

Interim results for the six months to 30 June 2011

PLUS Markets Group plc (“PMG” or the “Group”) reports its interim results for the six months to 30 June 2011.

Key highlights

- First half of 2011 showing stable revenues from PLUS Stock Exchange (“PLUS-SX”) with 12 new listings.
- The Group is now operating on its reduced cost base.
- Revenues at £1.46 million (2010 – £1.53 million) on administrative expenses of £2.91 million (2010 – £4.03 million).
- Losses reduced by 43% on the prior year at £1.45 million (2010 – £2.54 million) before depreciation, amortisation, impairment and interest received. The Group has no debt and retained a cash balance of £4.60 million as at the balance sheet date.

Post balance sheet events

- PLUS-SX restructured to pursue listings business and wind down of non revenue generating services.
- PLUS Derivatives Exchange (“PLUS-DX”) authorised by the Financial Services Authority and signs its first trading member.
- Establishment of PLUS Trading Solutions (“PLUS-TS”), an innovative trading platform technology services provider enabling investment banks, brokers and trading venues to establish outsourced matching systems that are designed to be fully compliant with regulatory initiatives.

Commenting on the interim results, Chief Executive Officer Cyril Théret said: “The first six months of 2011 have seen continuing rapid progress towards our stated objective of creating the next-generation stock exchange by responding to new commercial and regulatory needs. The Group now operates three core businesses: PLUS Stock Exchange providing IPO and execution services, PLUS Derivatives Exchange responding to changes in the OTC derivatives markets, and PLUS-TS, a fully managed trading services company.”

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Chairman’s statement

In the first half of 2011, the Group has delivered the foundations for a highly scalable exchange based on three core competencies: technology, market regulation, and compliance. It is our plan to monetise these across all three of the Group’s businesses (PLUS-SX, PLUS-DX, and PLUS-TS). The management team has combined the Group’s lower cost base with new business areas that offer significant growth opportunities, ensuring that we are able to lead some of the market structure changes that are occurring, rather than following a ‘me too’ approach of other exchanges and trading platforms.

The scope of our market has now increased from small and mid cap IPOs to cover listed markets, OTC markets, and multiple trading venues. It is important to note that our diversification strategy also provides a much wider range of revenue streams: PLUS-SX is a mix of relatively low-margin transaction and subscription based revenues; PLUS-DX has a higher margin transaction revenue model, and PLUS-TS has a licence based pricing model.

Traditional exchanges are all involved in M&A activity to maintain their revenues under depressed market conditions, while consolidation is their only response to increased competition from new trading venues and increased regulation. It is also interesting to note that many of the newer trading venues, which have had several tens of millions of pounds invested in them, are struggling to reach breakeven. This indicates that, despite achieving significant market shares in their chosen segments, their business models are not ultimately scalable.

We have observed these trends and absorbed their implications rapidly, and that is why the company has pursued its new structure. We therefore look forward to updating the market in the coming months on the future financial performance of the Group, particularly on the results of our diversification strategy.

Financial performance

The financial performance of the Group for the first six months of 2011 reflects the first full reporting period of operations on its new cost base, following the reduction of annual running costs down to the £5 million level.

The market for IPOs remains very difficult, but we have been encouraged that revenues from the Group's core PLUS-SX business remain stable. The Group is reporting a basic loss per share of 0.37 pence, down from a loss per share of 0.64 pence for the same period in 2010. The Group has also placed a great emphasis on conserving its cash and bank balances which were £4.60 million at the balance sheet date, within regulatory requirements. Meeting these regulatory capital requirements, and the adoption of the going concern principle, is discussed further in Note 1 to the condensed financial statements.

The Board's intention remains to achieve a break-even run rate in 2012. PLUS-SX is expected to benefit from a new tariff for its Market Data services with effect from 1 January 2012, representing an average increase of 40% across its product range of proprietary data. This has already been announced to customers and is in line with current market practice. The Board has decided to wind down the retail trade reporting service from early January 2012, because it does not generate any direct revenues.

PLUS-SX will continue to focus on IPOs for its PLUS Listed and PLUS Growth Markets, which will continue to be supported by the market maker model. PLUS-SX remains fully committed to market making for small and mid-cap stocks. Additionally, the Board believe that the PLUS-DX and PLUS-TS businesses represent exciting commercial opportunities for the Group.

Trading activity

The first half of 2011 saw the rate of new admissions to the PLUS-SX Growth Market hold steady, with 12 companies joining (2010 – 12), resulting in 155 companies on the market at the period end. However, the amount of funds raised on the market (via both primary and secondary market fundraisings) increased significantly, to some £24 million over the period, while trading activity increased over 150%.

PLUS-SX has received a positive response its initiatives to raise the visibility of its Growth Market. These include the development of online trading for PLUS-SX stocks and the launch of PLUS Analytix, a new web-based service providing investors with information about the fundamentals of PLUS-SX. As of September 2011, PLUS Analytix is now available on Interactive Investor.

Beyond PLUS-SX, the management team are now pressing on with our two new initiatives in PLUS-DX and PLUS-TS to achieve the growth that we all seek resulting in profitability for the Group.

Giles Vardey

Chairman

22 September 2011

Independent Review Report to PLUS Markets Group Plc

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and related notes 1 to 4. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

22 September 2011

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £'000	Six months ended 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
Continuing Operations			
Revenue	1,463	1,528	3,046
Administrative expenses	(2,905)	(4,031)	(9,036)
(Charge)/credit in relation to share-based payments	(8)	(32)	213
Loss before depreciation, amortisation and impairment charge	(1,450)	(2,535)	(5,777)
Depreciation and amortisation	(19)	(12)	(17)
Operating loss	(1,469)	(2,547)	(5,794)
Finance income	33	65	135
Finance costs	-	-	(8)
Loss on ordinary activities before taxation	(1,436)	(2,482)	(5,667)
Taxation	-	-	-
Loss for the period attributable to equity holders of the parent	(1,436)	(2,482)	(5,667)
Loss per share			
Basic	(0.37)p	(0.64)p	(1.46)p
Diluted	(0.37)p	(0.63)p	(1.44)p

There were no other items of income in the period or comparative period.

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Note	As at 30 June 2011 Unaudited £'000	As at 30 June 2010 Unaudited £'000	As at 31 December 2010 Audited £'000
Non-current assets				
Property, plant and equipment		86	11	11
		86	11	11
Current assets				
Available-for-sale investments		-	-	-
Trade and other receivables		637	1,122	662
Cash and bank balances	2&4	4,604	9,728	5,888
		5,241	10,850	6,550
Total assets		5,327	10,861	6,561
Current liabilities				
Trade and other payables		(771)	(1,243)	(1,271)
Provisions		-	(177)	-
Deferred income		(871)	(898)	(177)
		(1,642)	(2,318)	(1,448)
Net current assets		3,599	8,532	5,102
Net assets		3,685	8,543	5,113
Equity				
Share capital		19,345	19,345	19,345
Share premium account		18,021	18,021	18,021
Retained deficit		(33,681)	(28,823)	(32,253)
Equity attributable to equity holders of the parent		3,685	8,543	5,113

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2011.

Signed on behalf of the Board of Directors

Giles Vardey

Chairman

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £'000	Six months ended 30 June 2010 Unaudited Restated £'000	Year ended 31 December 2010 Audited £'000
Net loss from operating activities	(1,469)	(2,547)	(5,794)
Adjustments for non cash items:			
Depreciation of property, plant and equipment	19	12	17
Profit on disposal of available-for-sale investment	-	-	-
Share-based payment charge/(credit)	8	32	(213)
Operating cash flows before movements in working capital	(1,442)	(2,503)	(5,990)
Decrease/(increase) in other bank balances	1,000	(1,500)	2,000
Decrease/(increase) in trade and other receivables	25	(95)	365
Increase in trade and other payables and deferred income	194	1,519	649
Net cash generated by/(used in) operating activities	(223)	(2,579)	(2,976)
Investing activities			
Interest received	33	65	135
Interest paid	-	-	(8)
Purchase of non-current assets	(94)	(2)	(7)
Net cash (used in)/generated by investing activities	(61)	63	120
Net decrease in cash and cash equivalents	(284)	(2,516)	(2,856)
Cash and cash equivalents at beginning of period/year	2,888	5,744	5,744
Cash and cash equivalents at end of period/year	2,604	3,228	2,888

Condensed Consolidated Statement of Changes in Equity

Unaudited for the six months ended 30 June 2010, audited for the year ended 31 December 2010 and unaudited for the six months ended 30 June 2011.

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Attributable to equity holders of the parent at 1 January 2010	19,345	18,021	(26,373)	10,993
Share based payment charge	-	-	32	32
Loss for the half year	-	-	(2,482)	(2,482)
Attributable to equity holders of the parent at 30 June 2010	19,345	18,021	(28,823)	8,543
Attributable to equity holders of the parent at 1 January 2010	19,345	18,021	(26,373)	10,993
Reversal of share based payment charge	-	-	(213)	(213)
Loss for the year	-	-	(5,667)	(5,667)
Attributable to equity holders of the parent at 31 December 2010	19,345	18,021	(32,253)	5,113
Attributable to equity holders of the parent at 1 January 2011	19,345	18,021	(32,253)	5,113
Share based payment charge	-	-	8	8
Loss for the half year	-	-	(1,436)	(1,436)
Attributable to equity holders of the parent at 30 June 2011	19,345	18,021	(33,681)	3,685

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. Accounting Policies

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 ("FSA"), and 80% of PLUS Derivatives Exchange Limited, which is in the process of launching the PLUS Derivatives Exchange and became authorised and regulated by the FSA on 18 July 2011. These condensed consolidated financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company and its subsidiaries (together "the Group") operate.

Basis of accounting

The condensed consolidated financial information contained within these financial statements, which are unaudited, has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This condensed consolidated financial information should be read in conjunction with the statutory accounts for the year ended 31 December 2010 which were prepared in accordance with IFRS as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. In the current financial year the Group has not adopted any new IFRSs. While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34. There is no requirement for AIM companies to prepare their half-yearly reports in accordance with IAS 34.

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The condensed consolidated financial statements are prepared under the historical cost convention, with the exception of investments which have been fair valued under IAS 39.

The current period and prior period/year presentation of the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows has been amended for the presentation of cash and bank balances as described in note 2 of the condensed consolidated financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles 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. 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.

Going concern

The Directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements for the period ended 30 June 2011. At the balance sheet date, the Group held £4.6 million of cash and bank balances and, as well as considering the ability to satisfy its liabilities over the next 12 months, the Directors have considered the Group's ability to meet its regulatory capital requirements in this period. In making this assessment the Directors have used forecast revenues and costs. The cost forecasts include continuing expected reductions in the cost base, including those from the wind down of the retail trade reporting service. Revenue forecasts include anticipated revenues from its existing PLUS-SX revenues only.

Notwithstanding the inherent uncertainties involved in forecasting revenues and costs for this type of business, the Directors believe that the Group will be able to meet its regulatory capital requirements using these base case forecasts and other contingencies have been examined in the event of certain deviations from forecasts. Whilst revenues from the new PLUS-DX and PLUS-TS business have not been included in the base case going concern analysis, the Directors do expect new revenues within the next twelve months which will provide further contingency. The level of these revenues will be a key determinant in the longer term strategy of the Group.

2. Re-statement Note

The Group holds balances with banks for the purposes of meeting short term cash flow requirements, in the ordinary course of its treasury management. These balances include current accounts with instant access and term deposits with maturities up to six months. In the current and comparative period/year, these balances are included within the caption "Cash and bank balances" in the Condensed Consolidated Statement of Financial Position. In order to reflect better the Group's range of access terms and deposit maturities, Cash and Cash Equivalents in the Condensed Consolidated Statement of Cash Flows have been re-defined as those where the Group can require the principal balances to be returned within three months of the placing. A similar treatment was adopted in the Group's latest annual audited financial statements.

Within the Condensed Consolidated Statement of Cash Flows, this has resulted in the Cash and Cash Equivalents balances at the beginning of the period ended 30 June 2010 being decreased by £5.00 million and the Cash and Cash Equivalents at the end of the period ended 30 June 2010 being reduced by £6.50 million. As a result the reduction in Cash and Cash Equivalents has increased by £1.50 million with a corresponding decrease of £1.50 million in other bank balances.

These changes are presentational and there is no impact on the Condensed Consolidated Income Statement and the Condensed Consolidated Statement of Changes in Equity.

Balances held with banks were shown as Cash and cash equivalents in the Condensed Consolidated Statement of Financial Position in the previous period/year and are shown as Cash and bank balances in the current period. As there is no overall change in the balances held with banks and the presentational impacts are reflected in the Condensed Consolidated Statement of Cash Flows and the balance sheet description, the directors have not felt it necessary to include further comparative information to show the impact of these changes on the opening balances of the comparative period/year.

3. Share Options

On 21 January 2011, the Group cancelled the majority (97%) of the outstanding share options granted under its existing EMI share option scheme and replaced this with a new EMI share option scheme, under which 12,171,100 options were granted with a three year vesting period, subject to performance conditions, and with an exercise price of £0.05. During the period ended 30 June 2011, the Group incurred an accelerated share based payment charge of £4,000 in respect of the cancellation of its existing share option scheme and a share based payment charge of £4,000 in respect of its new share option scheme.

4. Cash and Bank Balances

As stated in note 2, the Group has a range of current accounts with instant access and term deposits with maturities of up to six months, described as Cash and bank balances included in the Consolidated Statement of Financial Position. A reconciliation to Cash and cash equivalents is given below:

	As at 30 June 2011 £'000	As at 30 June 2010 £'000	As at 31 December 2010 £'000
Cash and bank balances per Consolidated Statement of Financial Position	4,604	9,728	5,888
Bank balances with access after more than 3 months but less than 6 months	(2,000)	(6,500)	(3,000)
Cash and cash equivalents per Consolidated Statement of Cash Flows	<u>2,604</u>	<u>3,228</u>	<u>2,888</u>

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 information differs from legislation in other jurisdictions.