Numis Corporation Plc
Half Year Results
for the six months ended 31 March 2012

London, 2 May 2012: Numis Corporation Plc ("Numis") today announces results for the six months ended 31 March 2012. Numis is the holding company of Numis Securities Limited, the independent investment banking and stockbroking business.

Financial Highlights

- Revenue of £23.3m (1H 2011: £26.5m)
- Adjusted profit before tax (see footnote) of £2.6m (1H 2011 £4.1m)
- Adjusted basic earnings per share (see footnote) of 2.9p (1H 2011: 3.3p)
- Statutory loss before tax of £1.1m (1H 2011: profit £1,000)
- Well capitalised with a strong balance sheet comprising net assets of £95.8m (March 2011: £101.3m) and cash and collateral balances of £40.8m (March 2011: £40.7m)
- Interim dividend of 4.00p per share (1H 2011: 4.00p, total 2011: 8.00p)

Operational Highlights

- 11 new corporate clients during the six month period bringing the total to 141, maintaining growth in overall number of corporate clients and breadth of client coverage across 15 sectors
- Adviser to 25 FTSE250, one FTSE100, 62 FTSE Smallcap and 48 AIM corporate clients
- Funds raised for corporate clients £177m (H1 2011: £205m) representing 3.9% of equity fund raising on the London Stock Exchange during the period (H1 2011: 1.2%)
- Materially improved revenue performance in the quarter ended 31 March 2012 with combined institutional commission & trading revenues up by 55% compared to the quarter ended 31 December 2011 contributing to a corresponding 60% improvement in overall revenue
- Active start to the second half with 2 IPOs already announced raising £134m of equity and 7 advisory deals completed, coupled with a significant improvement in our pipeline of corporate deals
- Further development in our franchise through the Numis Smaller Companies Index (formerly the RBS Hoare Govett Smaller Companies Index) which is the defining benchmark for UK smaller companies
- Voted "Best Advisor – Corporate Sponsor" in the UK Stock Market Awards 2012

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

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

"Numis is increasingly regarded as a strong player in the UK advisory and corporate broking arena. Difficult market conditions mean that consolidation is finally occurring in a market populated by far too many brokers and many large banks are cutting back significantly in areas where we compete. Ultimately these challenges will lead to Numis emerging as a premier and very profitable player when market conditions improve."

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CHIEF EXECUTIVE'S STATEMENT

Against a background of volatile and difficult markets, particularly during the first quarter, coupled with the fact that the UK broking industry remains in a state of flux, we are pleased to report that during the six months ended 31 March 2012 the business generated revenues of £23.3m (2011: £26.5m) and adjusted profit before tax of £2.6m (2011: £4.1m). In addition, there were £0.2m of gains (2011: £0.1m) recognised on investments held outside of our market making business and £3.9m of charges (2011: £4.2m) relating to employee share scheme arrangements. A reconciliation of the adjusted profit to the statutory result is set out in note 2.

Following the significant fall in UK equity indices during the second half of our 2011 financial year, the first half of 2012 experienced a mixed performance. Equity indices outside of the FTSE350 continued to fall in highly volatile markets during the first quarter with the FTSE Small Cap dropping a further 2.0% and the AIM 50 a further 3.4%. These rebounded strongly in the second quarter and, along with virtually all UK equity indices, achieved double digit growth for the full six month period.

However, for the market as a whole, the value of secondary trading and equity fundraising on the London Stock Exchange continues to decline with secondary trading (by value) in main market stocks down 9.1% on the same period last year and down 12.8% on the six month period ended 30 September 2011. Similarly, equity funds raised on AIM and the Main Market combined totalled just £4.5bn during our first half compared to £17.2bn during our first half of 2011.

These external market conditions were broadly reflected in our revenue performance whereby combined institutional commission & trading revenues had a particularly difficult first quarter but recovered somewhat to end the first half at £13.5m (2011: £17.2m). Income from corporate and issuance transactions for the period was £6.8m (2011: £6.7m) reflecting the subdued market for equity fund raising offset by a marginal increase in M&A activity.

Our balance sheet remains strong with cash and cash collateral balances totalling £40.8m (September 2011: £47.5m) while net assets have reduced to £95.8m (September 2011: £99.6m). Net cash outflows during the period largely reflect the payment of our 2011final dividend (cash impact of £2.7m) and a conscious decision to increase the investment in our trading book (cash impact of £9.9m). The combined impact of these actions resulted in cash outflows of £12.6m which were partially offset by net inflows from other operating activities.

Our investment portfolio is valued at £15.6m (September 2011: £15.9m) the majority of which comprises holdings in quoted companies. Overall, this portfolio experienced net gains of £0.2m reported through the other operating income line of the income statement.

Corporate Finance & Corporate Broking

Notable deals include secondary fund raises for Better Capital and CatCo Reinsurance and advising Hamworthy and Group NBT in their recent corporate activity. In total we raised £177m equity finance (1H 2011: £205m) which equates to 3.9% of equity fund raising on the London Stock Exchange during the period (H1 2011: 1.2%). Since 31 March 2012, a further 2 issuance transactions have been announced in aggregate raising £134m.

We continue to attract high quality corporate clients with 11 new clients added during the period bringing the total number for whom we act to 141 companies. This has helped to achieve a 13% increase in retainer fees versus the prior period and brings the current annualised run rate for such fees to £6.2m. Our efforts focus across a broad range of corporate clients which include 25 FTSE250 clients, one FTSE100 company, 62 FTSE Small Caps and 48 AIM companies. The offering to our corporate clients includes access to worldwide institutional investors, but also to a network of over 1,500 active private client fund managers who manage c. £400bn of discretionary funds providing alternative sources of liquidity and investor interaction.

The past five years have seen our net corporate client base increase by 40 and the average market capitalisation of that client base almost double. This achievement is a testament to the calibre of our people and the strength of our dedicated corporate broking team which was instrumental in Numis being Voted #1 UK Small & Mid Cap Brokerage Firm by company votes in the 2011 Thomson Reuters Extel survey as well as #3 Leading UK Brokerage firm by fund manager votes. In addition, Numis was recently voted "Best Advisor – Corporate Sponsor" in the UK Stock Market Awards 2012 giving further evidence of the leading role we play in this field and the high regard in which our franchise is held.

Research & Execution

Our research and execution services are recognised as being exceptional and have been critical in helping to maintain market share throughout the period with FTSE 250 market share averaging 3.1% (1H 2011: 3.2%) and FTSE Small Cap market share averaging 7.1% (1H 2011: 7.7%).

External recognition of the quality of our research was achieved in the 2011 Thomson Reuters Extel survey in which our research teams were ranked in the top 3 in 7 of the sectors that we cover (up from 5 sectors last year). Our highly rated analysts produce research on over 400 companies (including coverage of over 40 FTSE 100 stocks and over 130 FTSE 250 stocks) and we have a recognised capability in fifteen sectors. Further external recognition has been achieved in the Starmine FTSE250 Best Recommendations in which Numis has been ranked number one in 3 of the last 4 years which demonstrate the consistent and significant value-add, across a very broad range of companies, that our research product provides to UK Midcap investors.

Our execution services, across an increasing range of 'lit' and 'dark' trading venues, continue to make a major contribution to our reputation, the resilience of our institutional commissions in a difficult trading environment and the sustained improvements in market share.

Sales & Trading is a highly competitive area. However, our clients have a strong demand for well-researched ideas combined with high quality execution and we believe our platform is well placed to improve performance for our 450+ active institutional clients across the UK, Europe and the USA. Our US office continues to provide an excellent service in marketing UK quoted companies to major US institutional investors and arranging road shows in the US for FTSE350 companies.

Dividend and Scrip Alternative

In view of our robust cash position, significant excess regulatory capital and confidence in the future success of the business, the Board approved the payment of an interim dividend of 4.00p per share (2011: interim 4.00p per share, total 8.00p per share). The dividend will be payable on 29 June 2012 to all shareholders on the register at 11 May 2012. Shareholders will be offered the option to receive shares instead of a cash dividend, the details of which will be explained in a circular to accompany our interim report.

Numis Smaller Companies Index

As noted in our market announcement on 28 March 2012, Numis has taken over the RBS Hoare Govett Smaller Companies Index (HGSC) Index. The index has been renamed "The Numis Smaller Companies Index" (NSCI). The Numis Smaller Companies Index is one of the most venerable stock market indices in the UK, having been first published in 1987 but with a back-history dating from 1955. The Index has become the leading benchmark for UK Small Cap investing, covering over 800 companies which make up the bottom 10% of the UK market by value. The companion index, the Numis Smaller Companies plus AIM index, has almost 2,000 constituent companies. The indexes are distributed to over 2,000 institutional investors across the UK and overseas.

Globally, the outperformance of small caps has strengthened during 2012 as investors have re-examined the merit of small caps investing, in line with the return of investors' risk appetite. Across the 30 largest stock markets globally, small caps have on average outperformed by c. 4%, demonstrating a sharp reversal on the pattern of 2011.

The Numis Smaller Companies Index is the defining benchmark for the universe of UK Smaller Companies and this addition to our franchise reinforces our leading position in broking, advising and researching UK Smaller Companies.

Outlook

The beginning of the second half has seen a number of deals complete during April and a discernible improvement in our pipeline of corporate deals. Our market share in secondary institutional flow along with corporate issuance and transaction activity continues to support our position as one of the leading independent investment banking and stockbroking businesses in the UK. Although uncertainty at the macro-economic level persists, particularly in Europe, we remain cautiously optimistic about the full year outcome.

We will continue to focus on and invest in our franchise within an overall framework of strong cost control and a robust balance sheet. Both our existing and potential clients can be assured by our capital strength, quality of service and genuinely independent advice, factors which continue to provide the platform for long term success.

Oliver Hemsley
Chief Executive
2 May 2012

Consolidated Income Statement

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2012

		6 months ended 31 March 2012 Unaudited	6 months ended 31 March 2011 Unaudited	Year ended 30 September 2011 Audited
Continuing operations	Notes	£'000	£'000	£'000
Revenue	4	23,263	26,475	54,203
Other operating income		215	83	688
Total revenue		**23,478**	**26,558**	**54,891**
Administrative expenses	5	(24,773)	(26,760)	(55,281)
Operating loss		**(1,295)**	**(202)**	**(390)**
Analysed as follows:				
Operating (loss)/profit before exceptional charge		(1,295)	(202)	1,818
Exceptional non-recurring charge		-	-	(2,208)
Operating loss		**(1,295)**	**(202)**	**(390)**
Finance income	6	183	273	639
Finance costs		(23)	(70)	(69)
(Loss)/profit before tax		**(1,135)**	**1**	**180**
Taxation credit/(charge)		511	(806)	(851)
Loss after tax		**(624)**	**(805)**	**(671)**
Attributable to:				
Equity holders of the parent		(624)	(805)	(671)
Loss per share	7			
Basic		(0.6p)	(0.8p)	(0.7p)
Diluted		(0.6p)	(0.8p)	(0.7p)
Dividends for the period	8	(4,112)	(4,164)	(8,338)

Consolidated Statement of Comprehensive Income

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2012

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Loss for the period	(624)	(805)	(671)
Exchange differences on translation of foreign operations	(11)	(18)	24
Other comprehensive (expense) / income for the period, net of tax	**(11)**	**(18)**	**24**
Total comprehensive expense for the period, net of tax, attributable to equity holders of the parent	**(635)**	**(823)**	**(647)**

Consolidated Balance Sheet

UNAUDITED AS AT 31 MARCH 2012

	Notes	31 March 2012 Unaudited £'000	31 March 2011 Unaudited £'000	30 September 2011 Audited £'000
Non-current assets				
Property, plant and equipment		1,814	2,035	1,936
Intangible assets		82	112	105
Derivative financial instruments		-	-	-
Deferred tax	9a	1,753	2,122	2,192
		3,649	**4,269**	**4,233**
Current assets				
Trade and other receivables	9b	242,622	313,178	221,374
Trading investments	9c	40,641	42,453	30,734
Stock borrowing collateral	9d	1,977	9,553	2,330
Derivative financial instruments		3	-	28
Current income tax		829	-	-
Cash and cash equivalents		37,008	36,222	41,778
		323,080	**401,406**	**296,244**
Current liabilities				
Trade and other payables	9b	(223,048)	(292,993)	(197,036)
Financial liabilities	9e	(7,839)	(8,212)	(1,984)
Stock lending collateral	9d	-	(2,500)	(1,000)
Current income tax		-	(221)	(568)
Provisions		-	(418)	(298)
		(230,887)	**(304,344)**	**(200,886)**
Net current assets		**92,193**	**97,062**	**95,358**
Net assets		**95,842**	**101,331**	**99,591**
Equity				
Share capital		5,715	5,610	5,622
Share premium account		32,088	30,493	30,767
Other reserves		10,516	10,038	12,809
Retained profits		47,523	55,190	50,393
Equity attributable to equity holders of the parent		**95,842**	**101,331**	**99,591**

Consolidated Statement of Changes in Equity

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2012

	Share capital £'000	Share premium £'000	Other Reserves £'000	Retained profits £'000	Total £'000
Attributable to equity holders of the parent at 1 October 2010	5,593	30,106	9,977	61,034	106,710
New shares issued	17	387	-	-	404
Dividends paid				(4,164)	(4,164)
Movement in respect of employee share plans			79	(877)	(798)
Deferred tax related to share based payments				(92)	(92)
Total comprehensive expense for the period			(18)	(805)	(823)
Other				94	94
Attributable to equity holders of the parent at 31 March 2011	**5,610**	**30,493**	**10,038**	**55,190**	**101,331**
Attributable to equity holders of the parent at 1 October 2010	5,593	30,106	9,977	61,034	106,710
New shares issued	29	661	-	-	690
Dividends paid				(8,338)	(8,338)
Movement in respect of employee share plans			2,808	(1,322)	1,486
Deferred tax related to share based payments				(406)	(406)
Total comprehensive income/(expense) for the period			24	(671)	(647)
Other				96	96
Attributable to equity holders of the parent at 30 September 2011	**5,622**	**30,767**	**12,809**	**50,393**	**99,591**
Attributable to equity holders of the parent at 1 October 2011	5,622	30,767	12,809	50,393	99,591
New shares issued	93	1,321	-	-	1,414
Dividends paid				(4,112)	(4,112)
Movement in respect of employee share plans			(2,282)	2,010	(272)
Deferred tax related to share based payments				(142)	(142)
Total comprehensive expense for the period			(11)	(624)	(635)
Other				(2)	(2)
Attributable to equity holders of the parent at 31 March 2012	**5,715**	**32,088**	**10,516**	**47,523**	**95,842**

Consolidated Statement of Cash Flows

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2012

	Notes	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Cash used in operating activities	10	(932)	(10,218)	(381)
Interest paid		(10)	(7)	(22)
Taxation paid		(589)	(174)	(256)
Net cash used in operating activities		**(1,531)**	**(10,399)**	**(659)**
Investing activities				
Purchase of property, plant and equipment		(70)	(200)	(201)
Purchase of intangible assets		-	(89)	(112)
Interest received		168	273	614
Net cash from / (used in) investing activities		**98**	**(16)**	**301**
Financing activities				
Purchase of own shares		(592)	(5,115)	(5,697)
Dividends paid		(2,698)	(3,760)	(7,648)
Net cash used in financing		**(3,290)**	**(8,875)**	**(13,345)**
Net movement in cash and cash equivalents		**(4,723)**	**(19,290)**	**(13,703)**
Opening cash and cash equivalents		41,778	55,370	55,370
Net movement in cash and cash equivalents		(4,723)	(19,290)	(13,703)
Exchange movements		(47)	142	111
Closing cash and cash equivalents		**37,008**	**36,222**	**41,778**

Notes to the Financial Statements

1. Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. These financial statements have been prepared in accordance with AIM Rule 18. The statutory accounts for the year ended 30 September 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The report of the independent auditor on those statutory accounts contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.

The preparation of these interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these interim financial statements have been applied on a consistent basis with the statutory accounts for the year ended 30 September 2011. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

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

The accounting policies applied in these interim financial statements are the same as those published in the Group's statutory accounts for the year ended 30 September 2011.

2. Adjusted profit measures

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

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Statutory group (loss)/profit before tax	(1,135)	1	180
Items not included within adjusted profit before tax:			
Other operating income	(215)	(83)	(688)
Share scheme charge	3,551	4,090	6,978
National insurance provisions related to share scheme awards	380	110	192
Exceptional non-recurring charge	-	-	2,208
Adjusted group profit before tax	2,581	4,118	8,870
Statutory group taxation credit/(charge)	511	(806)	(851)
Tax impact of adjustments	(91)	54	(622)
Adjusted group taxation credit/(charge)	420	(752)	(1,473)
Adjusted group profit after tax	3,001	3,366	7,397
Basic weighted average number of shares, number	102,386,692	101,429,079	101,819,473
Adjusted earnings per share, pence	2.9p	3.3p	7.3p

3. Segmental reporting

Geographical information

The Group is managed as an integrated investment banking business and although there are different revenue types (which are separately disclosed in note 4) the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently the Group is managed as a single business unit, namely investment banking.

The Group earns its revenue in the following geographical locations:

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
United Kingdom	20,658	23,901	48,709
United States	2,605	2,574	5,494
	23,263	**26,475**	**54,203**

There are no customers which account for more than 10% of revenues in the six month period ended 31 March 2012, the six month period ended 31 March 2011 or the year ended 30 September 2011.

The following is an analysis of the carrying amount of non-current assets (excluding financial instruments and deferred tax assets) by the geographical area in which the assets are located:

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
United Kingdom	1,597	1,798	1,720
United States	299	349	321
	1,896	**2,147**	**2,041**

Other information
In addition, the analysis below sets out the revenue performance and net asset split between our core investment banking & broking business and the small number of equity holdings which constitute our investment portfolio.

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Net institutional income	13,473	17,176	29,343
Total corporate transaction revenues	6,846	6,691	19,448
Corporate retainers	2,944	2,608	5,412
Revenue from investment banking & broking (see note 4)	**23,263**	**26,475**	**54,203**
Investment activity net gains	215	83	688
Contribution from investing activities	**215**	**83**	**688**
Total	**23,478**	**26,558**	**54,891**
Net assets			
Investment banking & broking	43,214	49,697	41,913
Investing activities	15,620	15,412	15,900
Cash and cash equivalents	37,008	36,222	41,778
Total net assets	**95,842**	**101,331**	**99,591**

4. Revenue

	6 months ended	6 months ended	Year ended

	31 March 2012	31 March 2011	30 September 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net trading gains	1,872	3,232	3,653
Institutional commissions	11,601	13,944	25,690
Net institutional income	13,473	17,176	29,343
Corporate retainers	2,944	2,608	5,412
Deal fees	3,917	3,531	9,298
Placing commissions	2,929	3,160	10,150
	23,263	**26,475**	**54,203**

5. Administrative expenses

	6 months ended	6 months ended	Year ended
	31 March 2012	31 March 2011	30 September 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Staff costs	15,311	16,400	33,684
Non-staff costs	9,462	10,360	19,389
Exceptional non-recurring charge	-	-	2,208
	24,773	**26,760**	**55,281**

The major constituents of non-staff costs comprise our technology platform, premises costs and expenses incurred through brokerage, clearing and exchange fees. The underlying run rate for non- staff costs is marginally below that incurred in the second half of 2011, despite some upward pressures arising from increased volume of trade settlement, particularly broker-to-broker trading activity, and costs associated with regulatory compliance in an increasingly complex environment.

Staff costs include share scheme related charges and incentive payment accruals.

6. Finance income

	6 months ended	6 months ended	Year ended
	31 March 2012	31 March 2011	30 September 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Interest income	**183**	**273**	**639**

7. Loss per share

Basic loss per share is calculated on loss after tax of £624,000 (2011: £805,000) and 102,386,692 (2011: 101,429,079) ordinary shares being the weighted average number of ordinary shares in issue during the period. Diluted loss per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders. Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred.

The calculations exclude shares held by the Employee Benefit Trust on behalf of the Group.

	6 months ended 31 March 2012 Unaudited Number Thousands	6 months ended 31 March 2011 Unaudited Number Thousands	Year ended 30 September 2011 Audited Number Thousands
Weighted average number of ordinary shares in issue during the period – basic	102,387	101,429	101,819
Dilutive effect of share awards	7,279	7,641	7,486
Diluted number of ordinary shares	**109,666**	**109,070**	**109,305**

For the periods shown above there were no potential ordinary shares whose conversion would have resulted in an increase in the basic loss per share. The table above shows the diluted number of ordinary shares that would have been appropriate if the Group had reported a profit after tax in those periods.

During the period the Company issued and allotted nil (2011: nil) new ordinary shares in order to fund awards made under the Group's share scheme arrangements.

8. Dividends

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Final dividend year ended 30 September 2010 (4.00p)		4,164	4,164
Interim dividend year ended 30 September 2011 (4.00p)			4,174
Final dividend year ended 30 September 2011 (4.00p)	4,112		
Distribution to equity holders of the parent	**4,112**	**4,164**	**8,338**

The board approved the payment of an interim dividend of 4.00p per share (2011: 4.00p per share) on 2 May 2012 for payment on 29 June 2012. The dividend is payable to all shareholders on the register on 11 May 2012. These financial statements do not reflect this dividend payable.

9. Balance sheet items

(a) Deferred tax

As at 31 March 2012 deferred tax assets totalling £1,753,000 (30 September 2011 £2,192,000) have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which these deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments.

(b) Trade and other receivables and Trade and other payables

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of these balances does vary with the level of business being transacted around the reporting date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £3,831,000 (30 September 2011: £5,758,000).

(c) Trading investments

Included within trading investments is £15,620,000 (30 September 2010: £15,900,000) of investments held outside of the market making portfolio. As at 31 March 2012, £ nil (30 September 2011: £1,000,000) of trading investments had been pledged to certain institutions under stock lending arrangements.

(d) Stock borrowing / lending collateral

The Group enters stock borrowing and lending arrangements with certain institutions which are entered into on a collateralised basis with securities or cash advanced or received as collateral. Under such arrangements a security is purchased or sold with a commitment to return it at a future date at an agreed price. The securities purchased are not recognised on the balance sheet whereas the securities sold remain on the balance sheet with the transaction treated as a secured loan made for the purchase or sale price. Where cash has been used to affect the purchase or sale, an asset or liability is recorded on the balance sheet as stock borrowing or lending collateral at the amount of cash collateral advanced or received.

Where trading investments have been pledged as security these remain within trading investments and the value of security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of 3 months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

(e) Financial liabilities

Financial liabilities comprise short positions in quoted stocks arising through the normal course of business in facilitating client order flow and form part of the market making portfolio.

10. Reconciliation of operating loss to net cash used in operating activities

	6 months ended 31 March 2012 Unaudited £'000	6 months ended 31 March 2011 Unaudited £'000	Year ended 30 September 2011 Audited £'000
Operating loss	(1,295)	(202)	(390)
Depreciation charge on property, plant and equipment	192	241	391
Amortisation charge on intangible assets	23	45	75
Share scheme charges	3,421	4,090	6,978
Increase/(decrease) in current asset trading investments	(9,907)	(5,879)	5,840
Increase/(decrease) in trade and other receivables	(24,347)	(77,379)	13,934
Net movement in stock borrowing / lending collateral	(647)	(7,016)	(1,293)
Increase/(decrease) in trade and other payables	31,603	74,811	(26,959)
Decrease in derivatives	25	1,071	1,043
Net cash used in operating activities	**(932)**	**(10,218)**	**(381)**

For the 6 months ended 31 March 2012 the movement in trade and other receivables and trade and other payables is principally due to movements in amounts due from and due to clients, brokers and other counterparties.