

PLUS Markets Group plc

Preliminary results for the year ended 31 December 2009

PLUS Markets Group plc (the “Group”) reports its preliminary results for the year ended 31 December 2009.

Highlights

- Low level of new admissions (24, 2008 - 40) reflected the difficult financial market conditions, resulting in a small decrease in the number of PLUS-quoted companies;
- Completion of PLUS’s small and mid-cap service offering, following the commencement of trading in all AIM securities on 21 August;
- Trading volumes achieved in 2009 continued to grow, with a 45% increase in value traded on PLUS to £52.8 billion (2008 - £36.4 billion);
- Investment by Amara Dhari Investments Limited, a syndicate of investors from the Middle East, raising £5 million to support the balance sheet and international expansion;
- Revenues down 6% at £3.04 million (2008 - £3.25 million), on administrative expenses of £11.56 million (2008 - £10.15 million), after non-recurring expenses of £2.8 million;
- Loss before depreciation, amortisation, impairment and interest received of £8.43 million (2008 - £7.36 million), including non-recurring expenses and share-based payment charge. Loss after depreciation, amortisation, impairment and interest of £8.26 million (2008 - £10.20 million);
- The Group has no debt and retained a cash balance of £10.74 million (2008 - £14.83 million) as at year end.

Post balance sheet events

- Announcement of Board changes on 8 February 2010, to enhance the Group’s ongoing development plans to capitalise on its current franchise; and
- Launch of strategic review.

Commenting on the annual report, Chief Executive Officer Cyril Theret said: “PLUS continues to promote its small and mid-cap franchise aggressively by increasing the visibility and quality of its market. We are conducting an in-depth strategic review of our operations to ensure alignment of revenues and costs. We are also seeking to capitalise on the value of our RIE licence.”

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Chairman's Statement

This is my first statement to shareholders since being appointed Non-Executive Chairman on 8 February 2010. The Board changes announced on that date are intended to address the commercial and financial challenges that are facing PLUS over the next three years.

In announcing our results for the year ended 31 December 2009, I would like to take this opportunity to give an indication of the future direction for PLUS. We have launched an immediate strategic review of all of our activities as our business plans need to be clear and credible. We intend to provide more detailed information to shareholders on our plans in the coming months as we finalise them. The main focus will be revenue growth and a more sustainable business structure properly aligned to costs and revenues.

I have taken over as Chairman of the Board from Stephen Hazell-Smith, who recently completed five years as Chairman, and oversaw the Company's wholly owned subsidiary, PLUS Markets plc, becoming a Recognised Investment Exchange. The Board is very grateful for his significant contribution to this important phase of PLUS' development. Simon Brickles, formerly Chief Executive Officer, has taken up the new executive role of Vice Chairman with a focus on PLUS Markets' international activity, particularly in the Gulf Co-operative Council ("GCC") region.

In terms of the period just passed, the first quarter of 2009 saw particularly difficult market conditions, although the support provided to the equity markets by the Bank of England's quantitative easing programme saw a subsequent rally. PLUS continued to see both significant growth in reported retail flow and some investor confidence returning to the market. However, our flagship market for small and mid cap issuers (the PLUS-quoted market) registered a small reduction in issuers for the first time, impacting negatively on PLUS' revenues.

It is clear that the environment in which PLUS operates has become highly competitive and consolidation amongst execution venues has already started to take place. Against the macroeconomic backdrop, which has continued to dampen the market's appetite for Initial Public Offerings, important changes are transforming PLUS's marketplace such as the impact of the EU Markets in Financial Instruments Directive ("MiFID"), implemented in November 2007.

The Board has concluded that PLUS needs to apply the right level of resources to protect its PLUS-quoted market. This small and mid-cap offering is PLUS' core franchise, and we have continued to receive strong support for it amongst many trading and broking firms as well as PLUS Corporate Advisers. We are very grateful for this support and it augurs well for the future.

PLUS also needs to consider the right intermediation model to underpin the growing flow of private investor transactions which continue to be reported on our market, and to evaluate the development of electronic execution as part of our trading offering. In addition, PLUS now seeks to activate its core primary market in a more powerful way, as a clear route to reverse the failure to deliver revenue growth in the last two years.

These are all challenging objectives but the new management team intends to move as quickly as possible to ensure that PLUS diversifies and grows its revenue streams in an environment where business models and market participants are changing rapidly. Finally, PLUS intends to reduce costs still further in business areas where there are no clear revenue benefits to be obtained, as part of its drive towards profitability.

Over the past two years, the Group's share price has undoubtedly been disappointing and it is understandable if shareholders have themselves been disappointed not to see the growth story they expected. Nevertheless, the Board is grateful for their continuing support and intends to provide more detail of PLUS' strategy for profitability in due course, while seeking to increase the frequency of shareholder updates going forwards. The Company raised further funds in 2009 via the £5 million investment from Amara Dhari in September and we

await any new business coming to PLUS from the GCC region on the back of that investment.

In conclusion, we look forward to realising the considerable opportunities available to PLUS in such a turbulent marketplace, and to delivering revenue growth from its unique market positioning as a fully competitive stock exchange in the London and international markets.

Giles Vardey
Chairman
25 March 2010

Financial Review

The following is extracted from the Financial Review, the full version of which is contained in the Company's Annual Report.

Operations and Operating Environment

The Group's operating subsidiary, PLUS Markets plc, was designated a Recognised Investment Exchange in July 2007. PLUS is the first alternative equity stock exchange in London offering both:

- listing services (capital markets): operating the PLUS-listed market, a Regulated Market for issuers admitted to the Official List, and the PLUS-quoted market, an exchange-regulated market for domestic and international issuers; and
- trading services: facilitating the execution of retail flow via Retail Service Provider ("RSP") networks and the provision of capital commitment in small and mid cap issuers.

The current operations of PLUS are focused on serving the needs of small and mid-cap companies, from both the UK and overseas through its exchange regulated market, and the provision of market making and retail flow.

Strategy and objectives

The Group's strategy over the past two years has primarily been to grow the number of PLUS-quoted issuers and to expand its market share of retail flow in the small and mid-cap sector of the equities market.

Retail flow reported from UK FTSE indices constituents significantly increased throughout 2008 and continued through 2009. Core to this was the continuing effort to achieve the right to trade all AIM securities without regulatory encumbrance, in order to increase reported flow from FTSE AIM constituents. This was achieved during the year, PLUS commenced trading all AIM securities in August 2009, and already between 25-30% of all trading activity in AIM securities was reported to PLUS during the last quarter of 2009.

It was originally envisaged that PLUS would move towards becoming cash generative following the completion of the objectives set out above. However, as a result of competing pressures amongst execution venues and a poor economic backdrop for Initial Public Offering ("IPOs"), the Group recognised the need for further strategic development to drive the company towards profitability.

In September 2009, the Group secured a £5 million investment from Amara Dhari, a special purpose vehicle set up by a syndicate of investors from the GCC region, to strengthen its balance sheet and increase its regulatory capital. Pursuant to that investment, the Group announced plans to diversify its geographical reach into the GCC region to boost its international listing offering and trading venue.

In February 2010, the Group announced a number of Board changes, intended to enhance the Group's ongoing development plans. The new Board seeks to capitalise on its current franchise and leverage its ability to offer listing services by:

- increasing the visibility and quality of its exchange-regulated, PLUS-quoted market; and
- diversifying its product portfolio through listing and electronic execution.

As a consequence, the Board is currently undertaking a comprehensive strategic review of its existing operations in order to realise revenue opportunities available from the above.

Key Performance Indicators

Capital markets

At the year end, PLUS had 179 companies admitted to trading on the PLUS-quoted market (down from 214 at end of 2008). During the year, 52 issuers left the market (38 in 2008) and PLUS admitted 24 new admissions during the year (40 in 2008), of which 18 were new issues.

The low level of new issues in 2009 continued to reflect the difficult financial market conditions that the Group operates in, and has put the PLUS-quoted market in negative net growth for the first time. However, over the period the total market capitalisation of PLUS-quoted companies rose by an encouraging 32% to £2.5 billion (from £1.9 billion at the end of 2008).

Against this backdrop, the Group was still able to grow its PLUS Corporate Adviser base, which underpins the pipeline for future issuers. The Group is pleased to have welcomed six new PLUS Corporate Advisers, namely: Alexander David Securities, Cenkos, Hybridan, Strand Hanson, Strata Technology Partners and ZAI Corporate Finance.

The small and mid-cap market is PLUS' core franchise and represents 68.8% of its present revenues. The Group is therefore investing in raising the visibility and quality of issuers on its markets. As a first step, PLUS commissioned equity research from Edison Research to provide research coverage of PLUS-quoted companies, the first edition of which was published on 23 February 2010. In addition, the Group now has contracts with dedicated public relations and publication houses which are designed to promote the issuers on PLUS's capital markets.

PLUS has 38 international companies on its primary markets, making PLUS one of the most international growth markets in Europe. The largest M&A transaction during the year, and the biggest ever on PLUS, was the takeover of Rafco by RAK Real Estate for \$927 million in March, making Kuwait-based RAK Real Estate the largest PLUS-quoted company by market capitalisation at over £600 million.

Recognising the strength of its international appeal, PLUS has begun extending its international sales drive and has sent several delegations to the GCC and Asian regions, while Amara Dhari is working with PLUS in establishing a presence in the Middle East. As a first step, PLUS is investigating the creation of a Shariah compliant trading platform or segment.

Trading Services

During 2009, 8.6 million bargains (2008 – 5.1 million) were reported to PLUS, representing 83.2 billion shares (2008 – 26.1 billion), with a total value of £52.8 billion (2008 – 36.4 billion). Overall equity flow reported to PLUS during the year accounted for 5-10% of UK equity trading.

Volumes in retail banking stocks such as RBS, Lloyds and Barclays reported to PLUS continued to grow promisingly. Some 25-30% of trading activity in AIM securities was also reported to PLUS during the last quarter of 2009 – the first full quarter since trading in all AIM securities commenced in August.

Trading activity in PLUS-quoted securities remained quiet throughout 2009. PLUS seeks to increase the visibility of this market segment by increasing the number of market makers and private client brokers.

Two new Retail Service Providers, Citadel Investment Group and Knight Capital Europe Limited, joined PLUS in 2009. Both bring further welcome competition in the execution of retail flow to our broker membership, which had seen a reduction in the number of RSPs in recent years.

Income and Expense

Revenues stood at £3.04 million (2008 - £3.25 million), with the fall of 6% for the twelve months reflecting the same level reported as at the six months ended 30 June, against the prior period in each case. This year, for the first time under International Financial Reporting Standards, the Group reports the split in revenues.

The majority of the Group's revenues derive from Capital Markets and from the sale of trading data (Real-Time Products). Capital Markets revenue amounted to £2.01 million (2008 - £2.28 million), representing application and annual fees from issuers on the exchange's primary markets, and application and annual fees from PLUS Corporate Advisers. The decline in revenues is primarily linked to the economic backdrop in 2009, resulting in fewer IPOs and a trend of issuers leaving equity markets.

Trading Services does not generate revenue from trading activity directly. PLUS generates revenue from information data sales, selling trading data through Real-Time Products, sold to market participants and to end-users via vendors such as Bloomberg, Fidessa and Thomson Reuters. The growth in retail flow reported to PLUS generated sales in Real-Time Products of £0.87 million (2008 - £0.84 million). PLUS saw limited revenue benefit come through from AIM trading due to the late start in 2009, following the achievement of the right to trade AIM securities during the year.

Operational and administrative expenses amounted to £11.56 million (2008 - £10.15 million). These include £2.8 million in respect of one-off costs in connection with legal costs, the setting-up of PLUS-Europe, trading platform development costs and strategic initiatives.

The loss before depreciation, amortisation, impairment and interest received was £8.43 million (2008 - £7.36 million). The loss after depreciation and amortisation, and a credit of £0.22 million (2008 - £1.09 million) of interest income, was £8.26 million (2008 - £10.20 million).

Balance Sheet

The Group's net assets stood at £10.99 million as at the balance sheet date of 31 December 2009 (2008 - £14.33 million), reflecting the continuing losses of the Group, but benefiting from a £5 million cash injection from raising new equity in October 2009. The Group has no debt.

Cash Flow and Banking Policy

At the year-end the Group had £10.74 million of cash on its balance sheet (2008 - £14.83 million). From a regulatory perspective, the Group continues to meet its Financial Resources Requirement, as set by the Financial Services Authority. As a Recognised Investment Exchange, PLUS is obliged to maintain at least 150% of six months' operating expenses in cash resources.

The average return on funds achieved over the year was 1.70% (2008 - 6.09%). Finance income contributed £0.22 million (2008 - £1.09 million). The Group has maintained a diversification policy in respect of its cash deposits, using the banking services of Close Brothers plc (on an arms' length basis), Bank of Scotland plc, HSBC Bank plc and the Royal Bank of Scotland Group plc.

Risks and uncertainties

Risk awareness and risk management are approached through a framework of policies, procedures and controls, as required by our status as a Recognised Investment Exchange. The Group has an independent Risk & Compliance function, administering risk policies approved by the Board and reporting to the Audit Committee. All applicable legal and regulatory standards are applied by our General Counsel and Regulatory functions.

The Group's Audit Committee has a full complement of Non-Executive Directors and is responsible for satisfying itself that a proper internal control framework exists to measure, monitor, manage and mitigate risks, as well as ensuring that the controls that are in place are effective. This is achieved through regular updates from the Finance and Risk Management functions throughout the year.

The key risks facing the Group are as follows:

- economic environment;
- strategic and financial risk;
- regulatory risk;
- competitor risk; and
- technology infrastructure.

For regulatory purposes, as a Recognised Investment Exchange, PLUS is required to maintain a level of capital equal to at least 150% of six months' expenses in cash resources. As at 31 December 2009, the regulatory capital headroom as reported to the FSA was £5.10 million. The Directors will continue to monitor the level of the regulatory capital headroom.

Going Concern

The Group has sufficient financial resources held on a range of short term deposits at four different banks. Consequently, the Directors have formed a judgement, as at the date of this announcement, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Consolidated Income Statement

for the year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Continuing Operations		
Revenue	3,038	3,247
Administrative expenses	(11,563)	(10,152)
Charge in relation to share-based payments	91	(453)
Loss before depreciation, amortisation and impairment charge	(8,434)	(7,358)
Depreciation and amortisation	(40)	(299)
Impairment of intangible fixed assets	-	(3,635)
Operating loss	(8,474)	(11,292)
Finance income	218	1,093
Loss on ordinary activities before taxation	(8,256)	(10,199)
Taxation	-	-
Loss for the period attributable to equity holders of the Company	(8,256)	(10,199)
Loss per share		
Basic	(2.37)p	(3.24)p
Diluted	(2.33)p	(3.22)p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Loss for the year	(8,256)	(10,199)
Total comprehensive loss for the year	(8,256)	(10,199)
Attributable to: Equity holders of the Company	(8,256)	(10,199)

Consolidated Balance Sheet

as at 31 December 2009

	31 December 2009 £'000	31 December 2008 £'000
Non-current assets		
Intangible assets	-	-
Property, plant and equipment	21	55
Available-for-sale investments	-	1
	21	56
Current assets		
Trade and other receivables	1,027	1,610
Cash and cash equivalents	10,744	14,831
	11,771	16,441
Total assets	11,792	16,497
Current liabilities		
Trade and other payables	(566)	(2,086)
Provisions	(177)	-
Deferred income	(56)	(84)
	(799)	(2,170)
Net current assets	10,972	14,271
Net assets	10,993	14,327
Equity		
Share capital	19,345	15,734
Share premium account	18,021	16,616
Retained earnings	(26,373)	(18,023)
Equity attributable to equity holders of the Company	10,993	14,327

Company registration number: 4606754

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Net loss from operating activities	(8,474)	(11,292)
Adjustments for non-cash items:		
Impairment of intangible assets	-	3,635
Amortisation of intangible assets	-	238
Depreciation of tangible assets	40	61
Profit on disposal of available-for-sale investment	(2)	-
Share-based payment charge	(91)	453
Operating cash flows before movements in working capital	(8,527)	(6,905)
Decrease / (increase) in trade and other receivables	583	(704)
(Decrease) / increase in trade and other payables	(1,371)	880
Net cash used in operating activities	(9,315)	(6,729)
Investing activities		
Interest received	218	1,093
Purchase of non-current assets	(6)	(539)
Net cash generated by investing activities	212	554
Financing activities		
Net proceeds from issue of equity shares by Placing and exercise of options	5,016	-
Net cash generated by financing activities	5,016	-
Net (decrease) in cash and cash equivalents	(4,087)	(6,175)
Cash and cash equivalents at beginning of year	14,831	21,006
Cash and cash equivalents at end of year	10,744	14,831

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Attributable to equity holders of the Company at 1 January 2008	15,734	16,616	(8,277)	24,073
Reversal of share-based payment charge	-	-	453	453
Loss for the year	-	-	(10,199)	(10,199)
Attributable to equity holders of the Company at 31 December 2008	15,734	16,616	(18,023)	14,327
Attributable to equity holders of the Company at 1 January 2009	15,734	16,616	(18,023)	14,327
Retained earnings of dormant subsidiary disposed of in the year	-	-	(3)	(3)
Shares issued - options exercised	94	-	-	94
Shares issued - Placing 1 October 2009	3,517	1,405	-	4,922
Reversal of share-based payment charge	-	-	(91)	(91)
Loss for the year	-	-	(8,256)	(8,256)
Attributable to equity holders of the Company at 31 December 2009	19,345	18,021	(26,373)	10,993

The financial information set out above does not constitute the group's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the group's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The announcement is based on the group's financial statements which are prepared in accordance with International Financial Reporting Standards as adopted for use in the EU.

Notes to the Financial Information
Year ended 31 December 2009

1. General Information

PLUS Markets Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The Company's principal activity is that of a holding company, owning 100% of PLUS Markets plc, which is engaged in the operation of the PLUS market and is authorised and regulated by the Financial Services Authority. This financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Company and its subsidiary (together 'the Group') operate.

2. Registration

The Company is registered in Great Britain, registration number 4606754

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