, with base rates below 3.5% the Group could expect to see some improvement to interest income as rates increase until they reach 3.5% and interest starts to be paid to customers again. Given the cash balances held at the year end, a 0.5% point increase in base rates (provided rates continue below 3.5%) would increase the Group's interest income on client deposits by c.£600,000 per annum. As noted above, there may be a lag in receiving this benefit dependent on the maturity of any term deposits used. As at 31 December 2010 42% of the Group's client money balances were on term deposits with fixed rather than variable interest rates.

The interest income on the Group's own principal balances is affected by changes in interest rates. Given the cash balances at the year end a 0.5% movement in interest rates would impact investment income by £55,000 per annum. This impact, after taking into account the corresponding increase/decrease in the Group's tax charge, would lead to a change in retained profit for the year.

**Liquidity risk**

The Group actively maintains cash balances in instant access accounts and on short-term deposit such that it has sufficient funds available for operations. This also applies to client monies so as to ensure sufficient funds are available at any time to meet customer requirements. In terms of its own funds, the investments the Group has on its balance sheet are in London Stock Exchange plc, Euroclear plc, WAY Group Limited and Eirx Therapeutics plc shares. London Stock Exchange plc shares are actively traded and relatively liquid. Given the overall levels and mix of cash and investments the Group is not exposed to any significant liquidity risk. All financial liabilities are undiscounted and have contractual maturities which fall due within one year.

**Credit risk**

The Group has a large and diverse customer base such that there is no concentration of credit risk. Customers can only trade with available funds or stock in their account and this limits any exposure to credit risk in this regard. An allowance is made against amounts owed to the Group where there is insufficient value of stock within a customer account to cover any fees due. Amounts shown on the balance sheet are net of this allowance.

The majority (73%) of trade and other receivables are funds due from other financial institutions and customers in settlement of trades. The credit risk in this respect is therefore considered to be limited. Credit risk within the Group's business is further minimised by the collateral held within the Group's nominee company.

The Group's own cash is predominantly held with Bank of Scotland, Royal Bank of Scotland, and Clydesdale Bank, all within the UK. The Board has only sanctioned use of institutions who meet the necessary due diligence requirements which includes an assessment of each institution's balance sheet and ownership structures. The Group regularly reviews the institutions it uses. The same approach is taken in respect of depositing client monies and in line with the FSA's guidance on client money the diversification of deposits is also considered in this process.

**Equity price risk**

The Group is exposed to equity security price risk in respect of the investments it holds on its balance sheet – namely London Stock Exchange plc, Euroclear plc and WAY Group Limited shares.

A significant proportion (24.3%) of the Group's revenue is derived from fees which are charged to customers based on the value of their holdings. Through this fee charging structure the Group is also exposed to an element of security price risk on the investments held by customers. More generally a significant reduction in equity values and a consequent or concurrent reduction in investor dealing activity would have a potentially significant impact on the Group's financial performance.

**Equity price sensitivity analysis**

If equity prices had been 10% higher/lower during 2010 then the net profit after tax of the Group would have been c.£275,000 (2009: £200,000) higher/lower as a result of the impact of those higher/lower equity prices on customer portfolio valuations and therefore on ad valorem fees charged by the Group.

In addition, the fair value of the Group's investments may have been similarly affected although such changes would have impacted shareholders' funds through the revaluation reserve rather than the income statement.

**Fair value of financial instruments**

The directors consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Market values have been used to determine the fair values of available-for-sale financial assets. For those equity investments which do not have a quoted market price in an active market, fair value has been determined by reference to the last available traded price and a comparison with the net asset value per share and other similar metrics, making allowances where appropriate for any illiquidity.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale financial assets				
Quoted securities	1,492	-	-	1,492
Unquoted securities	-	-	2,038	2,038
Total	1,492	-	2,038	3,530

There were no transfers between any of the levels during the year.

Reconciliation of Level 3 fair value measurements of financial assets	2010 £'000
Available-for-sale unquoted securities	
Balance as at 1 January 2010	1,633
Investment in WAY Group Limited	473
Total losses in other comprehensive income	(68)
Balance as at 31 December 2010	2,038

All gains and losses included in other comprehensive income relate to unquoted securities held at the balance sheet date and are reported as changes of "Revaluation Reserve" (see note 26)

Cash and cash equivalents are not included in the disclosures above as they are held at cost.

## 21 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior period.

	Share-based payments £'000	Accelerated tax depreciation £'000	Revaluation of financial assets £'000	Total £'000
As at 1 January 2009	33	49	(1,406)	(1,324)
Credit / (charge) to income	39	(27)	23	35
Credit / (charge) to equity	7	-	84	91
As at 1 January 2010	79	22	(1,299)	(1,198)
Credit/ (charge) to income	14	(8)	(28)	(22)
(Charge) / credit to equity	(15)	-	576	561
As at 31 December 2010	78	14	(751)	659

**22 Trade and other payables**

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	14,142	7,268	-	-
Amount owed to group companies	-	-	225	202
Other taxation and social security	367	303	-	-
Accruals and deferred income	1,324	947	65	79
Other creditors	277	599	-	-
	16,110	9,117	290	281

**23 Called up share capital**

The Group and Company Ordinary shares of 0.5p each	2010		2009	
	Number	£'000	Number	£'000
Authorised	296,175,000	1,481	296,175,000	1,481
Allotted, called up and fully paid	143,652,334	719	160,611,093	804

The allotted, called up and fully paid share capital decreased during the year as a result of the share buyback completed in August 2010.

**24 Share premium account – Group and Company**

	2010 £'000	2009 £'000
Balance at 1 January	1,072	931
Issue of free shares to customers	26	141
Balance at 31 December	1,098	1,072

## 25 Reserves

The Group has a number of reserves included within its Shareholders' Funds. The nature and purpose of these reserves is described below and the movement in each of these reserves is shown on the face of the primary statement – Consolidated statement of changes in equity – as shown on page 34.

### Capital redemption reserve

This reserve relates to balances arising on the repurchase of the Company's own shares.

### Employee benefit reserve

As explained in Note 3, the employee benefit reserve represents shares held in Share plc having been purchased by Sharesecure Limited. Sharesecure Limited is a trustee of two employee benefit trusts which are used to purchase shares to meet potential obligations arising from the issue of share options made to directors and employees, and to meet requirements arising from the issue of matching and partnership shares under the Share Incentive Plan. In addition Sharesecure Limited is the other party to shares awarded to directors and employees under the Co-ownership Equity Incentive plan. The individual recipients of those awards can not exercise any benefits of ownership until three years after the grant date and therefore ownership is considered to rest with Sharesecure Limited. The total number of shares held at year end in respect of all the above arrangements were as follows:

	2010		2009	
	Number	Average purchase price (pence)	Number	Average purchase price (pence)
Ordinary shares of 0.5p each	2,858,246	24.4	2,296,710	20.9

During the year the employee benefit trusts purchased or received back from leaving employees a total of 2,591,336 Ordinary 0.5p shares. 2,029,800 shares were sold by the employee benefit trusts or allocated to employees by way of matching shares or free shares. The shares purchased had a total consideration of £710,600.

### Revaluation reserve

This reserve represents the cumulative fair value position in respect of assets held by the Group which are revalued based on their fair value at the balance sheet date.

**Retained earnings**

This reserve represents the cumulative retained profits of the Group.

The detailed movements on the revaluation reserve and the retained earnings reserve are shown on the face of the Consolidated statement of changes in equity. However, the movements shown in the Consolidated statement of comprehensive income are shown as a single line. This may be broken out between the two reserves as follows:

	Revaluation reserve	Retained earnings	2010 £'000 Total	Revaluation reserve	Retained earnings	2009 £'000 Total
Retained profit for the period	-	2,276	2,276	-	1,706	1,706
Increase/(decrease) in fair value of available-for-sale investments	197	-	197	340	-	340
Deferred tax effect of movement in fair value of available-for-sale investments	(26)	-	(26)	(95)	-	(95)
(Decrease)/increase in fair value of cash flow hedge taken to equity	(2,027)	-	(2,027)	(506)	-	(506)
Deferred tax effect of movement in fair value of cash flow hedge	589	-	590	142	-	142
Exchange (losses)/gains on available-for-sale investments	-	(32)	(32)	-	(170)	(170)
Deferred tax effect of exchange movements on available-for-sale investments	-	12	12	-	48	48
Movement in the year	(1,267)	2,256	989	(119)	1,584	1,465

**26 Capital Management**

The Group's disclosures as required under Pillar III are set out in a separate document available on the Group's website, [www.shareplc.com](http://www.shareplc.com). That Pillar III document shows that the Group had Tier 1 capital of £15.3 million and Tier 2 capital of £1.8 million as at 31 December 2010. The total capital of £17.2 million demonstrates a significant surplus over the current capital requirement for 2011 of £2.5 million.

It should be noted that the Group contains two regulated entities, The Share Centre Limited and Sharefunds Limited. In addition to having to satisfy capital requirements on a consolidated Group basis, each of these individual entities must also satisfy their own capital requirements. In particular, with regard to The Share Centre Limited, the Pillar III disclosures indicate that it had total capital resources at 31 December 2010 of £8.3 million which is a significant surplus over the 2011 capital requirement of £2.8 million. The capital requirements of the subsidiaries, and The Share Centre Limited in particular, could act as a limitation on the ability of those subsidiaries to pay dividends to the parent company and therefore ultimately of the Group to pay dividends out to its shareholders. Given the current capital position of the Group and its subsidiaries and the current dividend policy, this does not present a restriction at present.

## 27 Notes to the cash flow statements

	Group 2010 £'000	2009 £'000	Company 2010 £'000	2009 £'000
Operating profit / (loss)	3,043	2,156	(488)	(577)
Other (gains)/losses	(204)	22	-	-
Depreciation of property, plant and equipment	96	76	-	-
Amortisation of intangible assets	22	16	-	-
Share-based payments	153	293	-	144
Operating cash flows before movement in working capital	3,110	2,563	(488)	(433)
Increase in receivables	(7,283)	(2,896)	325	(319)
Increase in payables	6,993	3,424	9	5
Cash generated by operations	2,820	3,091	(154)	(747)
Income taxes paid	(732)	(649)	-	-
Net cash from operating activities	2,088	2,442	(154)	(747)

## 28 Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 Land and buildings £'000	Other £'000	2009 Land and buildings £'000	Other £'000
One to five years	174	170	217	212
Over five years	2,041	-	2,405	-
Total	2,215	170	2,622	212

Operating lease payments principally represent rentals payable by the Group for its office premises. The current lease runs until 2016. The commitments above are the minimum non-cancellable payments due. The Company has no commitments under operating leases (2009: None).

## 29 Share-based payments

The Group operates an Enterprise Management Incentive (EMI) approved share option scheme which enables the regular granting of share options at six monthly intervals and discretionary grants to senior managers and directors as deemed appropriate by the Board Remuneration Committee. In addition, the Group has an Approved Share Option Scheme, an Unapproved Share Option Scheme and a Co-ownership Equity Incentive Plan. With the exception of some options granted under the unapproved share option scheme, the vesting period for options is three years and they all expire 10 years after the date of grant. In respect of the Co-ownership Equity Incentive Plan, the shares are jointly held with the Employee Benefit Trust. The individual recipients are able to sell the shares concerned between three and ten years after the grant date and benefit from the excess of the sales price at that time over and above the price specified in the Co-ownership agreement. That price is set at a c.20% premium to the market price at the date of grant.

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	6,435,125	19.4	6,024,734	18.2
Granted during the year	1,025,544	28.2	700,000	29.0
Exercised during the year	(607,129)	17.5	(186,842)	14.9
Expired or forfeited during the year	(8,653)	27.5	(102,767)	23.0
Outstanding at the end of the year	6,844,887	20.9	6,435,125	19.4
Exercisable at the end of the year	2,833,699	18.3	2,527,674	16.3

The weighted average market share price at the date of exercise for options exercised during 2010 was 29.0 pence (2009: 25.7 pence). The share options outstanding at the end of the year, their exercise prices and contractual lives are as detailed in note 30.

The Group has applied the requirements of IFRS 2 in respect of share-based payments. During the Year Ended 31 December 2010, the Group made three equity-settled share-based payments to staff. These payments were made under the Group's Enterprise Management Incentive (EMI) scheme, Unapproved share options plan and Co-ownership Equity Incentive plan. In all cases there are no performance conditions attached to the options. In all cases, except the options granted at a premium under the Co-ownership Equity Incentive plan, all options have been granted with an exercise price equal to market value – being the closing mid-price on the day prior to grant.

A fair value has been determined for each grant made during the year using the Black-Scholes model. The main assumptions are as follows:

Grant date	22/06/10	29/06/10	22/12/10
Share price at date of grant	26.5p	26.5p	28.5p
Exercise price	26.5p	32.0p	28.5p
Risk free interest rate	0.5%	0.5%	0.5%
Dividend yield	1.0%	1.0%	1.0%
Volatility	30%	30%	30%
Average maturity at exercise	5 years	5 years	5 years
Fair value per option	6.4p	4.8p	6.9p

In addition, the Group operates a Share Incentive Plan (SIP). This scheme is open to all employees and allows them to allocate up to £1,500 per annum of their pre-tax salary to purchase shares in Share plc through a partnership scheme without paying National Insurance contributions or Income Tax. For every share purchased through the partnership scheme, The Share Centre Limited purchases two matching shares. The employee must remain in employment for three years from the date of purchase of the partnership shares in order to qualify for the corresponding matching shares and in order for those shares to be transferred to them tax-free. The employee retains rights over both their own shares and the matching shares, receives dividends and is able to vote at meetings once the shares are purchased.

The fair value for those shares given as matching shares under the arrangements of the SIP has been determined by reference to the market price. The value used is the quarter-up price based on the Daily Official List from the previous business day. This has ranged from 26.375p to 28.875p during 2010. The cost is then applied over three years, being the qualifying period during which the employee must remain in employment with the Group.

In addition, the SIP enables the Group to grant employees free shares with a value of up to £3,000 per eligible employee per annum. On 21 December 2007, the Group granted 606,690 shares to employees based on a formula taking into account length of service and salary; grants ranged in value from £929 to £3,000. The cost of these free shares has been treated in the same way as for matching shares with that cost applied over three years, being the qualifying period during which the employee must remain in employment with the Group.

It is Group policy that, where possible, shares to settle the SIP and the share options issued will be purchased in the market rather than issued as new shares.

The total expense for equity-settled share-based payments for the Group in respect of awards made in 2009 was £226,000 (2009: £193,000). This expense is then applied across the three years to the vesting date. An adjustment is made to this figure in respect of members of staff to whom options and shares have been granted but who have left the Group's employ during the vesting period. The overall net charge taken in the income statement for 2010 is £295,000 (2009: £287,000).

At 31 December 2010 the following share options to subscribe for ordinary shares were outstanding:

Exercise period		Exercise price Pence	Share Option Scheme or Plan	2010 total Number	2009 total Number
First date	Last date				
21 Jun 2004	21 Jun 2011	36.0	(A)	64,857	64,857
15 Nov 2004	15 Nov 2011	20.0	(U)	165,000	372,778
22 Dec 2004	22 Dec 2011	22.0	(E)	89,770	106,133
22 Jun 2005	22 Jun 2012	16.0	(E)	89,999	110,311
22 Dec 2005	14 Nov 2011	20.0	(E)	75,000	200,000
22 Dec 2005	22 Dec 2012	10.0	(E)	87,500	87,500
21 Mar 2006	21 Mar 2013	12.0	(U)	200,000	300,000
22 Jun 2006	22 Jun 2013	14.0	(E)	68,192	75,188
22 Dec 2006	22 Dec 2013	16.0	(E)	86,425	86,425
19 Mar 2007	21 Jun 2011	36.0	(U)	61,111	61,111
21 Mar 2007	21 Mar 2013	12.0	(U)	200,000	200,000
21 Jun 2007	14 Nov 2011	20.0	(E)	11,111	11,111
22 Jun 2007	22 Jun 2014	15.0	(E)	88,524	88,524
22 Dec 2007	22 Dec 2014	14.0	(E)	82,336	89,338
21 Mar 2008	21 Mar 2013	12.0	(U)	200,000	200,000
22 Jun 2008	22 Jun 2015	14.0	(E)	83,136	90,361
22 Dec 2008	22 Dec 2015	14.0	(E)	104,787	111,858
22 Jun 2009	22 Jun 2016	20.0	(E)	125,787	136,866
10 Jul 2009	10 Jul 2016	20.0	(E)	50,000	50,000
8 Dec 2009	8 Dec 2016	16.0	(E)	7,960	7,960
22 Dec 2009	22 Dec 2016	15.0	(E)	128,456	138,464
19 Mar 2010	19 Mar 2017	15.0	(E)	75,000	125,000
2 Apr 2010	2 Apr 2017	14.5	(E)	122,120	160,415
22 Jun 2010	22 Jun 2017	26.0	(E)	188,404	188,404
22 Dec 2010	22 Dec 2017	30.0	(E)	278,224	278,224
10 Jan 2011	10 Jul 2016	20.0	(E)	50,000	50,000
15 May 2011	15 May 2018	27.0	(E)	112,263	112,263
15 May 2011	15 May 2018	14.5	(E)	1,536,749	1,536,749
22 Jun 2011	22 Jun 2018	30.5	(E)	253,164	253,164
19 Sept 2011	19 Mar 2017	15.0	(E)	50,000	50,000
22 Dec 2011	22 Dec 2018	24.5	(E)	282,991	282,991
22 Dec 2011	22 Dec 2018	24.5	(U)	39,320	39,320
22 Jun 2012	22 Jun 2019	30.0	(E)	301,016	301,016
25 Jun 2012	25 Jun 2019	36.0	(C)	19,894	19,894
10 Jul 2012	10 Jul 2016	20.0	(E)	50,000	50,000
22 Dec 2012	22 Dec 2019	27.5	(E)	320,353	329,006
23 Dec 2012	23 Dec 2019	33.0	(C)	19,894	19,894
19 Mar 2013	19 Mar 2017	15.0	(E)	50,000	50,000
22 Jun 2013	22 Jun 2020	26.5	(E)	474,450	-
29 Jun 2013	29 Jun 2020	32.0	(C)	172,136	-
22 Dec 2013	22 Dec 2020	28.5	(E)	369,506	-
22 Dec 2013	22 Dec 2020	28.5	(U)	9,452	-
				6,844,887	6,435,125

(A) Approved share option scheme  
(E) EMI Scheme

(C) Co-ownership Equity Incentive plan  
(U) Unapproved share option scheme

### 31 Related party transactions

During the year the Group made contributions totalling £1,350 to The Share Foundation to enable contributions to be made to the Child Trust Funds of children under the care of the Official Solicitor within Buckinghamshire. The Share Foundation is a national charity established to provide financial support to looked-after children without parents through additional contributions to their Child Trust Funds. Gavin Oldham, Chief Executive of Share plc, is the Chairman and founder of The Share Foundation.

In August 2010 the Company undertook a share buyback. As a result a total of 17,055,059 shares were repurchased and cancelled. Of those shares acquired and cancelled, a total of 15,750,000 were sold by Gavin Oldham and related shareholders. This amounted to 12.6% of their holding and proceeds of just over £3.5 million.

The principal transactions between the Company and its subsidiaries were the receipt of a dividend from The Share Centre Limited to Share PLC of £6,500,000, The Share Centre (Administration Services) Limited of £nil (2009: £500,000) and from Shareholder Limited of £nil (2009: £250,000), and the payment to The Share Centre Limited of management fees of £197,000 (2009: £190,000) which primarily relate to the recharging of a proportion of directors' time. At the year end the Company had a balance outstanding due to The Share Centre Limited of £225,000 (2009: £202,000) and was owed, by way of a subordinated loan, £150,000 (2009: £150,000) by The Share Centre Limited.

#### Remuneration of key management personnel

The remuneration of the directors and other members of senior management, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the 'Directors' remuneration report' on pages 25 to 29.

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Short-term employee benefits	968	920
Share-based payments	87	82
	1,055	1,002

### Shares issued or committed as at 31 December 2010

	Number of shareholders	Number of shares	%
Oldham family and trusts	10	109,327,447	73.7
Other directors and staff	129	13,793,455	9.3
Customers	50,606	23,757,446	16.0
Other shareholders	489	1,524,350	1.0
	51,234	148,402,698	100.0

### Financial calendar 2011

10 June 2011 Annual General Meeting at 11am, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS

### Dealing in Share plc shares

Share plc shares are traded on AIM, PLUS Markets and Sharemark ([www.sharemark.com](http://www.sharemark.com)) and customers of The Share Centre can place orders via their personal portfolio accessed at [www.share.com](http://www.share.com), by telephone (01296 41 42 43) or in writing, quoting their name, customer reference, portfolio number and the number of shares to buy/sell together with the price limit. You can buy and sell shares in Share plc via most stockbrokers, including The Share Centre. If your preferred broker is not yet authorised to deal in Sharemark please ask them to contact the Sharemark dealing team on 01296 41 42 43.

Sharemark auctions in Share plc shares are carried out weekly at 4.30pm each Thursday after the AIM market close, except Bank Holidays in which case deals are usually struck on the working day immediately prior to the Bank Holiday. For full details visit [www.sharemark.com](http://www.sharemark.com) or call 01296 41 41 41.

### Share price information

The latest indicative and auction prices for shares in Share plc are available through normal media channels for AIM reporting and on [www.sharemark.com](http://www.sharemark.com), or via the home page at [www.shareplc.com](http://www.shareplc.com).

### Shareholder benefits

A holding in Share plc qualifies shareholders to receive "dealing commission credit" rebated against commission charged on sales and/or purchases of any investment made through their account with The Share Centre.

For every Share plc share held, shareholders receive a quarterly dealing commission credit of 3p up to a maximum allowance of £300 per quarter, payable as a rebate against dealing commission on orders made in that quarter through any of their accounts with The Share Centre. Rebates earned on dealing through an ISA will, because of Her Majesty's Revenue and Customs' regulations, be paid to a Share Account. The rebate will be to a maximum of 30% of dealing commission on orders placed via the internet, or 15% on orders placed by other means. Any credit not used in any one quarter will lapse.

The maximum annual value of this shareholder benefit is therefore 12 pence per share obtainable on a holding of up to 10,000 shares in Share plc. Dealing commission of £1,000 per quarter (internet) or £2,000 per quarter (other means) would need to be paid to secure the maximum benefit, with a £7.50 dealing commission on the internet thereby effectively costing £5.25.

**SHARE PLC (the "Company")**

(Incorporated and registered in England and Wales with registered number 02966283)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS on 10 June 2011 at 11:00 for the following purposes:

**Ordinary Business**

1. To receive and adopt the Report of the Directors and the Financial Statements of the Company for the year ended 31 December 2010.
2. To receive and adopt the Directors' remuneration report for the financial year ended 31 December 2010.
3. To declare a final dividend for the financial year ended 31 December 2010 of 0.30 pence per ordinary share.
4. To re-elect Iain Paul Wallace as a director of the Company.
5. To re-elect Sir Martin Wakefield Jacomb as a director of the Company.
6. To re-appoint Deloitte LLP as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the Company, and that their remuneration be determined by the directors of the Company ("Directors").

**Special Business**

As special business to consider and, if thought fit, to pass the following resolutions of which resolution 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution:-

7. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to allot and make offers and agreements to allot relevant securities as defined in section 560 of the Act up to an additional aggregate nominal amount of £235,000, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the date of the passing of this resolution or 15 months after the date of this resolution (if earlier) unless renewed or extended prior to such time except that the Company may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is a substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Act.

8. THAT, subject to the passing of resolution 7, in substitution for any unexercised powers previously granted to the Directors to allot equity securities as if section 561 of the Act did not apply but without prejudice to the exercise of any such power prior to the date hereof the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 7 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment (all previous such authorities being hereby revoked) provided that the power conferred by this resolution shall be limited to:

8.1. the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the shareholdings of such members (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever;

8.2. otherwise than pursuant to paragraph 8.1 above, the allotment of equity securities up to an aggregate nominal amount of £70,000,

provided that the authority granted by this resolution shall expire at the conclusion of the next annual general meeting of the Company after the date of passing of this Resolution or 15 months after the date of passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

*Martin W. Jacomb*

Sir Martin Jacomb  
Non-Executive Chairman  
Dated: 29 March 2011

Registered office: Oxford House, Oxford Road,  
Aylesbury, Buckinghamshire, HP21 8SZ

## Explanatory Notes to the Notice of Annual General Meeting

It should be noted that, in accordance with the Company's Articles of Association, all resolutions put to the vote are decided on a poll.

### Resolution 7 – Allotment Authority

Resolution 7 authorises the directors to allot unissued shares in the capital of the Company up to a maximum nominal value of £235,000, being equal to one third of the issued ordinary share capital of the Company at the date of this Notice of Annual General Meeting.

### Resolution 8 – Disapplication of Pre-emption Rights

Resolution 8 disapplies the provisions of section 561 of the Companies Act 2006 (the "Act"), under which if any unissued shares are allotted for cash they must first be offered to existing shareholders in proportion to the number of shares they hold at the time. Such an offer is known as a "rights issue" and the entitlement to be offered a new share is a "pre-emption" right. Section 561 sets out how the new shares should be offered and the provisions are quite cumbersome: Part 1 of the Resolution dispenses with the need for the Company to go through these procedures.

There can be circumstances where it is in the interest of the Company to allot new shares for cash other than by means of a rights issue but this cannot be done unless shareholders have waived their pre-emption rights. Resolution 8 asks shareholders to do this, but only in respect of new shares equal to 10% of the issued ordinary share capital of the Company at the date of this Notice of Annual General Meeting. Should the Company wish to allot shares for cash, other than through a rights issue, for more than 10% of the issued ordinary share capital of the Company at the date of this Notice of Annual General Meeting, the Company would need to ask shareholders to waive their pre-emption rights in respect of that proportion of new shares that exceeds the 10% ceiling.

It should be noted that there are legal, regulatory and practical reasons why it may not be possible to issue new shares under a rights issue to all shareholders, especially those resident overseas, and Resolution 8 facilitates this.

### Timescale

Unless revoked or renewed by the Company in a general meeting, the power given by these two Resolutions will expire on the earlier of the conclusion of the next Annual General Meeting or 15 months after the date the resolutions are passed.

## Annual General Meetings

This year, the meeting will be held at 11:00 on Friday 10 June at the London Stock Exchange.

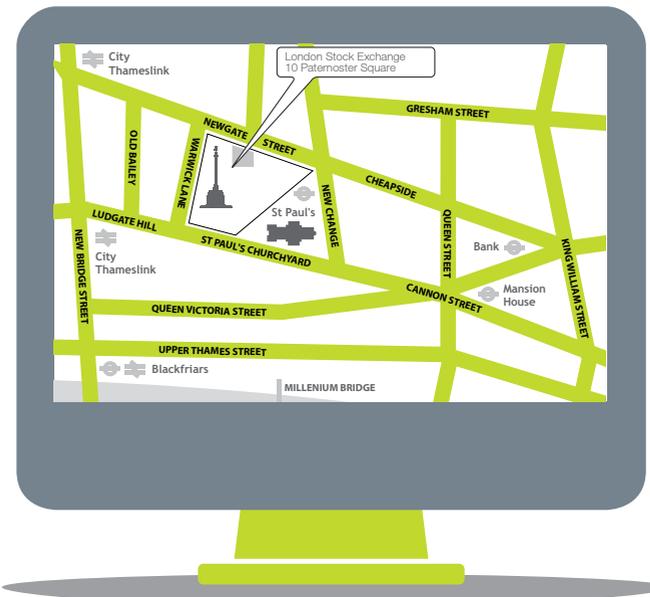
**Please note:** it is important you inform us of your intention to attend the AGM, so we can ensure your smooth passage through the London Stock Exchange's security procedures.

Call us on 01296 41 41 41 or email [agm@share.co.uk](mailto:agm@share.co.uk) should you wish to attend.

### Getting there

The London Stock Exchange is easily accessible by public transport. The nearest Underground station is St Paul's on the Central Line (within Zone 1).

London Stock Exchange  
10 Paternoster Square  
London  
EC4M 7LS



**Notes:**

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company at 6 p.m. on 8 June 2011 (or if the Annual General Meeting is adjourned, members entered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after 6 p.m. on 8 June 2011 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Annual General Meeting. If a member wishes his proxy to speak on his behalf at the Annual General Meeting he will need to appoint his own choice of proxy (not the Chairman) and give his instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Annual General Meeting in person the proxy appointment will automatically be terminated.
3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".
4. A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Company Secretary, Share plc, Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ not less than 48 hours before the time fixed for the Annual General Meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, a proxy may vote or abstain from voting at his or her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
7. In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating his intention to revoke a proxy appointment to the Company Secretary, Share plc, Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. A member entitled to attend and vote at the Annual General Meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, to vote instead. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting or any adjournment thereof in person.
8. Copies of the service contracts under which the directors of the Company are employed by the Company or any of its subsidiaries (or a memorandum of the terms of such service contracts) will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturday and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to such meeting until its conclusion.

I/We (name) .....

of (address) .....

being a member/member of Share plc hereby appoint the chairman of the meeting or (see note 1)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 10 June 2011 at 11 a.m. at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS and at any adjournment thereof, on the following resolutions, as indicated by an 'X' in the appropriate box.

### Resolutions

**For**      **Against**      **Vote withheld**

1 To receive and adopt the Report of the Directors and the Financial Statements of the Company for the year ended 31 December 2010.                 

2 To receive and adopt the Directors' remuneration report for the year ended 31 December 2010.                 

3 To declare a final dividend for the financial year ended 31 December 2010 of 0.30 pence per ordinary share.                 

4 To re-elect Iain Paul Wallace as a director of the Company.                 

5 To re-elect Sir Martin Wakefield Jacob as a director of the Company.                 

6 To re-appoint Deloitte LLP as the Company's auditor.                 

7 To authorise the directors to allot shares pursuant to section 551 of the Companies Act 2006 as referred to in the notice of annual general meeting.                 

8 To disapply section 561 of the Companies Act 2006 as referred to in the notice of annual general meeting.                 

Signature .....

Date .....

Customer Reference .....

I/We will be attending the AGM        yes        no

### Notes:

1. A member may if he wishes strike out the words "chairman of the meeting" and insert the name of some other person to act as his proxy, exercise all or any of his rights to attend, speak and vote instead of him at the meeting in the space provided. All amendments to this form must be initialled. If a member signs and returns this form with no name inserted in the space the Chairman of the Meeting will be deemed to be his proxy. Where someone other than the Chairman is appointed as a proxy the member appointing him is responsible for ensuring that they attend the meeting and are aware of this voting intentions. If a member wishes his proxy to speak on his behalf at the Annual General Meeting he will need to appoint someone other than the Chairman and give his instructions directly to them.
2. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, speak and to vote at the Annual General Meeting instead of him. A proxy can only be appointed by following the procedure set out in these notes.
3. A proxy need not be a member of the Company but must attend the Annual General Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Annual General Meeting in person the proxy appointment will automatically be terminated.
4. To be valid this form of proxy must be completed and lodged with the Company Secretary, Share plc, Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ not less than 48 hours before the time fixed for the meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.
6. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights

attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies; the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting". When two or more valid but differing proxies are delivered in respect of the same share for use at the meeting, the one which is last validly delivered (regardless of its date, its date of sending or the date of its execution) shall be treated as replacing and revoking the other(s) as regards that share and, if the Company is unable to determine which of any such two or more valid but differing appointments of proxy was so delivered in time, none of them shall be treated as valid in respect of that share.

7. If a member submits more than one valid proxy appointment the appointment received last before the latest time for the receipt of proxies will take precedence

8. To abstain from voting on a resolution, tick the box in the column headed "Vote withheld". A "Vote withheld" is not a vote in law which means that the vote will not be counted in the calculation of votes "for" and "against" the resolution. Failing to tick any box against a resolution will mean your proxy can vote as he or she wishes or can decide not to vote at all. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

9. In the case of a poll vote taken otherwise than at or on the same day as the meeting or adjourned meeting, the form of proxy must be completed and deposited as specified in note 4 above not less than 24 hours before the time appointed for the taking of the poll.

10. In order to revoke a proxy instruction, a member will need to send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to the Company Secretary, Share plc, Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, not less than one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.



**please return the proxy form to:**  
**Company Secretary**  
**Share plc**  
**Oxford House**  
**Oxford Road**  
**Aylesbury**  
**Buckinghamshire**  
**HP21 8SZ**



# advisors

## 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

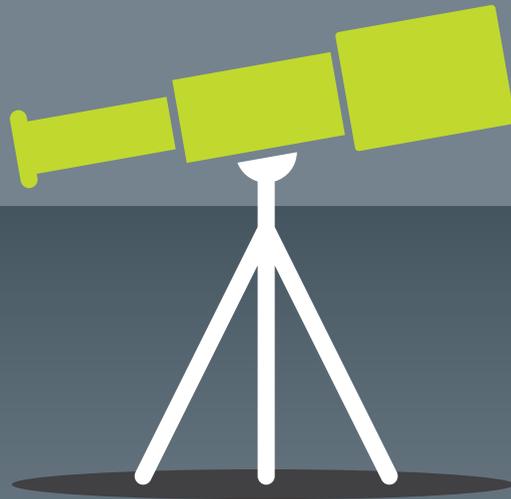
Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire  
HD8 0LA

## 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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