FINANCIAL TIMES

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I feel obliged to my boss

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Can the Olympics rebrand a nation? ANALYSIS **Page 9**

Newspaper of the year

World Business Newspaper

News Briefing

Auditors raise scrutiny amid slowdown fears
Auditors are stepping up scrutiny of companies amid rising worries over the potential of the credit crunch and the economic slowdown to wreak damage. **Page 15; Auditors prepared, Page 17; www.ft.com/subprime**

C Suisse fined £5.6m
The Financial Services Authority fined Credit Suisse £5.6m for mispricing. **Page 15; Analysis and Lombard, Page 16**

Stamp duty clarity plea
Chancellor Alistair Darling came under renewed pressure to clarify any plans for a stamp duty holiday after a poll of estate agents showed that uncertainty was hitting the housing market. **Page 2; HBOS cuts jobs, Page 15; www.ft.com/houseprices**

Brown faces by-election
Gordon Brown faced the nightmare of another perilous by-election in his own backyard, after the Labour MP for Glenrothes, John MacDougall, died. **Page 4**

Spanish crisis meeting
Spanish cabinet ministers interrupted their summer break to discuss the country's rapidly deteriorating economy. **Page 6**

Musharraf isolated
Pakistan's army is distancing itself from President Pervez Musharraf, according to Pakistani officials and western diplomats, forcing the former military chief to consider resigning rather than face impeachment. **Page 7**

Charles 'Luddite'
Prince Charles was branded a Luddite over claims that genetically modified crops would destroy the earth. **Page 4; Editorial Comment, Page 10**

Jobless claims soar
The number of people claiming unemployment benefit rose last month at the fastest rate for almost 16 years. **Page 2**

Anglo-Zimbabwe talks
Mining group Anglo American has held talks with Zimbabwe's opposition that could see its majority-owned subsidiary, Anglo Platinum, regain concessions ceded to Robert Mugabe's regime. **Page 7; Editorial Comment, Page 10; www.ft.com/zimbabweelections**

Crunch boosts NS&I
The credit crunch and Northern Rock crisis led to significant new deposits at National Savings & Investment. **Page 4**

US warns Turkey
The US warned Turkey not to strike an energy deal with Iran that undermined diplomatic efforts to halt Tehran's nuclear programme on the eve of a visit to Ankara by Iranian president Mahmoud Ahmadi-Nejad. **Page 6**

Cameron raps report
David Cameron distanced himself from a think-tank report calling for the government to pump more money into the south-east and allow poor towns in the north to dwindle. **Page 4; Notebook, Page 10; www.ft.com/westminster**

Tube strike threat
Maintenance workers are threatening to bring three of London's underground routes to a halt this month when they stage a three-day strike. **Page 4**

US team seeks gold
As the US Olympic team falls behind its Chinese hosts, American officials are looking at asking the White House for government money. **Page 8; www.ft.com/olympics**

Mervyn King, governor of the Bank of England, yesterday said there was 'bound to be a quarter or two' of economic contraction

Bloomberg

Bleak forecast hurts pound

Bank of England expects contraction

'Painful' adjustment required, says King

By Chris Giles, Economics Editor

Sterling plunged against the euro and the dollar yesterday as the Bank of England gave its bleakest economic assessment for more than a decade and financial markets priced in a series of interest rate cuts.

Mervyn King, the Bank of England governor, said the British economy required a "painful" adjustment to higher energy and food prices, predicting the economy would grind to a halt for a year before recovering, probably to a slower growth path than before. There was "bound to be a quarter or two" of economic contraction, he said. Official figures showed unemployment rose by 60,000 in the second quarter, a jump from the 13,000 recorded in the first quarter.

Mr King predicted inflation would peak at 5 per cent at least, restricting the room for easier monetary policy, but markets immediately interpreted the strong likelihood of recession and a prediction of a rapid decline in inflation next year as a strong signal of lower interest rates to come.

Sterling fell more than 1 per cent against the dollar, the euro and on a trade-weighted basis. At times it lost more than three cents against the dollar and finished the day in London at $1.8712, while the euro gained ground, just falling short of 80p at £0.7969.

The latest downward lurch for the pound came as advanced economies around the world received a wake-up call that none was immune to the effects of the credit crisis.

In Japan, new data showed the world's second-largest economy contracted by 0.6 per cent in the second quarter, its worst quarterly performance for seven years. While today the first estimate of eurozone second quarter growth is expected to show the first contraction since the single currency was launched in 1999.

With the US economy already having contracted at the end of last year, none of the world's rich economies appears to be able to sustain continued expansion as the credit turmoil progresses.

> Mervyn King predicted inflation would peak at 5 per cent at least, restricting the room for easier monetary policy

This anaemic performance is not, however, matched in much of Asia's emerging economies and oil producers, where expansion has barely dimmed.

Most economists shared the market view that the central bank was signalling a bias to start lowering rates, probably late this year or early next.

Simon Hayes of Barclays Capital said: "The surprise today was not so much that the next move in rates is likely to be down, but that the Monetary Policy Committee seems happy to nurture this expectation."

But the bank is unlikely to feel comfortable with the extreme reaction to its forecasts. Mr King repeatedly insisted the balance to inflation risks was tilted to the upside because it was still unclear if households and companies would begin to behave as if high inflation was normal.

The Bank of England also published similar inflation and more benign inflation forecasts three months ago, which the markets then interpreted incorrectly as a signal of higher rates to come.

The focus will shift to the eurozone today with the publication of growth figures for the second quarter. Little hope remains of a revival this year. This month, Jean-Claude Trichet, European Central Bank president, warned the second and third quarters would prove "particularly weak".

Additional reporting by Ralph Atkins in Zurich

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www.ft.com/centralbanks

Bush sends US forces on Georgia aid mission

By Andrew Ward in Washington, Stanley Pignal in Brussels and Charles Clover in Tbilisi

George W. Bush ordered US military forces yesterday to lead a "vigorous" humanitarian mission to Georgia and raised doubts over Russia's commitment to the French-brokered ceasefire agreed on Tuesday.

A US Air Force cargo aircraft carrying aid landed in Tbilisi, the Georgian capital, and the US president said more air and naval forces would arrive soon.

While White House officials insisted the mission was purely humanitarian, the arrival of US forces marked an intensification of Washington's response to the crisis after criticism of its relatively low-key role in previous days.

Mr Bush expected Russia to ensure that "all lines of communication and transport" were open to humanitarian supplies but the Pentagon denied claims by Mikheil Saakashvili, the Georgian president, that US forces would take control of Georgia's ports and airfields.

Georgia accused Russia of breaking the terms of Tuesday's ceasefire yesterday, when Russian forces destroyed an abandoned military base in the city of Gori, near the pro-Russian enclave of South Ossetia where the conflict erupted.

There were also reports – denied by Moscow – of Russian units entering the port city of Poti and blowing up Georgian vessels.

At an emergency meeting in Brussels, European Union foreign ministers endorsed Tuesday's peace deal and expressed broad support for sending peacekeepers to South Ossetia, subject to United Nations approval.

The UK pulled its navy out of a planned Nato military exercise involving Russia, saying it would be "highly inappropriate" to continue in the "current circumstances".

Additional reporting by George Parker in London and Catherine Belton in Moscow

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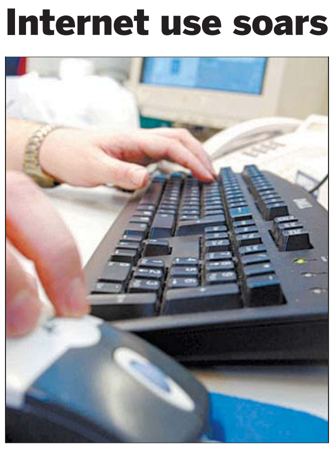
Internet use soars



The amount of time Britons spend on the internet has quadrupled during the past five years, a report reveals today. Ofcom, the media and telecoms regulator, also found that 17 per cent of households with broadband watched TV over the internet at the beginning of 2008, up from 9 per cent in 2007. The increase partly reflects the rising popularity of the BBC's iPlayer service.

Report, Page 3

Cheesegrater plans full of holes after fall in office space demand

British Land cautious in first quarter results

By Daniel Thomas, Property Correspondent

The developer behind the landmark City of London skyscraper known as the Cheesegrater is looking at shelving the building as demand for office space in the financial sector continues to fall.

In a surprise shift in strategy, British Land will today reveal the Richard Rogers-designed Leadenhall building could be delayed as the company announces its first quarter results.

British Land, the UK's second biggest property developer, has always said that it was on track to build the tower by 2011 but, according to people familiar with the company's plans, it now lacks a clear timetable for completion.

The building would have been the tallest City of London tower by the time it was finished, although other skyscrapers could eventually eclipse it, such as the Pinnacle on Bishopsgate and the Shard at London Bridge.

If it is shelved, the striking, 225m-tall, wedge-shaped Cheesegrater would become the most visible victim of the credit crunch in the financial district, where there has been a sharp drop in demand for office space as struggling banks and financial institutions shed staff.

While the move may worry City of London officials – still reeling from this month's loss of one of its largest tenants, JPMorgan, to rival Canary Wharf – it is likely to be welcomed by investors.

British Land has almost completed a large and unlet office building at Ropemaker Place, near Moorgate station, and also owns the Broadgate complex of buildings, including the Broadgate Tower, on the other side of the City.

Demolition continues of the existing building at the Cheesegrater site between Lloyd's of London and the Gherkin at 122 Leadenhall Street – strikingly, the existing block is being demolished from the ground upwards around its central core – but the company has yet to begin construction work on the new building.

British Land is also expected to reveal a drop in net asset value to around £12 per share as it is forced to writedown its property portfolio further owing to revaluation losses. Shares in the company closed down by 68.5p to £7.22 as part of a wider sell-off of the real estate sector.

The Leadenhall building designed by Richard Rogers

World Markets

STOCK MARKETS

	Aug 13	prev	%chg
Dow Jones Ind	11532.96	11642.47	-0.94
Nasdaq Comp	2428.62	2430.61	-0.08
S&P 500	1285.83	1289.59	-0.29
FTSEurofirst 300	1179.64	1208.89	-2.42
DJ Euro Stoxx 50	3354.75	3436.85	-2.39
FTSE 100	5448.6	5534.5	-1.55
FTSE All-Share UK	2776.20	2820.17	-1.56
CAC40	4402.97	4518.48	-2.56
Xetra Dax	6422.19	6585.87	-2.49
Nikkei	13023.05	13303.60	-2.11
Hang Seng	21293.32	21640.89	-1.61
FTSE All World $	220.6	223.3	-1.2

CURRENCIES

	Aug 13	prev		Aug 13	prev
$ per €	1.491	1.492	€ per $	0.671	0.670
$ per £	1.870	1.897	£ per $	0.535	0.527
£ per €	0.797	0.784	€ per £	1.254	1.275
¥ per $	109.6	109.3	¥ per €	161.5	163.6
¥ per £	202.6	208.6	£ index	90.8	92.4
$ index	85.2	85.1	€ index	103.9	103.6
SFr per €	1.618	1.621	SFr per £	2.029	2.067

COMMODITIES

	Aug 13	prev	chg
Oil Brent $Sep	113.47	111.15	+2.32
Oil WTI $Sep	116	113.01	+2.99
Gold $	823.55	815	+8.55

INTEREST RATES

	price	yield	chg
US Gov 10 yr	100.42	3.95	+0.03
UK Gov 10 yr	103.04	4.60	-0.04
Ger Gov 10 yr	100.22	4.22	-0.02
Jap Gov 10 yr	100.39	1.46	-0.01
US Gov 30 yr	98.81	4.57	+0.02
Ger Gov 2 yr	101.27	4	-0.06
	Aug 13	prev	chg
Fed Funds Eff	1.95	1.99	-0.04
US 3m Bills	1.83	1.82	+0.01
Euro Libor 3m	4.96	4.96	–
UK 3m	5.72	5.74	-0.02

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Inflation report

Twin forecasts set challenge for Bank

News Analysis

The governor must cope with surging inflation and a possible recession, says **Norma Cohen**

The Bank of England's quarterly inflation report, unveiled yesterday, starkly illustrates how wrong central bankers have been in their forecasts of economic trends in recent years.

The Bank has been persistently optimistic about inflation. For example, its February 2007 forecast expected CPI inflation by now to have reached about 2 per cent. Instead, it was 3.8 per cent in the second quarter and the Bank expects it to peak at 5 per cent, and possibly higher, by late this year. As recently as last May, it forecast inflation would reach a pinnacle of 3.7 per cent this year – if rates held at the current 5.0 per cent.

Equally grim is the Bank's growth forecast. Gross domestic product growth is now expected to hover about zero for the next year, building in the possibility of a recession.

These assumptions – twin forecasts for surging inflation and a possible recession – highlight the difficulties the Bank faces in steering the economy through the most troubled waters it has experienced during its decade of independence.

Mervyn King, the governor, went to some length to warn that there was no escaping a painful period of adjustment as the UK is buffeted by higher food and energy costs, which he insisted came from abroad, and crisis in the financial sector.

"There is no point pretending that what is happening in the world economy – that this unique combination of higher food and energy prices on one hand and a sharp dislocation in the financial sector on the other – is going to do anything other than make the next year a painful adjustment for the UK economy," Mr King told a news conference.

At times sounding more politician than central banker, Mr King carefully sidestepped questions on fiscal policy or on the possibility that either growth or inflation might turn out to be even worse than forecast.

"We will come through it; inflation will come down," he asserted.

Asked why he was so confident, Mr King said: "We will take the action necessary to see that it does."

Mr King and his Bank colleagues sought to make clear that the rate at which the economy can grow sustainably is likely to be lower in the future than in the past decade.

'We will come through it; inflation will come down . . . We will take the action necessary'

Charlie Bean, the Bank's deputy governor and formerly its chief economist, said that weaker investment, lower immigration and tighter credit made a lower long-term rate of growth likely.

The Bank takes great pains to point out risks and always insists that these have a greater bearing on the direction of interest rates than its central forecasts.

One risk is that inflation falls too slowly and stays persistently above the Bank's 2 per cent target because companies and households begin to behave as though faster price increases are normal.

Mr King made clear that the Bank must remain cautious in spite of wage growth that was lower than inflation. "Wages do not make inflation," he said. "It depends on what happens in firms." If companies felt they could safely pass on higher input prices to their own customers, second-round effects of inflation would appear. Most important, he said, was to contain the public's expectations.

The outlook for employment, which Mr King noted was uncertain, may offset inflationary pressures. A more flexible labour market than in the recession of the early 1990s reduces the probability of wide-scale unemployment. Nevertheless, the risk remains that the economy will spiral into a deep recession.

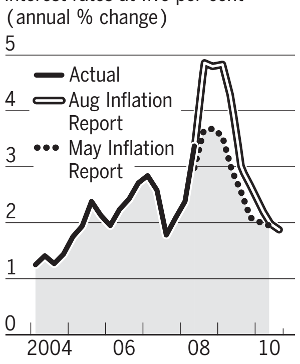
The inflation report makes clear that the Bank believes house prices have further to fall, driven by banks' difficulties in raising cash and the consequent mortgage lending drought.

Separately, Paul Tucker, the Bank's executive director for markets, warned that a key risk is whether banks can complete the deleveraging process – selling off bad loans and raising capital – before the economic slowdown starts taking a toll on corporate debt and undermines solvency even further.

Editorial Comment, Page 10

CPI inflation projection

Based on constant nominal interest rates at five per cent (annual % change)



Source: Bank of England

5%

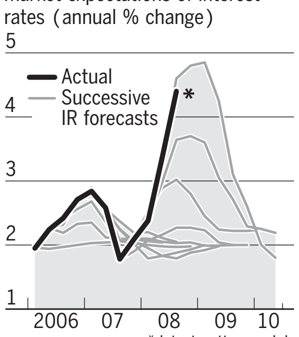
Bank's forecast of CPI rate by the end of the year

0%

Bank's forecast of GDP growth for the next year

The MPC's forecasting record

CPI inflation forecasts based on market expectations of interest rates (annual % change)



Source: Bank of England

INFLATION REPORTS ON FT.COM

Video
Chris Giles examines the credibility of the Bank of England's inflation report
www.ft.com/dailyview

In depth
How monetary policy is being used to combat slowing global growth

Interactive graphic
As global growth slows, track inflation in some of the world's key economies and see how central banks have adjusted interest rates in response
www.ft.com/centralbanks

Snub to radical moves on easing mortgage crisis

By Chris Giles, Economics Editor

Mervyn King yesterday definitively set his face against two of the more radical potential solutions to the mortgage crisis, making it far harder for the government to put either forward in the autumn.

In a report to the Treasury last month, Sir James Crosby, the former chief executive of HBOS, raised the prospect of extending the Bank's Special Liquidity Scheme under which illiquid legacy mortgage backed securities can be swapped for government gilts.

Sir James also touched on the idea of covering mortgage lending with permanent government guarantees. But speaking at the inflation report press conference, the Bank governor seized upon a question on the Bank's existing support for mortgage lenders to say: "I think there is a very big confusion in much of the discussion over mortgages."

He went on to spell out the dangers of failing to make what he saw as a necessary adjustment to the housing market. Referring to the state of the mortgage market in early 2007, he said that "much of the lending did not merit the description prudent".

He was equally adamant on what the future should hold. "The sooner we can make that adjustment [to the housing market] the better . . . pretending there is a magic solution is not the answer," he said.

He was categorical that he favoured neither of the two solutions floated in the Crosby report.

He continued: "The issue about the mortgage market is whether the business model of some of the mortgage lenders needs to be adjusted and whether there are sufficient sources of funding to supply mortgage lending. Funding is not something a central bank can provide."

Sir James' second possible solution – government guarantees to mortgages – also received short shrift.

"On the question of guarantees, the Fed and most of our colleagues for the past 30 years have been pointing to the great dangers of offering government guarantees to mortgages," Mr King said.

He went on: "We don't guarantee lending to other forms of borrowing; we don't guarantee lending to manufacturing borrowing. There is no reason why in the long run you need to have any guarantee of lending to the mortgage market. It would be very dangerous to move to a situation where the government saw a major role in guaranteeing lending. Why should the taxpayer take on the risk of borrowing by individual borrowers, some of whom are risky?"

'It is the lenders who should take the risk and assess for themselves the risk of that lending'

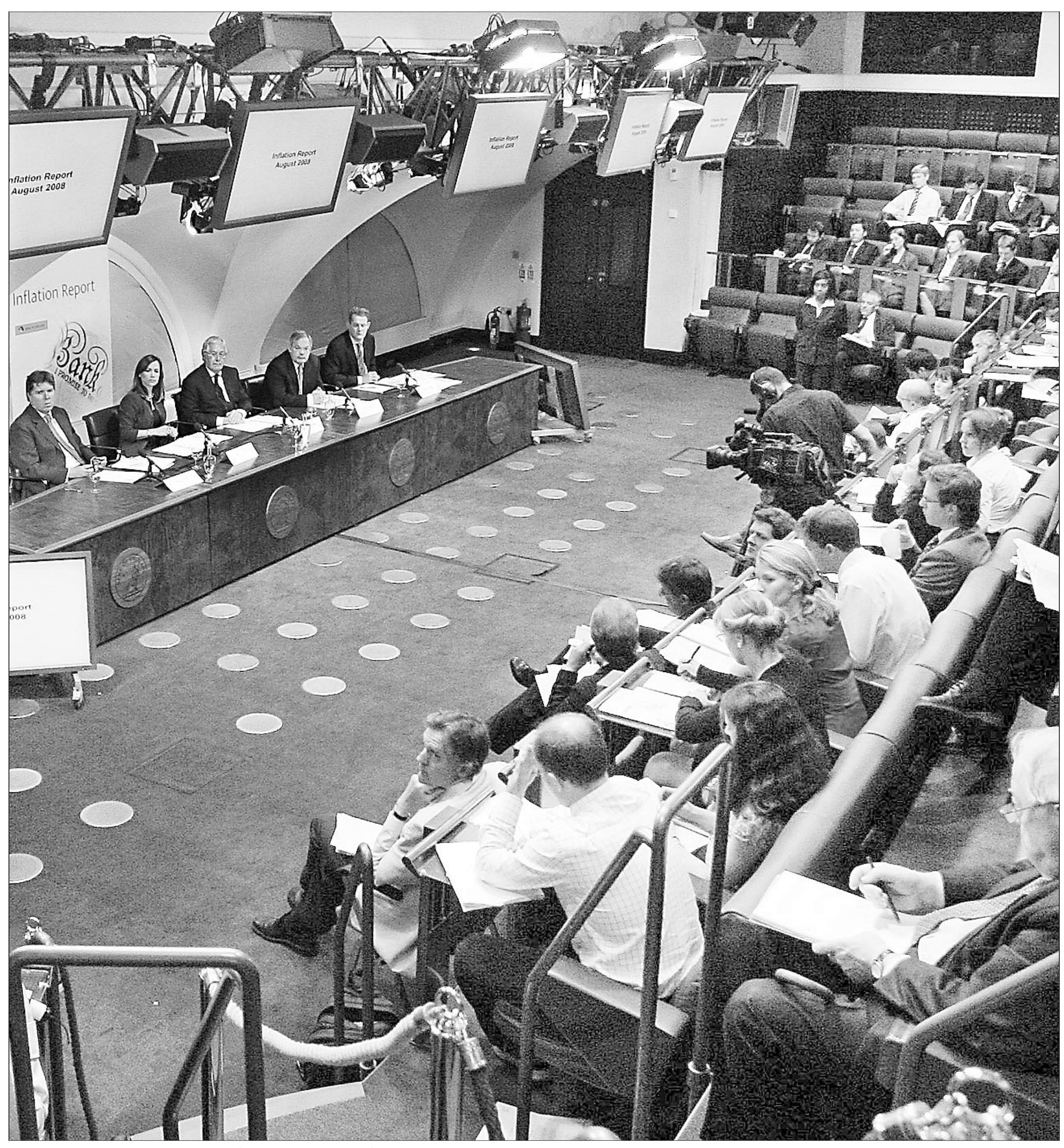
He added: "It is the lenders who should take the risk and assess for themselves the risk of that lending."

Mr King appeared to want to kill the suggestions early in the political process before either gained unstoppable momentum.

Sir James himself had advanced them only in lukewarm style.

But the governor phrased his condemnation with sufficient care to leave him wriggle room should he need it in future.

By referring critically to a "major role" for government and "long-run" guarantees, he has left the door open to a small temporary support scheme, if one can be devised.



Straight talk: Mervyn King (at table, centre) says there is no escaping a painful period of adjustment Bloomberg

Currency pegs reform overdue, says King

By Delphine Strauss

Currency pegs that tied emerging economies to the easy monetary policy prevailing in the US in recent years have exacerbated global inflationary pressures and need urgent adjustment, Mervyn King, the Bank of England governor, argued yesterday.

Like many central bankers, he has been quick to blame "a cost shock from the rest of the world" for the current spike in domestic inflation. But he acknowledged the past year's surge in global commodity prices was partly the result of policy choices.

Developed economies had got used to a world of freely floating exchange rates and domestic inflation targets, in which "you can argue you will get the right sort of equilibrium for the world as a whole", Mr King said.

Now, they were struggling with the transition to a situation in which "a very important part of the world economy wants to have its own monetary policy but has linked its exchange rate to the US dollar".

The pegs adopted by China and other emerging economies had formed "enormous tensions", he said. He added that easy monetary policy in the US had led to overheating and inflation in emerging markets, as well as sharp rises in some commodity prices.

It would therefore be ever more important to hold a "conversation among countries" about the need to move to more flexible exchange rates, or to make other adjustments such as linking to a basket of currencies.

"Some conversation of that kind . . . is extremely important for the world economy."

"It will be increasingly important in the years to come," he said.

Darling pressed to clarify stamp duty idea

By Jim Pickard, Political Correspondent

Alistair Darling, the chancellor, is under renewed pressure to clarify any plans for a stamp duty holiday after a poll of estate agents showed the uncertainty was hitting the housing market.

A survey by the National Association of Estate Agents found that 92 per cent believed that the situation had increased consumer concerns, with people who would have bought a home now considering a delay in the hope of avoiding stamp duty later in the year.

The NAEA, which polled 1,350 agents, found 62 per cent had been asked for advice on whether to hold off until the pre-Budget statement in the autumn.

Mr Darling refused to rule out a change in the stamp duty regime after it emerged officials were considering policies including the temporary deferment of the tax for first-time buyers.

'Some members are already starting to feel the impact this comment has had on purchasers'

Peter Bolton King, chief executive of the NAEA, said it would be damaging if the Treasury waited months to explain its plans. "I understandably have been taking a plethora of concerned calls from members, some of whom are already starting to feel the impact this comment has had on ready-and-waiting purchasers," he said.

The Treasury is exploring several ideas to revive the housing market as part of an "economic recovery plan". These range from a new ISA, to help first-time buyers save for a deposit, to a scheme to help homeowners who have lost their jobs pay their mortgages.

Councils in Barnsley, Portsmouth, Hartlepool, Essex and Kent have stated their interest in becoming mortgage lenders, according to a report in today's Local Government Chronicle. The councils are to lobby ministers for permission to lend to homebuyers for the first time in more than 10 years. They want the rules relaxed so they can borrow from banks in the same way that housing associations can. But they still face the problem that banks have become much more reluctant to lend to anyone in recent months.

"Councils would like the idea of being able to offer mortgages in this way but raising the money to actually do it would be the main issue," said the Local Government Association.

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Jobless claimants rise at fastest rate for 16 years

Surge in pensioners being employed

60,000 more out of work

By Andrew Taylor, Employment Correspondent

The number of people claiming unemployment benefit rose last month at the fastest rate for almost 16 years as the jobs market came under increasing strain.

Total employment also would have fallen for the first time since the beginning of 2007 but for a surge in the number of pensioners taking jobs, according to figures published yesterday by the Office for National Statistics.

The number of people claiming jobseekers allowance rose for the sixth month in succession, increasing by 20,100 to 864,700.

Total unemployment – including those not on benefit – also rose by 60,000 to 1.67m during the three months to the end of June.

The unemployment rate, regarded as the best guide to the state of the jobs market, increased by 0.2 percentage points to 5.4 per cent.

John Philpott, chief economist at the Chartered Institute of Personnel and Development, said that the labour figures were "the weakest" since the economic slowdown began. Employment growth had "ebbed to a trickle" and even fallen in some parts of the country while the rise in unemployment was "gaining worrying momentum", he said.

Total employment during the three months to the end of June rose by 20,000 to 29.56m but would have fallen but for an "increase of 25,000 in employment for those above the state pension age", officials said.

The number of pensioners in work since 1997 has risen by more than two-thirds to 1.33m while the employment rate of pensioners has risen from 7.9 per cent to 11.7 per cent.

Increasing longevity, better health and the greater willingness of employers to hire older people, considered by many employers to be more reliable and harder working than some younger workers, explains some of the reasons for the rise.

The number of older people seeking work is expected to rise as final salary pensions are closed and pensioners face an increasing need to supplement their income.

The weakness of the labour market is further illustrated by a 47,400 drop in the number of vacancies to 634,900. Redundancies also increased during the second quarter by 13 per cent to 126,000. This figure is likely to rise further with building companies and financial institutions, announcing further jobs cuts, totalling more than 10,000, since the end of June.

More worryingly, a breakdown of job vacancies reveals how the impact of the credit crunch and rising energy and food costs has spilled over into other areas of the labour market as consumers have curbed their spending.

Vacancies in the shops, hotels and restaurants sector, including wholesalers, fell by almost 18 per cent during the three months to end of July. Construction vacancies were down by 12.6 per cent and finance and business services by 9.9 per cent over the same period.

Hetal Mehta, senior economic adviser to the Ernst & Young Item Club, said: "Labour market conditions are deteriorating sharply . . . it is clear that employers' demand for labour is weakening in the face of the economic slowdown and the likelihood is that unemployment will rise further in the months ahead."

The bleaker outlook for jobs, however, may apply a brake to pay demands.

Peter Newland, economist at Lehman Brothers, said: "The loosening of labour market conditions suggests that any significant upward pressure on average earnings is unlikely even as inflation erodes real wage growth."

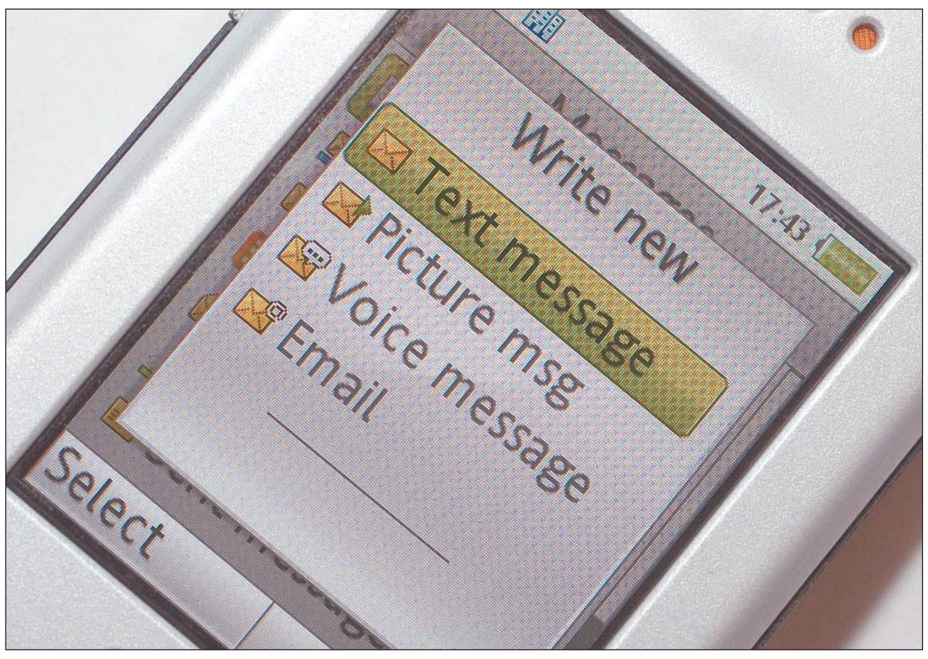
Fall in house prices forces the elderly to look for a wage

Falling house prices are adding to the gloom in the jobs market, not least because older people who had relied on the increase in the value of their home to supplement their pension might be forced to go out to compete for work, **writes Andrew Taylor**.

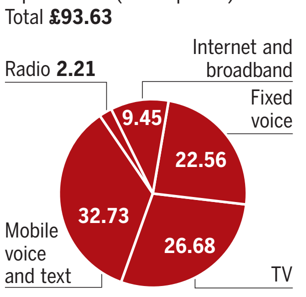
According to Capital Economics, there are several ways a weakened housing market can affect jobs prospects, in addition to the impact of redundancies announced by housebuilders such as Barratt, Taylor Wimpey, Persimmon. Falling house sales also mean fewer purchases of white goods, furniture, carpet, curtains and other fixtures and fittings.

It is becoming "harder for unemployed workers to move to where jobs are available", said Vicky Redwood, an economist at Capital Economics. She added: "Falling house prices are also likely to encourage more older people to enter the workforce, given that many have been relying on the increase in their housing wealth as a substitute for a pension. This will mean that the workforce is still rising at a time when employment is falling."

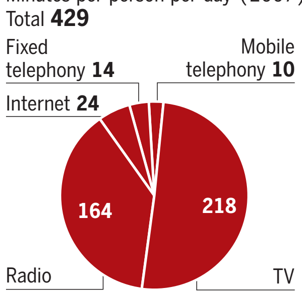
Falling "housing equity" would also "make it harder for those who cannot find jobs to raise enough finance to start working for themselves instead", she said.



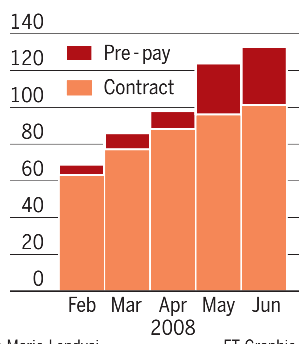
Average household spending on communication services
£ per month (2007 prices)
Total **£93.63**



Time spent using communication services
Minutes per person per day (2007)
Total **429**



Mobile broadband
Monthly connections ('000)



Source: Ofcom

Photo: Mario Lendvai

FT Graphic

Old habits die hard among multi-tasking technophiles

Fixed-line phones used for most calls

Traditional TV viewing holds up

By Andrew Parker

Britain is turning into a nation of technophiles as growing numbers watch television over the internet and shun landline connections in favour of wireless adaptors that link laptops to the world wide web.

But a report published today on the state of the UK communications market shows that despite that national hunger for novelty, old media habits die hard.

The amount of time Britons spend watching television the conventional way has declined only slightly in the past five years. And although mobile phones can seem annoyingly ubiquitous, fixed-line telephones are still used for the majority of calls.

Overall, Ofcom, the media and telecoms regulator responsible for the report, found that people were spending more time using communication services in 2007 compared with 2002. It also found they were paying less for the privilege compared with 2006.

Consumers spent 429 minutes, or more than seven hours a day, watching television, listening to radio, surfing the internet and making fixed-line and mobile calls in 2007, compared with 423 minutes in 2002.

The figures refer to home rather than office activity and imply that we have become a society of multi-taskers, often doing two things at once, such as watching television and talking on the phone.

The data suggest that much of this additional time is being spent on the internet and on mobile phones. Internet usage quadrupled between 2002 and 2007, with people spending 24 minutes a day web surfing last year.

Ofcom found that 17 per cent of households with broadband watched television over the internet at the start of 2008, compared with 9 per cent last year.

That jump partly reflects the rising popularity of the BBC iPlayer, the television over the internet service launched late last year by the public service broadcaster. Even so, traditional television viewing is holding up. In 2007, 218 minutes a day were spent watching television, compared with 224 in 2002.

> Britons sent 58.8bn texts last year, three times the output in France and Germany

Mobile usage doubled between 2002 and 2007, with people spending 10 minutes a day on the phone last year.

One finding emerges with particular clarity from the report: Britons are addicted to text messaging, with 58.8bn texts sent in 2007. The nation's citizens each sent an average of 67 messages a month in 2007. While international comparisons are not available for that year, the figure is more than three times the output of their French and German counterparts in 2006.

However, the mobile is not about to replace the fixed line. Of the 247bn minutes of calls made in 2007, 60 per cent were made from fixed-line phones.

The big consumer innovation this year is the user-friendly modem that enables wireless connections to the internet from laptops. About 133,000 wireless adaptors were sold in June, compared with 69,000 in February.

Ofcom made great play of how Britons' expenditure on communications services had fallen last year, contrasting the savings on offer with the rise in food and fuel prices over the same period.

The average household's spending on television, radio, broadband, fixed-line phone and mobile services was £93.63 a month in 2007, down 1.6 per cent on 2006. The decline was driven by falling prices for broadband and fixed-line phone services.

The concept of "triple play", in which television, broadband and fixed-line phone services are bundled into a single monthly bill, is becoming more popular.

Britain also seems to be embracing the multi-channel world with alacrity. Ofcom found that digital television has become as prevalent as the fixed-line phone in homes. By the start of 2008, 87 per cent had a television capable of receiving digital rather than analogue channels.

The report had good and bad news for the BBC and ITV. They continued to see their audience share fall in 2007 but last year was the first in which the BBC, ITV, Channel 4 and Channel 5 secured a 70 per cent share of those watching multi-channel television.

Net matters more than TV for young

Age Divide

By Tim Bradshaw

Britain remains a nation of television lovers – but for how long? While 52 per cent of people surveyed in Ofcom's communications market report said that they would miss television more than any other medium, that figure fell to 41 per cent for people aged 16-24 – and rose to more than 69 per cent for pensioners.

Young people have instead become wedded to the internet, cited by 47 per cent of 16 to 24-year-olds who have broadband at home as the communications medium they could least live without.

That generational divide is apparent across many technologies highlighted in Ofcom's report.

Six in 10 adults aged 16-24 said that they had access to a games console in the first quarter of 2008, up 8 per cent on last year, compared with only one in three 45 to 64-year-olds.

Almost twice as many young people use instant messaging compared with adults, while the inverse is true for e-mail.

That attests to young people's "always-on" approach, also demonstrated by their increased use of mobile broadband – 41 per cent of wireless adaptor users, devices that plug into laptop computers, are under 34.

A similar division emerges in traditional media. Only 7.8 per cent of under-24s listen to the radio, while the over-55s are the only age group listening to more radio than they were five years ago, when Ofcom's study began.

Even so, Ofcom said it hopes broadcasters would be "encouraged" by their success in reaching younger audiences online. It says 37 per cent of the iPlayer's audience are aged 16 to 34, in spite of making up only 17 per cent of the BBC's broadcast audience. But just 7 per cent of the over-65s have watched full-length television programmes on the internet, most of whom prefer to use the internet for communication, including e-mail and chat rooms.

Rebels defy onward march of text-speak

Vox Pop

By Lara Ellington-Brown

Not everyone fits neatly into Ofcom's survey of media trends. Many adults comprehend text-speak while some teenagers are a long way from being button-bashing technophiles.

The two youngest people interviewed by the Financial Times about their media habits in London's Oxford Street yesterday said that they were happy not to be permanently attached to their mobile phones and furthermore preferred to watch television the good old-fashioned way, rather than over an internet connection.

Conversely, Phil Toohey, a 45-year-old management consultant, was impressively tech-savvy. He watches television via the web, using it to catch up on programmes and sporting events.

"I can have it on while I'm doing something else," he said, commending platforms such as the BBC iPlayer, which he often uses in the office.

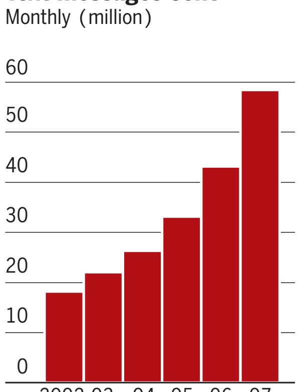
Mr Toohey's mobile phone is his main channel of communication. He said he splits his mobile phone use 50/50 between voice calls and texts. He believes that sending a text is often the most convenient way of making contact. "Texting is quick, you are almost certain of a response at some stage," he said.

His view is not shared by Kerry Hanmore, a 16-year-old student from London, and Daniel Jones, a 22-year-old quantity surveyor. Ms Hanmore is an exception to the rule that the young send texts while the older generation make calls.

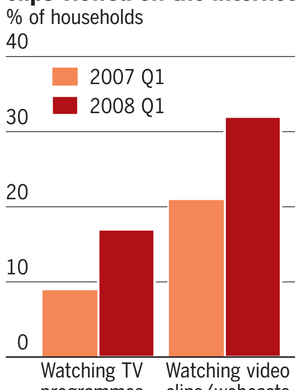
"I hardly ever text," she said, explaining that the average cost of a mobile phone bill is often not within her or her friends' budgets. "I use e-mail the most because it's much cheaper."

Mr Jones is a more prolific texter. He said he sends about five texts every hour, and he also uses social networking sites such as Facebook and MSN. But to him, text messaging is not all it is cracked up to be. "I prefer to call," he said. "Texting involves way too much to-ing and fro-ing."

Text messages sent
Monthly (million)



TV programmes and video clips viewed on the internet
% of households



Source: Ofcom

Brown faces fresh by-election battle

Death of Scots MP forces autumn poll

Labour fears losing seat to SNP swing

By George Parker and Jim Pickard

Gordon Brown is facing the headache of another perilous by-election in his Scottish backyard after the death yesterday of John MacDougall, Labour MP for Glenrothes.

Mr MacDougall's seat adjoins the prime minister's constituency of Kirkcaldy and Cowdenbeath. Labour admitted privately yesterday that it expected the seat to fall to the Scottish National party in a by-election this autumn.

An SNP victory would intensify pressure on Mr Brown, who saw another neighbouring Labour seat, Dunfermline and West Fife, fall to the Liberal Democrats in a by-election two years ago.

Mr MacDougall, a former oil rig worker, died from cancer, aged 60. He had a majority of 10,664, vulnerable to a swing to the SNP of about 14 per cent – less than the 22 per cent the nationalists secured in last month's landmark by-election victory over Labour in Glasgow East.

Labour officials said they expected the by-election to be held in October or November, adding another element of danger to Mr Brown in what threatens to be a turbulent autumn.

David Miliband, the foreign secretary, yesterday defended his decision to write a newspaper article setting out his vision for Labour's future, which was seen as a marker in a possible leadership contest.

Mr Miliband said he might have fuelled Number 10's suspicions of his ambitions when he said his foreign secretary was "my job at the moment".

Although not a Blairite, Mr Miliband is the preferred candidate of allies of the former prime minister, some of whom are agitating to remove Mr Brown in an autumn coup. Mr Miliband, attending an emergency European Union summit on Georgia in Brussels, said: "We are in the middle of a very serious foreign policy crisis. Gordon Brown is leading the government forward with vigour and determination." He said his article for The Guardian "set out a very clear agenda for defending the record of the government and for advancing a clear vision of the future of Britain".

With rising inflation and lengthening dole queues, Mr Brown knows he has to seize the initiative quickly when MPs return to the Commons in September. Measures to help the housing market and to alleviate fuel bills for poor households are expected in the pre-Budget report, while Mr Brown is also expected to reshuffle his cabinet next month.

The prime minister, who visited Mr MacDougall on Monday, said he had lost a "good personal friend".

Yesterday politicians from across the political divide praised Mr MacDougall for his hard work on behalf of constituents. Sir Menzies Campbell, the former leader of the Liberal Democrats, said: "Both as a councillor and as a member of parliament, John MacDougall embodied the best traditions of public service."

Labour claims that the SNP has been campaigning in Glenrothes for months. But the nationalists said that Tricia Marwick, their local member of the Scottish parliament, campaigned regularly in the area as part of her job.

WESTMINSTER BLOG

For Alan Johnson read John Major: the parallels are uncanny
www.ft.com/westminster

Prince branded 'a Luddite' over his attack on GM crops

By Jenny Wiggins and Jim Pickard

Prince Charles was branded a Luddite yesterday as his claims that a global shift towards planting more genetically modified crops would destroy the earth's environment met a withering response.

The prince, who started his own organic food brand – Duchy Originals – 18 years ago, opened himself up to attack after arguing that increased global production of GM crops would lead to "disaster".

In an interview with The Daily Telegraph he accused companies of conducting a "gigantic experiment with nature and the whole of humanity which has gone seriously wrong. Why else are we facing all these challenges, climate change and everything?"

GM is being forcefully put forward as a potential solution to the spiralling cost of food, heightening the sensitivity of his intervention. Sir David King, the former chief scientist, recently told the FT that GM crops held the key to solving the food price crisis and Nestlé has urged the European Union to review its opposition to GM.

While environmentalists rushed to the prince's defence, there was a backlash from politicians, academics and industry figures. Phil Willis, chairman of the Commons science committee, said the use of science in farming had helped feed billions of people. "His lack of scientific understanding and his willingness to condemn millions of people to starvation in areas like sub-Saharan Africa is absolutely bewildering."

Levelling the "Luddite" charge, Des Turner, a Labour MP and member of the same committee, added: "Prince Charles has got a way of getting things absolutely wrong."

Syngenta, the agribusiness group, which develops GM crops, said scientific data did not support the prince's claims, and the world would not be able to feed itself without GM technology. "If we're going to feed the world we have to use every technology at our disposal."

The company said organic farming was harsher on the environment than GM technology. "If you were to go organic you would have to double and triple the amount of land under cultivation . . . only by using technology will you protect wild spaces and biodiversity."

Dr Julian Little, who chairs the Agricultural Biotechnology Council, an industry group representing biotechnology companies, and who works for Bayer CropScience, a leading proponent of GM, added: "The only way to keep a lid on food inflation is to produce more."

Jim Dunwell, a professor of plant biotechnology at the University of Reading, said the prince had "exaggerated" the negative consequences of GM technology. "I don't think the evidence base is there for the conclusions he's reached."

The prince won backing from Mike Childs, campaigns director for Friends of the Earth, who said he had "hit the nail on the head" about the "false solution" presented by GM crops.

But amid worries in farming about the cost of continuing to buy non-GM feed for poultry, Peter Kendall, president of the National Farmers' Union, warned that his members could suffer if consumers started to buy cheaper imported foods made with GM ingredients.

Editorial Comment, Page 10

Heir of discontent

'A monstrous carbuncle on the face of a much-loved and elegant friend'
On proposed extension to the National Gallery, 1984

'I just come and talk to the plants, really – very important to talk to them. They respond, I find'
1986

'Science has tried to assume a monopoly – or, rather, a tyranny – over our understanding of the world around us . . . We are only now beginning to understand the disastrous results of this outlook'
1996

'It looks as though London seems to be turning into an absurdist picnic table: we already have a giant gherkin, now it looks as if we are going to have an enormous salt cellar'
On the design for Renzo Piano's 1,000ft 'Shard of Glass' for London, 2003

'Surely the time has come to escape from an almost adolescent obsession with being modern – the product, perhaps, of a 20th-century teenage crisis – and, instead, to be more concerned about being human'
2004

Prince Charles faces a backlash from politicians, academics and industry figures Getty

Nervous investors turned to National Savings

By Jane Croft, Retail Banking Correspondent

The onset of the credit crunch and near-collapse of Northern Rock last year led to significant new retail deposits at National Savings & Investment as investors sought to find a haven for their money.

The government's retail finance arm said yesterday that net financing, which measures the money NS&I gives to the government once interest and premium bond prizes have been paid to customers, was £5.9bn in the year ended March 31 2008. That is £3bn more than its original target of £2.8bn.

Jane Platt, chief executive, said NS&I stopped marketing in the second half of last year because of the "unplanned volumes" of new business.

"We didn't want to be seen to be taking advantage of the market turbulence or discomfort of customers," she said. However, it was difficult to say how much of the new inflows had come from worried customers of Northern Rock, she added.

Gross sales of all NS&I products rose to £15.54bn in the year ended March 2008 compared with £14.17bn in the preceding 12 months. NS&I has £84.78bn of savings, up from £78.9bn in the previous year.

Ms Platt said that since May this year the inflow of savings has slowed. "I think there has been some changes to customer behaviour and the flight to safety has subsided," she said. That change might be because of enhancements to the government's deposit guarantee scheme, she said, which compensates investors if a bank fails. Ms Platt also pointed to the exceptionally high interest rates offered by high-street banks to savers.

"It could be the attraction of some rates being offered in the marketplace where greed is overcoming fear," she added.

The Treasury uses the money invested in NS&I to manage the national debt cost effectively, as the retail funds are provided at a lower cost than financing the same amount through Treasury bills. So when customers invest in NS&I products they are, in effect, lending money to the state.

NS&I said yesterday that the retail inflows in effect saved the taxpayer £375m compared with the potential cost if the government had raised the equivalent amount through the sale of Treasury bills.

Ms Platt said that NS&I had continued to modernise its business to reduce its reliance on premium bond sales by offering new products. It has seen rising demand for index-linked savings certificates, in which the return paid is linked to inflation-linked products. Premium bonds now account for 43 per cent of sales.

Raid turns up chip and pin card fraud

By Elaine Moore

Fraud investigators have for the first time discovered chip-and-pin card readers in the possession of criminals, suggesting a new level of sophistication in attacks on the payments system lauded by banks as safe.

The terminals were found in Birmingham in the largest raid so far by the Cheque and Plastic Crime Unit on a factory set up to make cards on a "massive" scale.

Two people have been charged with conspiracy to defraud. Detective Chief Inspector John Folan called the arrests a "significant development" in the unit's efforts to reduce card fraud.

It is thought that by examining the terminals in their possession fraudsters were able to develop tracking devices that could be placed on retailers' readers to yield the card details of individual customers.

Asda, the supermarket group, recently launched an investigation focusing on its chip-and-pin machines at a store in Gosport, Hampshire, after money was stolen from customer bank accounts.

To date, compromised chip-and-pin terminals have been found in 24 UK retail outlets. Consumer groups said any security measure relating to payments would always come under attack because the potential rewards were so great.

The technology, implemented in 2007 at a cost of £1.1bn, embeds four-digit pin numbers in a microchip in a card that consumers key into a special terminal.

Before the scheme was rolled out fully, Apacs, the payments association, said it should help banks tackle 60 per cent of card fraud. Losses as the result of fraudulent credit and debit transactions have risen by more that £114m since 2003.

Staff threaten to halt Tube services in pay row

RMT plans two 72-hour stoppages

Company accuses union over motives

By Andrew Taylor, Employment Correspondent

Maintenance workers are threatening to bring three of London's busiest underground routes to a halt later this month when they stage a three-day strike over pay and pensions.

Some 1,000 workers employed by Tube Lines, a private sector company which maintains the Jubilee, Northern and Piccadilly lines, plan to stop work for 72 hours starting at noon on August 20. A further 72-hour strike is proposed to begin at the same time on September 3.

A similar stoppage at Metronet, which carries out maintenance on the other Tube lines, brought large swathes of the network to halt last September.

Metronet was subsequently taken back under public control after it went into administration last summer.

Tube Lines accused the union of having an "ulterior motive" to force all maintenance work back under public control. It said: "The RMT's vote against the [company's pay] offer and the length of their proposed action defy reason and perhaps suggests there is an ulterior motive behind the rejection. They have made no secret of their desire for Tube maintenance to return to public ownership."

The company said it had offered a one-year deal worth 4.85 per cent or a two-year agreement worth 4.95 per cent in the first year and an increase based on the prevailing retail price index plus 0.75 per cent in the second year.

It said the offer was "very competitive", and compared with an average rise of 3.7 per cent across the economy.

Bob Crow, general secretary of RMT, the transport industry union, said yesterday that Metronet staff had been offered better terms than those at Tube Lines.

He said: "Tube Lines has made enormous profits on the backs of our members' hard work, yet they seem to expect that they will accept an inferior deal on pay, pensions and conditions.

"Metronet workers can join a final-salary pension scheme, but Tube Lines wants to keep the door closed on it, and Tube Lines members are also denied the travel facilities that Metronet staff enjoy."

● The Police Federation is to spell out the employment rights of its 140,000 members when they work on rest days and overtime.

As a first step members will be asked to ensure that they are being paid in full and on time for rest-day working.

The move, which could increase the strain on police budgets, is designed to step up the pressure on the government over a long-running pay dispute.

The federation, however, insisted that it was not asking members to work to rule as police officers were banned by law from taking industrial action. It said that senior officers could still demand that police worked rest days but must follow rules and pay the proper rate.

Paul McKeever, federation chairman, called on members to secure their "full entitlements" after pay negotiations between the Home Office and police collapsed last month.

The government has offered 2.3 per cent rise compared with the 3.5 per cent demand by the federation.

News Digest

Rental market reform unveiled

Plans to tighten the regulation and improve standards in the buy-to-let and private rented market have been unveiled by the Law Commission.

The reforms which are designed to improve the self-regulation of the private rented sector, include setting up a housing standards monitor to guarantee quality in the market.

Other proposals in the report, titled Housing: Encouraging Responsible Letting, include establishing a stakeholder board, a single code of housing management practice for landlords, making landlord accreditation schemes available in every local authority area and launching a pilot programme for home condition certificates.

The report follows consultation with landlords and tenants, and was yesterday presented to parliament. The commission suggests that there be independent evaluation and development of appropriate incentives to make the programme attractive to landlords.

Daniel Thomas

Overdraft fees 'unfair', says OFT

The Office of Fair Trading has told leading retail banks that it believes the fees levied on customers who exceed their agreed overdraft limits are unfair.

The OFT has sent letters to eight high-street lenders, including HSBC and Royal Bank of Scotland. In the letter it sets out its preliminary views in connection with a High Court test case, scheduled to resume next month, over overdraft charges.

The agency said that the correspondence was designed to "start a dialogue" with each bank and to identify which of its findings are contested. "No bank's terms have been given a clean bill of health and all banks remain under investigation," an OFT spokesman said.

Megan Murphy

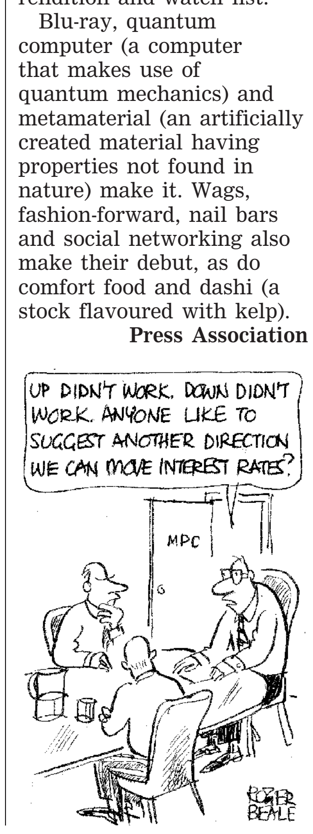
Credit crunch in dictionary debut

The words credit crunch, food miles and wardrobe malfunction have made it into the Chambers Dictionary.

Several words referring to the environment such as carbon footprint, green tax, electrosmog (electro magnetic fields emitted by computers and mobile phones) and eco-village appear in the 11th edition. The "war on terror" also provides the words blue-on-blue, extraordinary rendition and watch list.

Blu-ray, quantum computer (a computer that makes use of quantum mechanics) and metamaterial (an artificially created material having properties not found in nature) make it. Wags, fashion-forward, nail bars and social networking also make their debut, as do comfort food and dashi (a stock flavoured with kelp).

Press Association



Britons lukewarm on London 2012

London's Olympic officials still have their work cut out to convince Britons that the 2012 Games will be a success, according to a survey published today.

Only 15 per cent think the Olympics will be good for the UK's international reputation, according to a survey of 2,006 people questioned by the online market research agency Opinium Research.

A further 45 per cent think that other areas, with as great or even greater regeneration needs, are just as capable of hosting the games. Some 10 per cent were convinced that Britain could become a world-leading sporting nation by hosting the games.

Press Association

Bovril recalled in salmonella scare

Jars of Bovril beef extract have been recalled after checks revealed traces of salmonella, Unilever, the manufacturer said.

The company said it was recalling 15,000 jars and 72 plastic tubs sent to stores across the UK "as a precautionary measure".

Press Association

Cameron labels think-tank's verdict on the north 'insane'

By Jim Pickard

David Cameron rapidly distanced himself yesterday from a report calling for the government to pump more money into the south-east and allow poor towns in the north to dwindle.

The Conservative leader said it was "insane" for its authors to suggest the government should switch funding from struggling conurbations towards London, Oxford and Cambridge.

The report is potentially damaging to Mr Cameron because it was written by Policy Exchange, a think-tank which, though independent, has close links to his party.

Its call emerged as he began a two-day tour of northern marginal seats. While the party has made inroads in some councils in the region in recent years, it faces a struggle to win more Westminster seats beyond its southern heartland.

Mr Cameron, talking to reporters in Carlisle, sought to banish any suggestion he and his shadow cabinet could sympathise with any of the report's findings.

"Regeneration of our northern cities has been a key Conservative theme over the past three years, and one of the first things I did as leader was to set up the cities taskforce to look in to how we can further renew and regenerate our great cities," he said. "The authors of this report have themselves admitted it is barmy; it isn't, it is insane."

There is a deep vein of mutual suspicion between the UK's north and south about who gets most funding from central government.

Policy Exchange, in phrases perhaps designed to provoke, wrote that some northern cities had "lost much of their *raison d'être*" and were beyond revival. "It is hard to imagine them prospering at their current sizes," it said.

Without radical change, there would remain few employment opportunities for those unlucky enough to live in northern conurbations. "Geographical circumstance means that a life on benefits, whether in work, or out of work, will be more common in regeneration towns."

Labour was quick to capitalise on Tory discomfort.

"The Tories have very few friends in the north as it is and this is hardly likely to endear them to many more," said John Battle, MP for Leeds West.

John Prescott, former deputy Labour leader, said he was "staggered" by the report, which he branded "insulting and ignorant".

Sharon Hodgson, a Gateshead MP, compared the views to those of Norman Tebbit, who famously told the unemployed to get on their bikes and find work: "To suggest that we can successfully restore Sunderland's fortunes by encouraging people to leave the city defies logic."

Policy Exchange was set up six years ago by Michael Gove, now shadow education secretary, and Nicholas Boles, former chief of staff for Boris Johnson.

Notebook, Page 10

Russia leaves clear message in Gori ruins

Troops demolish base in town

EU split over how to handle Moscow

By Charles Clover in Tbilisi, Catherine Belton in Moscow and Stanley Pignal in Brussels

Russia made clear yesterday that despite a ceasefire agreement with Georgia, it will do whatever it pleases in the defeated country.

Russian infantry units rolled into the Georgian town of Gori, 30km from South Ossetia where they were supposed to remain, and demolished an abandoned Georgian military base. The unit, consisting of 20-30 armoured personnel carriers, was set to withdraw yesterday after completing its mission, Georgian officials said.

Batu Kuteli, Georgia's deputy defence minister, said: "We reached agreement at the highest political level, with the participation of international representatives, that Russian troops will leave Gori and return to their permanent stations in the next few hours."

Sergei Lavrov, the Russian foreign minister, confirmed that Russian forces remained on the outskirts of Gori, as they were in Senaki in the west of Georgia. But he claimed the troops were deployed to secure arms depots and provide humanitarian assistance and denied reports of looting.

"The local administration has abandoned [Gori]," he said. "There is no mayor and no law enforcement. There are only residents who have been abandoned to fate . . . Russian troops are organising humanitarian aid for them."

It was clear that the peace document agreed by the two sides on Tuesday was open to different interpretations, and the Georgian side, with its army almost destroyed, had no leverage except international diplomatic support.

Future disagreement was likely to centre on the introduction of an international peacekeeping contingent in the separatist enclaves of South Ossetia and Abkhazia, a question the peace document proposes to tackle in vague language.

Mr Lavrov said Russia would not object to the addition of an international peacekeeping contingent in South Ossetia but said there would be no significant changes to the Russian peacekeeping force deployed there as a result of Tuesday's agreement. "There will be no principle change in questions of peacekeeping in South Ossetia," he said.

Vyacheslav Nikonov, a Kremlin-linked political analyst, said Russia would allow in peacekeepers from neutral countries such as Finland, but any troops connected to Nato would be seen as a "military incursion".

George W. Bush, US president, asked Russia to cooperate in allowing US aid shipments to Georgia, although the Pentagon denied a claim by Mikheil Saakashvili, the Georgian president, that the operation would involve US military control of ports and airfields in Georgia.

Meanwhile, the European Union split along familiar fault lines over whether to isolate Russia or take a more nuanced approach to the conflict.

In an emergency meeting of the bloc's foreign ministers, the 27 members expressed broad support for sending EU personnel to South Ossetia but insisted such a move would first have to be approved by the United Nations.

"We are determined to be involved on the ground," said Bernard Kouchner, French foreign minister, who chaired the meeting. "There were a lot of countries who said they would go. Would you call them an army? Would you call them peacekeepers? No, but we have experience with monitors, observers."

The fudge was necessary not only to maintain the support of the Russians but also to bridge the widening gap separating EU partners.

Some members, notably Poland and the Baltic states, expressed deeper concern over Russia's actions since the start of the conflict and sought to place the issue of political sanctions nearer the top of the agenda.

The mainly former communist camp was joined by Britain. David Miliband, UK foreign minister, insisted that "whether or not and how" talks with Russia could continue was an issue that had to be addressed.

The alternative view – in effect to kick the idea of repercussions against Russia into the long grass – was endorsed by Mr Kouchner, who proposed addressing the issue at a meeting of EU foreign ministers next month.

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West shares blame, Page 11

GEORGIA ONLINE

For the latest news, analysis, in-depth reports, plus slideshow and forum
www.ft.com/southossetia

Making tracks: a Russian battle tank on the main road to the Georgian city of Zugdidi, 350km from the capital Tbilisi Reuters

Missile talks with Poles gain urgency

By Jan Cienski in Warsaw

Talks on building part of a US missile defence shield on Polish soil restarted yesterday, with Polish officials sending much more positive signals than recently, in part because of fears awakened by the Russian attack on Georgia.

Donald Tusk, the Polish prime minister, said this week: "The Georgian issue shows that in the generally understood area of the former Soviet bloc, real security guarantees are important."

After yesterday's meeting, Radoslaw Sikorski, Poland's foreign minister, said the two sides were closer.

The US would like to build a base containing 10 missile interceptors in Poland, which would be linked with a radar located in neighbouring Czech Republic. The Czechs have agreed to host the radar, but Mr Tusk's government has been much more wary.

Warsaw has been concerned that a missile base would become a target of Russian hostility, a not unreasonable assumption in light of the threats Moscow has issued over the programme. In order to ensure Polish security does not suffer, negotiators have been pressing the US to station Patriot interceptor batteries in Poland to protect Polish airspace. "One Patriot missile battery permanently stationed in Poland, that is our government's minimum condition," Bogdan Klich, the defence minister, said.

Mr Tusk said the crisis in Georgia showed the need for Poland to ensure its own security, so that it would not be left "naked" with only the missile defence base, which is intended to protect the US in the event of a rocket attack by a rogue state.

The fighting between Russia and Georgia appears to have made the benefits of having a permanent US troop presence on Polish soil more apparent to Warsaw. US negotiators are also interested in strengthening security ties with Poland.

If a deal is struck soon, George W. Bush would chalk up a foreign policy success before his presidency comes to an end in January.

Stanislaw Komorowski, Poland's deputy defence minister, told the Dziennik newspaper that an agreement was possible this week.

"The signals coming from Washington show that the Americans have come out in favour of Poland's demands," he said.

Mr Sikorski said the international situation made security guarantees more important than before, adding that Patriot missiles would be a "tangible" improvement in safety.

The US state department would not comment in detail on missile defence or on Poland's chances of obtaining Patriots.

The missile defence shield is unpopular with voters in both the Czech Republic and in Poland, but the centre-right governments of both countries feel that having the bases, with their US troops, would improve their security. Neither country's officials see an attack by a rogue state – the *raison d'être* of the missile shield – as a realistic threat, but they regard the presence of the bases as a bulwark against a possible threat from Russia.

Lech Kaczynski, Poland's president, has been more enthusiastic about the base than Mr Tusk, being more suspicious of Moscow than the prime minister. This week he led a delegation of central European leaders to Tbilisi. He said he was there to "do battle" and that Russia "wants to dominate neighbouring countries".

CIS unmoved by Saakashvili's gesture

By Isabel Gorst in Moscow

When Mikheil Saakashvili, the embattled Georgian president, declared at a meeting in Tbilisi on Tuesday that Georgia had withdrawn from the Russian-dominated Commonwealth of Independent States, the crowds cheered.

But no other former Soviet country has responded to Mr Saakashvili's call to rally behind Georgia and "bid a final goodbye to the Soviet Union" by exiting the CIS.

The grouping was formed as a union of newly independent states as the USSR disintegrated in 1991.

Even Ukraine, Georgia's staunchest ally in the violent conflict with Russia, said it could not leave the CIS because, having never formalised its membership, it was merely a bystander in the organisation.

The CIS response to the conflict over Georgia's breakaway republic of South Ossetia has been predominantly non-committal, with no member except Ukraine either criticising or openly supporting Russian action.

Analysts said CIS restraint could be explained by economic pragmatism, fear of reprisals, or caution about how the dust will settle after the worst violence in the bloc since the civil wars in the Caucasus and central Asia that followed the collapse of the Soviet Union.

Martha Olcott, a senior associate at the Carnegie Endowment for International Peace, said CIS countries, unlike the west, saw the Russian campaign in Georgia as being as much about determination to keep control in its own north Caucasus republics as a drive to extend Russian hegemony.

Dmitri Simes, the president of the Nixon Centre, said CIS countries did not believe they were at risk of being invaded by Russia. "They have nothing to gain by taking sides. It is not their battle. They do not have a dog in the fight."

Mr Simes said that Mr Saakashvili's pro-democracy rhetoric had little appeal in more authoritarian CIS countries such as Kazakhstan and Uzbekistan, where he was often regarded as a "troublemaker".

> 'They have nothing to gain by taking sides. They do not have a dog in the fight'

Mr Saakashvili has devoted little time to cultivating ties with other CIS countries, with the exception of Azerbaijan – the source of oil filling a strategic export pipeline across the Caucasus to the Mediterranean that earns Georgia both transit revenues and political support in the west.

Apart from the risk posed to its oil exports, the main danger for Azerbaijan arising from the Georgian crisis, said Ms Olcott, is that it could provoke a flare-up of hostilities in Nagorno-Karabakh, a separatist enclave on its territory occupied by Armenia since a civil war in the early 1990s.

Ilham Aliev, Azerbaijan's president, has so far made no public statement about the Georgian conflict.

"Azerbaijan will support whichever side gives it the best chance of regaining Nagorno-Karabakh," said Ms Olcott.

Kazakhstan halted exports across the Caucasus this week and called for a political resolution to the conflict. But Nursultan Nazarbayev, the Kazakh president, told Vladimir Putin, Russian prime minister, last week that a military response to Georgian action in South Ossetia was necessary.

Russia has reprimanded Belarus, whose president Aleksandr Lukashenko is criticised by the west for human rights abuse, for failing to clearly support its military action.

Ukraine snubs Moscow on port

By Roman Olearchyk in Tbilisi

Victor Yushchenko, yesterday announced restrictions on use of the Crimean port of Sevastopol by Russia's Black Sea Fleet, a move that follows a challenge by Kiev this week to Moscow's naval operations off Georgia's coast.

The surprise decree by Ukraine's pro-western president, requires Russian naval vessels to request permission 10 days in advance before returning to the strategically important port, which Russia leases from Ukraine. Russia's defence ministry quickly denounced it as "not serious".

Officials in Kiev suggested the new rules were not linked to Moscow's decision to send naval vessels to Georgia's coast for operations that Russian officials said were meant to maintain stability and support humanitarian efforts.

But Ukraine's foreign ministry this week warned Moscow that it would not allow Russian vessels to return to Sevastopol if they were used in military operations against Georgia. The media service for Russia's Black Sea Fleet in Sevastopol said yesterday that four vessels had left the base this week to support operations off Georgia.

Kiev also suspects that Moscow wants to keep its fleet in Sevastopol beyond the expiry of the lease agreement in 2017.

Ukraine's move came hours before George W. Bush, US president, said he would send aircraft and naval vessels to Georgia to provide humanitarian aid. It fuelled fears that worsening relations between Kiev and Moscow – amid the Russian-Georgian military conflict – could escalate into a dangerous east-west struggle in the strategic Black Sea region.

A huge civilian crisis for a tiny nation

Quentin Peel
BETWEEN THE LINES

Russia is adamant that the sole reason it sent hundreds of tanks and thousands of troops pouring into the secessionist territory of South Ossetia last week, and then into the undisputed territory of Georgia, was to prevent "ethnic cleansing" and a humanitarian catastrophe.

Moscow accused the Georgian armed forces of causing 2,000 deaths among civilians, and forcing up to 30,000 refugees to flee to Russia, in what Sergei Lavrov, the foreign minister, described yesterday as "genocide" in the Financial Times.

The "deliberate extermination of a race" is not what is happening or has happened in Georgia, but the concept of ethnic cleansing is vital to Russia's case to justify its "humanitarian intervention", putting it on a par with the Nato operation in Kosovo in 1999.

There is no doubt that thousands of refugees fled to Russia from the artillery exchanges and military raids launched by Georgia against the secessionist forces of South Ossetia, and hundreds may have been killed, although independent evidence of the death toll has yet to emerge.

Now Georgia is claiming "ethnic cleansing" is taking place in reverse, with South Ossetian militia attacking ethnic Georgian villages and driving out their inhabitants.

"This is a humanitarian catastrophe unfolding in the eyes of the world, and it is not very far away," Mikheil Saakhashvili, Georgia's president, said yesterday. "It is in Europe." He appealed for a huge humanitarian effort from the US and European Union to help cope with the refugee crisis.

According to the UN High Commissioner for Refugees, an estimated 100,000 people have fled their homes in both directions from the fighting. In the past 24 hours, the agency has increased its estimate of the internally displaced people inside South Ossetia from 12,000 to between 30,000 and 40,000. That means most of the 75,000 population is displaced, including the 25,000 still in Russia.

The UNHCR does not use inflammatory language such as "ethnic cleansing", but it is clear that in the ethnic patchwork that is South Ossetia, with ethnic Ossetian and Georgian villages interspersed, something of that sort is happening in both directions. Fear of the Georgians drove the Ossetians north, and now Ossetian militias are reported to be driving Georgians south.

The first independent report from the ground was published yesterday by the non-governmental group Human Rights Watch. It said its researchers "saw ethnic Georgian villages still burning from fires set by South Ossetian militias, and witnessed looting by the militias". They also reported on first-hand accounts of ethnic Ossetian villagers who fled Georgian soldiers during the first days of the conflict.

Speaking privately, senior Russian officials admit it will be impossible to enforce an immediate peace, in spite of the ceasefire, because of the volatile ethnic relations in the region. It is not merely in South Ossetia. The UNHCR reported that it was helping with the evacuation of 1,000 ethnic Georgian villagers in Abkhazia yesterday, from a settlement north of Zugdidi.

"These people are fleeing out of fear," the UNHCR said. "There are Russian checkpoints on the roads. Fear is making people move."

The conflict is presented internationally as a clash between Russia and the west, as represented by the passionately pro-western Georgians. That is perfectly correct. Both sides see it in such post-cold war, ideological terms. But civilians are in the front line of the victims on both sides.

"Relations between Russia and Georgia have reached a poisonous new low. But it is relations within the conflict regions that will suffer most," said Magdalena Frichova, project director of the International Crisis Group, in a commentary for the BBC website. "South Ossetia has been ripped apart in the latest fighting."

Both sides are trading accusations of mass atrocities. She calls for "credible and impartial investigations of violations and, if appropriate, the prosecution of perpetrators, [to] advance long-term reconciliation".

Rachel Clogg of Conciliation Resources, a non-governmental group dedicated to conflict resolution in the region, backs that call, and says "the disproportionate use of force" by both Russia and Georgia should be acknowledged by the rest of the world.

In global terms, the casualties and the wave of refugees is small. But in Georgia – population 4.6m – it is huge, and the consequences will be devastating.

Driven out: Georgians find any way to flee Gori yesterday AFP

Japan unlikely victim of global economic woe

News Analysis

Michiyo Nakamoto and **Chris Giles** on why the second largest economy has started to suffer contraction

Japan's economy had been seen as relatively immune to the ravages of the credit crisis hitting the US and Europe.

Its banks were much healthier than those on either side of the Atlantic; it was benefiting from an export boom to the rest of Asia; and its economy grew unexpectedly quickly in the first quarter of the year, recording an expansion of 0.8 per cent, four times the rate of anaemic US growth.

But although a bad quarter was expected – and there was an almost equally bad period exactly a year earlier – the contraction of Japan's gross domestic product by 0.6 per cent in the second quarter has jolted everyone out of any complacency that the world's second largest economy could continue to operate untouched by events elsewhere.

The quarterly decline was its sharpest in seven years, and makes Japan the biggest economy yet to experience economic contraction this year. Italy, Canada, Denmark and New Zealand have also reported negative growth.

With the year-on-year growth falling to 1 per cent compared with 1.8 per cent in the second quarter of 2007, Akira Maekawa, economist at UBS in Tokyo, said: "This [quarter] makes it all the more clear that the economy is slowing down."

There is even the chance that Japan's long but weak economic upswing since 2001 might come to an end with a slide into recession towards the end of the year.

Japan, which imports most of its energy, has been hit by the sharp rise in the prices of oil and other commodities, which have squeezed companies and households alike, reducing their ability to spend and the economy to grow.

Domestic demand fell 0.6 per cent in the second quarter, having risen by 0.4 per cent in the January-to-March period. It was driven lower by very sharp falls in household consumption and government capital spending.

Exports were also weak with net trade contributing nothing to economic growth, having added 0.4 percentage points on average in each of the three previous quarters.

Exports fell 2.3 per cent quarter-on-quarter after a strong run, and the contribution of net exports to GDP growth was zero.

> 'We expect very sluggish economic momentum throughout fiscal year 2008'

"Exports are in a very tough situation," said Bunmei Ibuki, finance minister.

Given the downturn in the global economy and rising input prices, some economists believe the slowdown in the Japanese economy will continue for some time.

"We expect very sluggish economic momentum throughout fiscal year 2008, putting the real growth rate below 1 per cent for the year", ending March 2009, the Royal Bank of Scotland said in a report.

But given Japan's weakness relative to other advanced economies since its credit and housing bubble burst in the early 1990s, many economists still saw the bright side in yesterday's figures.

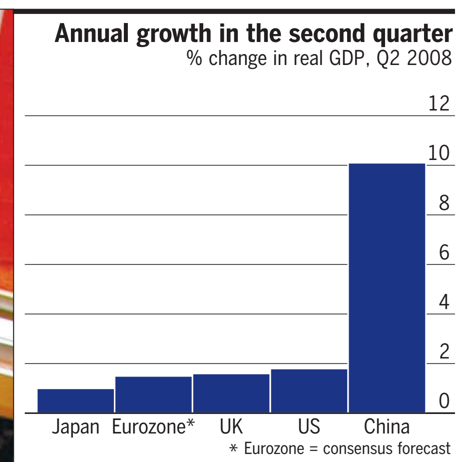
They expect the downturn will be mild compared to what the country experienced in 2001.

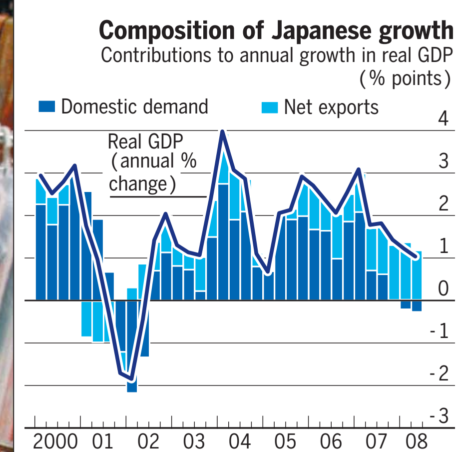
"The details of the second quarter GDP report do not point to a severe recession," writes Kenichi Kawasaki, economist at Lehman Brothers in Tokyo.

"The economy has eliminated excesses built up in the aftermath of the late 1980s bubble, and the fundamentals of the economy are much better than in the previous post-bubble cycles," he added.

Julian Jessop, chief international economist at Capital Economics, said the economy "is still in relatively good shape compared to similar points in previous downturns".

A taste for competing, Page 11





Worst quarterly growth since Q3 2001 **-0.6%**

Fall in residential investment from Q2 last year **-15.6%**

Consumer confidence in Q2 at the lowest level since the index began in 1982

Photo: Alamy

Source: Thomson Datastream

N Korea to seek abducted Japanese

By Lindsay Whipp in Tokyo

Japan and North Korea have hammered out the details of a new investigation into the whereabouts of the Japanese citizens believed to have been abducted by the communist state in the 1970s and 1980s. The move represents a step forward in relations between the countries.

Officials from the two nations yesterday agreed that North Korea would form a committee with an "appropriate" mandate to restart investigations to find the abductees.

Once the investigation has been confirmed, Japan will lift two of its sanctions on Pyongyang, which ban North Koreans from travelling to Japan and place restrictions on charter flights, a Japanese foreign ministry official said.

North Korea agreed to reopen investigations in June, a change of heart from its previous stance that the subject was closed. Details of the new investigation were agreed after a two-day meeting this week in China.

"It's a step forward and what we look to now is to make sure they implement what they have agreed, that it will be turned into action," a Japanese foreign ministry official said.

The abduction issue is close to the hearts of many Japanese citizens and, should North Korea follow the agreement, it would be a big step towards normalising relations between the two countries.

The US recently promised to remove Pyongyang from its list of state sponsors of terrorism if it provided a list of its plutonium-based nuclear programmes and destroyed the cooling tower of its main Yongbyon atomic reactor. The US pledge was part of multinational efforts to get North Korea to abandon its nuclear ambitions.

However, an initial 45-day deadline for Washington to delist Pyongyang passed on Monday.

"The end of the 45-day period is a minimum time, not the actual time when something actually must happen or will happen," Gonzalo Gallegos, US state department spokesman, said.

Japan had let it be known that North Korea's delisting might have been hasty, given that the abduction issue had yet to be cleared up.

Tokyo says there are 12 abductees still "certified" as missing, with five already having been returned. However, studies by private groups have come up with much larger numbers of abductees.

The North Korean government has agreed that the search be "across the board" and that the investigation be carried out swiftly, with the aim of reaching a conclusion by autumn.

In the agreement, North Korea will keep Japanese officials informed of its progress throughout the investigation and Tokyo will be granted on-site visits.

US in warning to Turkey over terms of energy deal with Iran

By Andrew Ward in Washington and Alex Barker in Ankara

The US yesterday warned Turkey not to strike an energy deal with Iran that undermined diplomatic efforts to halt Tehran's nuclear programme, on the eve of a visit to Ankara by Mahmoud Ahmadi-Nejad, the Iranian president.

A deal to increase Iranian natural gas supplies to Turkey is expected to form the centrepiece of the visit, giving Mr Ahmadi-Nejad a much-needed diplomatic boost as he attempts to defy pressure to isolate Iran.

The US state department said it expected Ankara to avoid a deal that would harm diplomatic efforts but made clear its opposition to any agreement that eased pressure on Tehran.

"Such a deal by Turkey with Iran would send the wrong message at a time when the Iranian regime has repeatedly failed to comply with its UN Security Council and IAEA obligations," the state department said.

The meeting with Recep Tayyip Erdogan, Turkey's prime minister, marks Mr Ahmadi-Nejad's first bilateral visit to a Nato member. Mr Erdogan is seeking to strengthen energy ties with Tehran, step up co-operation against Kurdish separatists and intensify Turkey's efforts to defuse the dispute over Iran's nuclear programme.

The centrepiece of the visit is likely to be progress on an energy initiative that Ankara and Tehran launched last year. That could see a deal signed to increase Iranian natural gas supply and set rates for the transportation of Turkmen gas across Iran.

The US state department said Washington was opposed to any country deepening economic ties with Tehran. "This is not the time to do business with Iran," it said.

"It is time for the international community, including our ally Turkey, to begin considering additional measures to pressure Iran."

Ankara and Tehran have good relations, particularly where interests on energy and tackling Kurdish militant groups overlap.

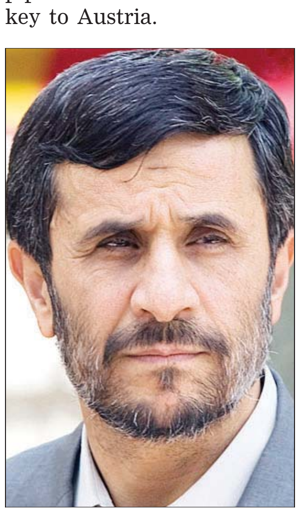
But the standoff over Iran's nuclear ambitions has tested the relationship. Turkey wants to prevent Iran obtaining a nuclear weapon but is concerned about the risk of military confrontation.

"Increased tensions between Iran and the US will put Turkey in a very awkward position," Ihsan Dagi, professor at Middle Eastern Technical University, said. "After the Iraq war, [Turkey] learned it could no longer remain indifferent to regional developments."

One western diplomat welcomed Ankara's "useful" engagement over Iran's nuclear programme but said Iran "has yet to request that Turkey acts as a formal mediator".

Turkey, which is reliant on energy imports, is keen to diversify its supplies and establish itself as a hub between Europe and the energy rich nations to its east.

Washington and some EU states have expressed deep concerns over its energy ties to Iran, which pave the way for Iranian and Turkmen gas to be transported to Europe via the planned Nabuko pipeline from eastern Turkey to Austria.



Mahmoud Ahmadi-Nejad: energy initiative

Spain recalls cabinet for crisis meeting

By Mark Mulligan in Madrid

Spanish cabinet ministers have interrupted their summer breaks to discuss the country's rapidly deteriorating economy.

In an unprecedented break with tradition, most of the cabinet's 17 members have postponed their holidays or returned to Madrid.

José Luis Rodriguéz Zapatero, the prime minister, interrupted his holiday in the remote Doñana national park to chair the talks, while Pedro Solbes, finance minister, will hold off until after the conference before starting his break. Cristina Garmendia, science and innovation minister, has returned to Madrid from Marbella, on the Costa del Sol.

Today's cabinet meeting will be the first called in mid-August in living memory. Key ministers and secretaries of state – members of a special economic commission – met late yesterday to compare notes.

Some forecasters say that growth this year could drop to about 1 per cent year-on-year, compared with 3.8 per cent between 2006 and 2007.

Mr Solbes recently admitted that Spain might enter technical recession in the final quarter of the year. A growing band of analysts expect year-on-year growth in 2009 to be flat or negative.

"The situation is quite grave," said Antoni Espasa, director of the Instituto Flores de Lemus economic forecasting unit in Madrid. "We see growth this year at 1.5 per cent and falling to 0.3 per cent next year."

After being one of the economic stars of Europe in recent years, Spain has been hit hard by the credit crunch, which exacerbated a housing market collapse last year.

Along with rising joblessness and one of the eurozone's highest inflation rates, this has battered consumer confidence. Industrial output fell 9 per cent in June – the biggest year-on-year drop in 16 years.

Inflation hit a 16-year high of 5.3 per cent in July, according to data released yesterday. However, the figure is expected to ease in coming months, reflecting the recent fall in oil prices. David Vergara, secretary of state for the economy, yesterday forecast that inflation would drop to 4 per cent by the end of this year.

After today's extraordinary cabinet meeting, the government is expected to give details of a series of measures aimed at helping hard-pressed small and medium-sized business, offsetting the downturn in residential construction and encouraging investment in other sectors.

The meeting is intended to show solidarity with voters over the country's deteriorating economy.

Critics say Mr Zapatero has been too slow to act, after ignoring warning signs of an impending downturn last summer.

Esteban González Pons, spokesman for the opposition Popular party, suggested that the meetings were a "publicity stunt".

"Spain doesn't need photo opportunities and a prime minister who looks good," he said. "It needs a hard-working prime minister who pays attention to the state of the Spanish economy."

Estonia becomes first victim of Baltic recession

The Baltic states' economies – last year among Europe's fastest growing – have abruptly gone into reverse and Estonia is already in recession, official figures confirmed yesterday.

The downturn in the three states is a grave blow to their hopes of swiftly catching up with the rest of the European Union. Even Estonia, the richest of the three, still only has a gross domestic product per capita of about three quarters of the EU average. "The key thing is that it's only going to get worse from now on," Neil Shearing of Capital Economics, who forecasts a 2.5 per cent full-year decline in Estonian GDP, said.

The country's economy contracted 0.9 per cent in the second quarter compared with the first, during which there was also a 0.5 per cent quarter-on-quarter decline, according to the statistics office.

A recession is defined as two consecutive quarters of negative growth.

Latvia is also poised to enter recession by the end of the year and Lithuanian growth is also slowing sharply, though it is likely to escape recession.

Both in Latvia and Estonia policymakers are now scrambling to revise their economic forecasts downwards and to balance budgets that are set to go into the red because of falling tax revenue.

Cambodia tribunal indicts Khmer Rouge commandant

Crimes against humanity charge

Trial to start by early October

By Raphael Minder in Hong Kong

The tribunal charged with delivering justice for the victims of Cambodia's 1970s genocide is finally set to bring its first defendant to trial, indicting the commandant of an infamous Khmer Rouge torture centre in Phnom Penh for crimes against humanity.

The indictment of Kang Kek Ieu, better known as Duch, was announced this week as the United Nations-backed tribunal found itself under the spotlight following corruption allegations.

Officials at the court celebrated the indictment, however, as a signal that its work was starting in earnest. "The bell is now ready to ring and we are really pleased with this, because this really responds to the demands of the public, both in Cambodia and abroad," said Reach Sambath, a spokesman, who added that he expected Duch's trial to start by early October.

Duch is one of only five Khmer Rouge leaders to have been charged by the tribunal seeking justice on behalf of the estimated 1.7m Cambodians who died under the regime between 1975 and 1979. He was charged with overseeing Tuol Sleng, a former school that was converted into a political prison and interrogation centre in which thousands died.

Meanwhile, the UN Development Programme, which manages international funding for the trial, has withheld money under instruction from donors, including the European Union and Australia because of alleged kickbacks involving Cambodian employees.

The court was set up jointly by Cambodian and international authorities and has a staff of 350, including 250 Cambodians. "We really hope that this [fund withholding] is a temporary delay," said Helen Jarvis, a tribunal official. "For the Cambodians not to have been paid since the end of June is getting a little difficult."

The trial is likely to spark mixed emotions among a population mostly born after the Khmer Rouge atrocities and frustrated by the delay in bringing the regime's leadership to justice.

Ms Jarvis cited a recent survey by the International Republican Institute, the US-based political development group, which found that 86 per cent of respondents supported putting Khmer Rouge leaders on trial.

The latest corruption allegations could add to concern at ballooning costs. The establishment of a tribunal was agreed in principle in 1999 but it was only set up in 2006 after extended debate between international donors and Cambodia on its organisation.

Mr Sambath said spending had not exceeded that of other international tribunals. The court had an initial three-year budget of \$56.3m (€38m, £30m).

Rising oil and food prices limit Indian growth to 7.7%

By Amy Kazmin in New Delhi

India's economic growth this fiscal year will slow to 7.7 per cent from 9 per cent last year as high oil and food prices and tightening credit markets take their toll, a government panel forecast yesterday.

In its outlook for the year until March 2009, the economic advisory council to Manmohan Singh, prime minister, said that inflation would slow to between 8 per cent and 9 per cent but the central bank would have to maintain a "tight monetary stance" to tame rising prices.

The council also warned of mounting fiscal stress because of rising government subsidy bills for items such as petroleum products and fertiliser, forecasting that off-budget liabilities would reach about 5 per cent of gross domestic product.

"Despite appreciable fiscal consolidation, large and growing off-budget liabilities are a matter of concern," the report said. "When these are included, the fiscal situation no longer looks stable and sustainable."

India's economy has grown, on average, at 8.8 per cent a year for the past four years, attracting the attention of global investors. But the council said India was being hit by international economic turbulence.

"The downside risk to our growth expectations in 2008/09 is primarily from a further deterioration of global conditions with its attendant impact on India, be it in the sphere of oil prices or capital markets," the report said.

However, the council described the projected slowdown in growth as "modest", given the magnitude of the global shocks.

8-9%

Expected level for inflation in the year to March 2009

2%

Likely growth in farm output – hit by an erratic monsoon

India's growth in recent years has been driven by private investment and domestic consumption, but the council said both would slow this year.

While surging global oil and food prices have fuelled inflation, India's economic challenges are not all imported. The report said growth was hampered by domestic supply-side constraints, particularly in infrastructure such as power, irrigation and transportation.

India's agricultural output will also grow just 2 per cent, down from a 4.5 per cent expansion last year, due in part to an erratic monsoon, highlighting the challenge India faces in boosting farm productivity and meeting its own rising demand for food grains.

Industrial output is forecast to grow 7.5 per cent, down from 8.5 per cent, with industry still facing constraints from power shortages, while the service sector is projected to grow 9.6 per cent, down from 10.8 per cent last year.

Army walks away from Musharraf

Move forces leader to consider position

Discussions begin to find a successor

By Farhan Bokhari in Islamabad

Pakistan's powerful army is distancing itself from Pervez Musharraf, the president, according to high-ranking officials and western diplomats, forcing the former military chief to consider resigning rather than face the humiliation of parliamentary impeachment.

Pakistan's ruling coalition last week announced plans to impeach Mr Musharraf over his conduct in government before the restoration of democracy in February.

But speculation has been rife in the past week that the military was keen to avoid becoming tainted by the possible public humiliation of its former chief of staff.

Pakistan's armed forces have frequently intervened in the country's politics since independence in 1947, including the 1999 coup that brought Mr Musharraf to power. However, it has moved in recent days from its position of keeping open the option of further intervention to one of maintaining strict neutrality in the crisis.

"It's curtains for President Musharraf," a government official said, citing messages conveyed by senior generals under the command of General Ashfaq Kiyani, the army chief, to Mr Musharraf, over the past two days.

A second government official also confirmed that the messages had been conveyed. Both spoke off the record, citing the sensitivity of the negotiations.

Military analysts said that news of the military's move to distance itself from Mr Musharraf was not surprising.

"This military is telling President Pervez Musharraf: 'Please step down and avoid further humiliation for yourself and also for the army'," Talat Masood, a retired lieutenant-general and respected commentator, said.

"The military has probably concluded that President Musharraf staying on as the president will only cause more divisions in Pakistan."

In Karachi, the heartland of the Pakistan People's party, which heads the government, officials said backroom discussions had begun with the military to find a mutually acceptable successor to Mr Musharraf.

"In public we say the military must remain neutral. But in private we all know the military is a powerful player and they have to be on board," a PPP leader said.

Among those mentioned as the party's potential candidate for the presidency, Asfandyar Wali Khan, a nationalist politician from the North-West Frontier Province bordering Afghanistan, was given prominence by a government minister.

Western diplomats said the military's stance removed the most formidable source of support for the Pakistani leader.

The country has been ruled by the military for more than half its life as an independent state, making the generals some of the most powerful political figures in Pakistan.

"Even if by some luck President Musharraf survives and carries on, the military wants to make clear that it would have no responsibility for that outcome," one senior western diplomat in Islamabad said.

Publicly, the Pakistan Muslim League-Quaid e Azam (PML-Q), which provided support to the previous military-backed government, continues to support Mr Musharraf.

Mushahid Husain, a senior PML-Q leader, said his party had urged Mr Musharraf to defend himself against impeachment but added that should he resign, the party would like him first to restore judges he sacked last year and cancel the amnesty granted to politicians, including Asif Ali Zardari, the PPP co-chairman, over past corruption allegations.

Focus on Zimbabwe

MDC pledge to review mines deals

Secret talks reveal preparation for rule

Encouragement for Anglo American

By Tom Burgis in Johannesburg

Mining group Anglo American has held secret talks with Zimbabwe's opposition, that could see Anglo Platinum, its majority-owned subsidiary, regain lucrative concessions recently ceded to the regime of Robert Mugabe, the president.

In a sign of how the convulsions in Zimbabwe could affect some of the world's most coveted resources, two senior figures in the Movement for Democratic Change told the Financial Times that the party had held discussions with the mining company, which has a 76 per cent stake in Anglo Platinum.

Asked whether the talks could lead to Anglo Platinum winning back its claims in Great Dyke, the world's second richest platinum vein should the MDC win power, one party insider said: "Definitely." Anglo American declined to comment but did not deny having discussions with the MDC.

The MDC is engaged in faltering power-sharing negotiations with the autocratic president after widely denounced elections, which Mr Mugabe claimed to have won.

It is planning a review of all mining concessions if, as Europe and the US insist, it heads the next government. It would hold an investment conference two months after the signing of a power-sharing deal.

"We are saying: 'You have to come clean. We don't want your money for the MDC, we want you to invest in the country.' Because if we say, 'you have to give money to the party', we are just perpetuating Zanu-PF structures," the insider said, referring to Mr Mugabe's party.

Central African Mining and Exploration, run by Phil Edmonds, the former England cricketer, in April announced it had bought a 60 per cent interest in the holding company that owns a pair of platinum claims that Anglo Platinum had handed over to Zimbabwe's state-owned mining company the same month.

Camec paid $5m plus new shares, at the time worth about $240m, and made the cash-strapped government a $100m loan. The London-listed miner declined to comment on the MDC talks.

It forecast it could be producing between 120,000 and 150,000 ounces of platinum annually from the concessions within eight months.

If Anglo Platinum recovered its interests, that level of output would be equivalent to about 5 per cent of the South African group's global production last year.

At a price of $1,500 an ounce, the total reserves at the two sites, estimated at about 7.5m ounces of platinum, would be worth more than $11bn (€8.8bn, £5.9bn).

Thabo Mbeki leads the way out of the Harare hotel after the break-up of talks between the various factions involved in discussing Zimbabwe's future AFP

Rumours distort outcome in Harare

News Analysis

Mystery surrounds the reasons for the breakdown of talks, write Tom Burgis and Tony Hawkins

With Zimbabwe's power-sharing talks once again stalled, the country's fate now depends on which of the four negotiators – trade unionist, liberation hero, former McKinsey consultant or Africanist intellectual – will blink first.

When he emerged on Tuesday night from power-sharing talks at Harare's Rainbow Towers hotel, Morgan Tsvangirai, the leader of the opposition Movement for Democratic Change who came first in March's first round of presidential elections, was taciturn.

It appeared initially that the former labour organiser, beaten up by security forces a year ago, might have been excluded from a deal.

Rumours circulated that Arthur Mutambara, a business strategy professor and consultant, who leads a breakaway faction of the MDC, had cut a deal with President Robert Mugabe.

But Mr Mutambara contradicted the state mouthpiece that had reported the pact, saying there could be no agreement unless all parties signed up. Some members of his faction argue that Mr Mutambara's political reputation would be fatally tainted by such an accommodation.

Even so, he left little doubt as to where his sympathies lay, joining the government in accusing Mr Tsvangirai, who insists that he is entitled to lead any transitional government as executive prime minister, of vacillation.

Commenting on the talks yesterday, Mr Tsvangirai reiterated his commitment to dialogue provided it reflected "the will of the people". He did not reveal the key points of disagreement.

Senior aides to Mr Tsvangirai have been ambivalent about the prospects for a deal, saying that one could be in the offing, but hinting that a breakdown of the talks could be in the opposition leader's interests. "We will just go off round the capitals again," said one aide, referring to a diplomatic campaign that has seen Europe and the US, as well as several of Mr Mugabe's neighbours, demand that Mr Mugabe cede power to his old rival.

With the economy collapsing, the MDC holds one important card. Donors will refuse to hand over the $2bn (€1.3bn, £1bn) in planned reconstruction aid should Mr Mugabe and his followers retain power.

"Without Tsvangirai, neither Mugabe nor Mutambara can form any sort of government that will be credible in the eyes of Zimbabweans, the region and the international community," says Bella Matambanadzo, head of the Zimbabwe programme at the Open Society Initiative.

But Mr Mugabe has insisted he retain some executive power. One person close to the talks said his demands included the right to dismiss the prime minister.

Even if Mr Tsvangirai wins executive power, he would have to overcome deep divisions in his party.

As regional leaders gather in Johannesburg this weekend for a summit of the Southern African Development Community, the MDC hopes its international backers will exert more pressure on Thabo Mbeki, South Africa's president who has been mediating the talks.

Mr Mbeki's star has fallen since he hailed an "African renaissance" more than a decade ago. Much criticised for his "quiet diplomacy" approach to Zimbabwe's crisis, he is scrambling for a deal that will secure his legacy.

With Botswana threatening to boycott the summit if Mr Mugabe attends, and the powerful labour federation that is part of the ruling South African alliance planning a massive demonstration for Saturday, Mr Mbeki will take the bloc's chair under unprecedented strain.

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News Digest

Bomb kills 18 in Lebanon

A roadside bomb targeting a bus in Tripoli, Lebanon yesterday killed at least 18 people, including nine soldiers.

The explosion came hours before the start of a two-day visit by Michel Suleiman, Lebanon's new president and a former army commander, to Damascus for talks with Bashar al-Assad, his Syrian counterpart.

It is the first such visit by a Lebanese head of state since relations between the two countries deteriorated more than three years ago.

Ferry Biedermann, Beirut

US sees retail sales fall

Retail sales in the US fell by 0.1 per cent in July, recording their first drop in five months as the impact of the government's $100bn round of economic stimulus cheques to consumers began to wear off.

The decrease was driven lower primarily by a 2.4 per cent drop in sales of cars and car parts, which were down 10.5 per cent on a year-on-year basis.

Excluding the auto sector, sales rose 0.4 per cent, lower than the 0.9 per cent gain recorded in June.

James Politi, Washington

Afghan militants kill aid workers

Three female international aid workers and their Afghan driver were murdered by insurgents yesterday just 50km outside Kabul. The women, who were working for the US-based International Rescue Committee, were ambushed and shot dead in a part of the country considered relatively secure.

A local Taliban commander claimed the attack was an attempt to kidnap the party, which included a fourth woman who was taken away before being killed.

The claim was not confirmed in a statement by the IRC, which said three women were killed; a British-Canadian, a Canadian and a Trinidadian-American.

Jon Boone, Kabul

Attack drives out Darfur rebels

Darfur rebels yesterday accused the Sudan government of mounting a huge attack to wipe out their strongholds in the far north of the region, where they are losing ground for the first time.

Three days ago, government soldiers staged a ground assault on Atrun in North Darfur state, and another location, driving out elements from the Sudan Liberation Army, Suleiman Marajan, a rebel commander, said.

AFP, Khartoum

US presidential candidates resist watering down climate plans

News Analysis

The cap-and-trade schemes proposed by Barack Obama and John McCain differ sharply, says Edward Luce

At an interaction last week with voters in Indiana, Barack Obama was asked what his highest priorities would be in his "first 1,000 days in office". Ahead of universal healthcare and ending the Iraq war, the first item on Mr Obama's list was comprehensive energy reform.

Observers of the increasingly commuter-focused presidential debate in the US could be forgiven for thinking that the pain of high petrol prices has driven the issue of global warming off the political agenda.

But they would be wrong. Both Mr Obama and John McCain are promising to implement radical cap-and-trade plans that would curb US carbon emissions – in Mr McCain's case a 60 per cent cut below 1990 levels by 2050, in Mr Obama's an 80 per cent decline.

Given the economic climate, neither candidate finds much profit in drawing attention to their plans – and when they do it is usually in the context of achieving "energy independence" rather than tackling global warming. Yet neither has given in to the temptation to water them down.

"I hate to be fair to the Obama campaign but it is remarkable that we have two presidential candidates who are proposing mandatory plans to reduce America's carbon emissions," says Douglas Holtz-Eakin, Mr McCain's senior economic policy adviser.

That is where the similarity ends. The difference between Mr McCain's plan, which would initially allocate tradeable carbon permits for free, and Mr Obama's, which would start with a 100 per cent auction of permits, is large.

The McCain camp describes its opponent's plan as imposing too steep a burden on businesses too quickly without easing the transition costs.

The Obama campaign describes Mr McCain's plan as a recipe for "corporate welfare" since it would incentivise Washington's corporate lobbyists to push for more free permits to be awarded to their sectors.

"The lesson from the European experience is that you don't want to give away permits – you should move immediately to a market-determined price for carbon," says Jason Furman, Mr Obama's economic policy director. "You should aim for as much predictability and reliability as possible in terms of the number of permits. And you should ensure the carbon caps are as comprehensive as possible. McCain meets none of these criteria."

Mr Obama's plan promises to allocate $15bn (€10bn, $8bn) of the annual revenues from the auctions to investment in alternative energy and to create 5m "green-collar jobs" over the next decade. A large part of the remainder of the proceeds would be returned to consumers to help them deal with the transition effect of higher carbon prices.

Mr McCain, in contrast, has yet to develop a clear formula for how to allocate the permits and what to do with the much smaller proceeds.

The shorter the time horizon, the larger the differences between the two. Mr McCain, who has been portrayed by Democrats as being increasingly in the "pocket of big oil companies", has poured scorn on Mr Obama's alleged reluctance to consider mainstream alternatives to imported oil, such as nuclear power, new coal plants or lifting the moratorium on offshore drilling in the US.

Describing his energy plan as "all of the above", Mr McCain has attracted criticism for proposing a temporary waiver on the federal petrol tax at the pump – a move that Mr Obama dismisses as a gimmick. But Mr Obama has gimmicks of his own, in the view of most economists, including his continued support for subsidising corn-based ethanol production.

Both are playing short-term politics with high petrol prices. But neither has so far wavered from his commitment to impose a cap-and-trade system.

"Setting up a cap-and-trade system is a strong priority for Senator McCain that he is committed to pursuing early into his first term," said Mr Holtz-Eakin. "He has been committed for many years to achieving this goal."

Whichever candidate wins the election, much of corporate America might suddenly find it has a battle on its hands.

"We are completely opposed to setting up a US system of cap-and-trade until you have a treaty that includes China and India," says William Kovacs at the Chamber of Commerce in Washington.

"Even then, we don't believe in imposing mandatory targets. We would continue to lobby against it whoever is putting it forward."

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Palestinian leaders at Darwish's funeral in Ramallah Getty

Palestinians bid a sorrowful farewell to their national poet

By Tobias Buck in Ramallah

Palestinians bade an emotional farewell yesterday to Mahmoud Darwish, their national poet, who was laid to rest on a hilltop overlooking the West Bank city of Ramallah.

Darwish, widely revered for giving voice to the Palestinians' desire for independent statehood and their longing for the lands they lost to Israel, died on Saturday aged 67 after complications resulting from a heart operation in the US. Yesterday's funeral was the most significant to be held in the West Bank since the death of Yassir Arafat, the Palestinian leader, four years ago. Like Arafat, Darwish was honoured as much by the political and cultural elite as he was by ordinary Palestinians.

Mahmoud Abbas, president of the Palestinian Authority, delivered the eulogy, praising the poet as a "master of the word and wisdom, the symbol who expressed our national feeling, our human constitution, our declaration of independence".

Thousands of mourners lined the streets to catch a glimpse of the coffin as it was taken from the presidential compound to the city's cultural palace, which will be renamed in his honour.

Many people waved Palestinian flags or clutched posters bearing the poet's image, and his face appeared on countless T-shirts worn by mourners. Street hawkers did a brisk trade selling scarves and amulets emblazoned with Darwish's portrait. Darna, a restaurant frequented by Ramallah's social elite, flew a black flag. Just around the corner, the shop window of the humble al-Wahhan shoe shop was dominated by a large picture of Darwish, together with a tribute to the poet.

Waiting outside the cultural palace, where Darwish frequently held readings of his work, was another vast crowd, barely held at bay by the ring of soldiers surrounding his freshly dug grave. Saher Rifai, a 28-year-old lawyer from Ramallah, sat in the shade of a mourning tent, where he listened to Darwish's poems being read out over loudspeakers. "His body has gone, but not what he wrote and what he gave us," Mr Rifai said. "He was much more than a poet. He was the whole culture of the Palestinian people."

The funeral drew mourners from all parts of the Israeli-occupied West Bank, but hundreds of Palestinians living in Israel were also ferried in on buses. Rim Dirbass, an architect, came to Ramallah from Haifa. The poems of Darwish, she said, "helped us keep our Palestinian identity in Israel".

Clutching a rolled-up Palestinian flag, Berna Nigem, also from Haifa, said she was sad the poet had not lived long enough to see the creation of a Palestinian state.

"I am sure that he would have liked to see a Palestinian country, an independent one. This dream he could not fulfil."

Police make the wrong headlines

By Mure Dickie

At a time when Beijing is anxious to keep international attention focused on the sporting action in its stunning new Olympic stadiums, it was probably not the smartest of moves for police to rough up a British television journalist as he tried to cover a pro-Tibet protest.

John Ray, China correspondent for ITV News, said he was left slightly bruised and a "bit shaken" after being pushed to the ground, dragged through a restaurant and detained by police near the Olympic Park yesterday.

"Otherwise I'm in good shape but I wonder how this fits with their solemn promise of free and unrestricted reporting," Mr Ray said, a reference to Beijing's repeated pledges to give international media a free hand to cover China during the Olympic Games.

Yet while the tough tactics used on Mr Ray were bad PR, authorities' handling of the protest, during which overseas activists unfurled banners calling for Tibetan independence, was part of a broad and, so far, relatively successful campaign to prevent displays of dissent from marring the games.

The detention, jailing and cowing of local political and social activists and the speedy seizing and deportation of foreign activists have made it highly difficult for critics to use Beijing's hosting of the Olympics as an opportunity to draw attention to their complaints.

And, as Mr Ray's case suggests, authorities do not appear willing to allow past Olympic pledges to stop them from disrupting the work of international media when it comes to politically sensitive issues such as the restive western regions of Tibet or Xinjiang.

Beijing police declined to comment on the treatment accorded Mr Ray. The International Olympic Committee said it would investigate the incident, but said the "media must be free to report on the Olympic Games".

The rough handling of Mr Ray will no doubt win greater exposure for the protest he was trying to cover, the latest in a series by the international campaign Students for a Free Tibet. But security officials were able to seize the group's eight activists quickly, so that few Beijingers had the chance to see their banners.

Officials have adopted an even tougher approach towards potential domestic dissent: setting up special Olympic protest zones and then detaining people who seek permission to use them.

Ji Sizun, a legal activist, was detained after he asked to hold a demonstration calling for wider participation in China's political process, according to US-based Human Rights Watch, adding that other applicants had been harassed or expelled from Beijing.

Zhang Wei, a Beijing resident, has been imprisoned for a month after she requested permission to protest against the demolition of her home. "We have not been able to make contact with her at all for days," a relative of Ms Zhang's said. "We've been to the detention centre twice but they would not let us bring anything for her either."

Mark Allison, east Asia researcher for Amnesty International, says that while some foreign leaders – particularly George W. Bush, the US president – have spoken out on human rights issues, few have publicly raised specific cases before the Beijing games.

"It's been quite disappointing," says Mr Allison. "The Chinese government has effectively silenced domestic human rights activists, so it is all the more important that the international community speaks up on their behalf."

Record splash

The US's Michael Phelps swims in the 200m individual medley heat. Phelps, who won his fourth and fifth gold medals in Beijing, aims to be first to win eight golds at a games Reuters

The ping-pong path to global supremacy

Matthew Engel

Anyone who fears a global takeover by one country should look away now: here is the line-up for the Olympic table tennis women's team event, which began yesterday: China v China, China v China, China v China, and China v China.

That's an exaggeration, but not by much. Of the 48 players named for the tournament, 30 are ethnic Chinese, the vast majority exiles who trained within China's breathtaking table tennis system and sought refuge elsewhere when they failed to make the grade. This includes the whole of the Singapore and Hong Kong teams, who are ranked second and third behind guess who.

The men's event situation is less extreme, though Shens and Tans feature in teams as improbable as Austria and Croatia.

China's supremacy in table tennis long predates its campaign to dominate the rest of Olympic sport. "Ping-pong diplomacy" brought China's return from Maoist isolation in 1971. Since the sport came into the Olympics in 1988, China has won 16 of the 20 gold medals. Three of the others went to South Korea.

But the excitement at the start of the tournament here was muted. This is partly in the nature of table tennis competition. The announcer had asked for quiet during play but, since there were eight games going on simultaneously and no one could tell who was cheering who or what, it was a pretty stupid request. As a spectacle, it was a complete mess.

This is not really a spectator sport but table tennis is desperate to pretend it is, dumbing itself down like cricket, with a slightly bigger ball and games played up to 11 rather than 21. David Zhuang, the sole American in the men's tournament, defended this: "If one side was up four or five points, there was a lot of garbage time," he said, horrifying. traditionalists. Still, anyone familiar with the game as played in school gyms and YMCAs would have been riveted by the variety of styles. There was Andrea Bakula of Croatia serving like a short-sighted person trying to read a wristwatch, while her team-mate Tamara Boros hurled the ball as high as Rafael Nadal. There were Nigerian men who belted the ball at full pace from miles back. None of it worked, spin and subtlety seeming to win every time.

Zhuang, who moved to the US in 1990, is rising 45, so hardly a contender. He began playing at five and went through the Chinese system – with up to four hours play a day in table tennis school – in Guangzhou.

"The Chinese players, I feel sorry for them," he says. "They don't really laugh, they don't smile. You cannot finish No. 2."

The only European to break the Asian monopoly was Jan-Ove Waldner of Sweden, who won gold at Barcelona in 1992. He is so famous in China he owns his own Beijing restaurant, serving Swedish meatballs.

No one is expected to emulate him in the near future: Sweden has 9m people; China, it is said, has 10m competitive table tennis players.

Armstrong pedals Team USA past a golden milestone

Cycling

By Pat Butcher

While Michael Phelps creates a little bit of history of his own in the Olympic pool, his fellow Americans passed a collective milestone yesterday. When Karin Armstrong won the women's cycling time trial at the Great Wall yesterday, her gold was the 900th the US has won since Athens 1896.

But Armstrong is a good story on her own. No relation to Lance, the seven-time Tour de France winner, there are nonetheless similarities between the two – similarities that both of them could have done without.

This Armstrong began her sporting life as a triathlete but after discovering she had osteo-arthritis in 2001 she switched to cycling.

While Lance overcame testicular cancer, Karin struggled to beat her infirmity. But although she qualified for the cycling in Athens four years ago, she was overlooked by the US selectors.

Since then, she has summered in Europe and become one the world's best time-triallers. She all but ensured victory here by finding a course near her home in Idaho that mirrored this mountainous lap.

Among the final starters – they start at intervals – she took close to 30 seconds out of long-time leader Emma Pooley, and relegated the Briton to the silver spot, with Switzerland's Karin Turig taking bronze.

Britain's track cycling team, which is expected to do well this week, got another fillip, with Pooley's silver following Nicole Cooke's gold.

The British squad surprised even themselves by winning nine gold medals at the world championships in March. But anything close to that in Beijing would be a mighty achievement. Chris Hoy, winner of the "kilometre" in Athens is favourite in both the Keirin next Saturday and the later sprint.

Bradley Wiggins defends the individual pursuit title, but after his victory in four Tour sprint finishes, Mark Cavendish is a strong contender too. In the Madison, he and Wiggins are also favourites. Rebecca Romero is favourite for the women's pursuit, while Victoria Pendelton is giving sleepless nights to sprint rivals.

US puts a price on China's lead

By Roger Blitz in Beijing

As the US Olympic team contemplates the abrupt loss of its longstanding dominance of the medals table to its Chinese hosts, officials are looking at asking the White House for government money to make sure it never happens again.

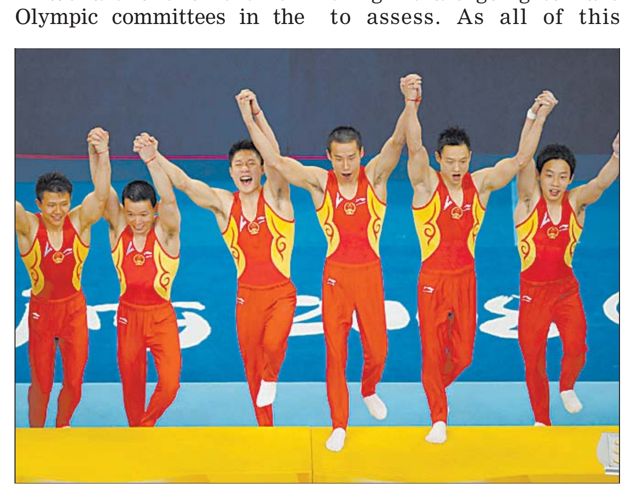
In what has the potential to become a sporting version of the cold war, China has poured millions into its state sports system to produce medal winners at the Beijing games, and the US is positioning itself to retaliate.

The US team, which receives no money from Washington, relies on only $150m (£80m) a year from sponsors, fundraising and a share of revenues from the International Olympic Committee. As a result, China has opened up such a comfortable lead over the US in the race for gold medals that it is poised to top the tally of overall medals for the first time, a position the US has held for 16 of the 23 games in which it has competed.

"When you're talking about competition at this level, it requires financial support," said Darryl Seibel, US Olympic Committee spokesman, who described this year's games as "the most competitive" in history.

"We are one of the few Olympic committees in the world that doesn't get funding from government," he said. "With the level of funding we receive, we are probably not even in the top five [of national Olympic committees]."

Asked whether the committee would lobby the US government for funds, Mr Seibel said: "That is something we are going to have to assess. As all of this becomes more competitive, it is something we are heading towards."



National pride: China's gold-winning male gymnasts AP

China's challenge to the US Olympic hegemony has been played out in various corners of Beijing's competition venues this week, none more so than the National Indoor Stadium, where its gymnasts have won gold in both team events and threaten to win more over the next few days.

One academic study said China was recently training 370,000 pupils at state-funded sports schools and that government sports teams at provincial level and above were supporting more than 46,000 full-time athletes.

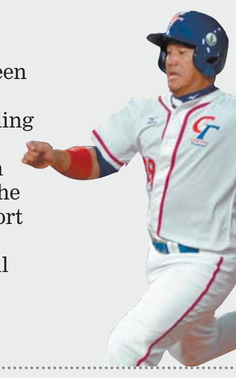
Mr Seibel said the USOC always knew the Chinese would have a strong games because of such investment. The US is also facing stiffer competition than usual from countries such as the UK, Australia and Japan, which are trying to increase their medals quota by targeting resources at specific sports.

Round-up

Georgia wins two golds

Georgian athletes claimed their first gold medals in Beijing yesterday, doubling their total from Summer Olympics competitions since 1996. Irakli Tsirekidze, right, the 2007 world champion, won gold in the men's 90kg judo event, having beaten a Russian in the semi-final. Earlier, Manuchar Kvirkelia defeated China's Chang Yongxiang in the men's Greco-Roman wrestling 74kg weight class.

Taiwanese fails test



A Taiwanese baseball player has been banned from participating in the team's first Olympic game after failing a drug test. Third baseman Chang Tai-shan, right, did not take part in yesterday's opening game against the Netherlands. Taiwan, where the sport is followed by millions of fans, is among eight countries with baseball teams participating in the Beijing games.

Key figures

4,500

Dope tests expected to be carried out at the games

$150m

US Olympic committee's annual budget

Quotes of the day

"Today, I feel like I am a Georgian. I fight here as they fight there"

Cristine Santanna after she and Andrezza Martins, representing Georgia in beach volleyball, beat Russia's Alexandra Shiryaeva and Natalya Uryadova.

"Spain is not a racist country; quite the opposite"

Juan Antonio Villanueva, communications director for Madrid's 2016 Olympic bid, following a Spanish magazine advertisement showing Spain's men's Olympic basketball team using their fingers apparently to make their eyes look more Chinese

Latest medal table

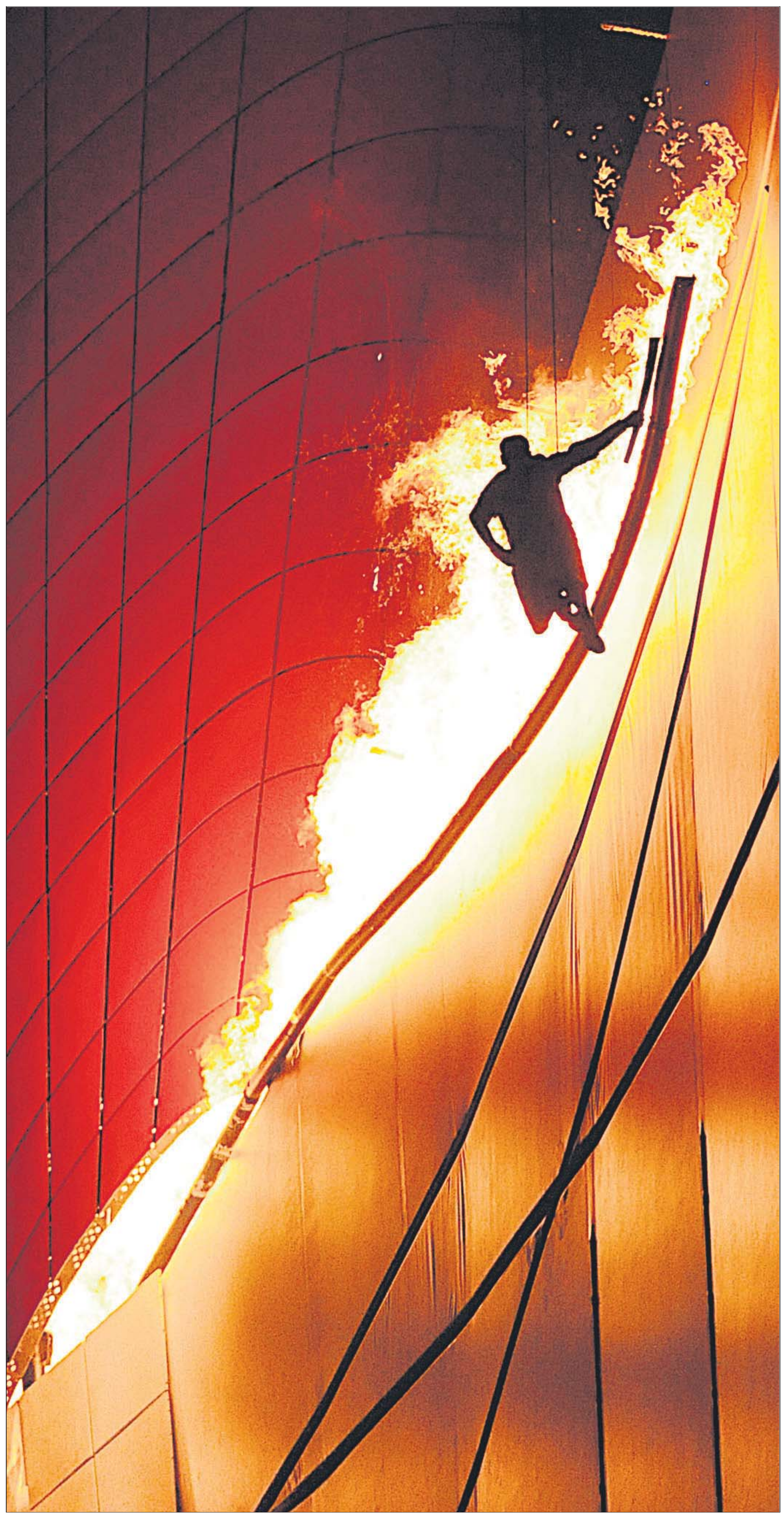
	G	S	B
China	17	5	5
US	10	8	11
S Korea	6	6	1
Germany	6	1	2
Italy	4	4	3
Australia	4	2	6
Japan	4	2	3
Russia	2	7	3
Great Britain	2	2	3
Georgia	2	0	1
Czech Rep	2	0	0

Ones to watch tomorrow

- Track cycling team sprint final
- Final of the team all-round gymnastics
- A host of individual swimming finals and heats in the Water Cube

A golden opportunity?

How Chinese brands are betting on an Olympic boost



The final leg: Chinese athlete and sportswear brand owner Li Ning lights the Olympic flame on the roof of Beijing's Bird's Nest stadium Photoshot

The high hopes of domestic sponsors and companies basing advertising campaigns around the games are likely to be disappointed, writes **Patti Waldmeir.** Below, **Kevin Allison** on the dilemmas faced in global markets

When Li Ning, the celebrated Chinese gymnast turned sportswear entrepreneur, flew around Beijing's Bird's Nest stadium to light the Olympic torch last week, he instantly called the powerful nationalism of the opening ceremony into the service of his eponymous brand.

Shares in the Hong Kong-listed company have since bucked a falling Hang Seng index to rise by almost 6 per cent. Doubtless millions in China now assume that Li Ning is an official Olympic sponsor. The irony is that it is not, although Chinese consumers regularly identify it as one of the domestic companies they associate most closely with the games.

Chinese companies could spend several billion renminbi this year on Olympics-related marketing and advertising, on top of tens of millions spent on sponsoring everything from the Sudanese athletics team to yoghurt at the Olympic village. But many marketing and advertising experts in China wonder whether they are wasting their money.

"For most Chinese companies, it's not worthwhile to be a sponsor," says Zhou Dongsheng, an expert on Chinese brands at the China Europe International Business School in Shanghai. "The revenue, the profit, if you do the calculations, it just does not add up."

Beijing is using the Olympics to market itself as a superpower. It is also hoping that the advertising surrounding the games will help it achieve one of its top economic priorities for the next decade: to replace corporate China's image as sweatshop to the world with a reputation for high-quality, high-valued-added and high-technology production.

Marketing was a dirty word in China less than a generation ago, but even state-owned companies have snapped up Olympic sponsorships. "It's like the government orders them to subsidise the games, maybe, because they are earning monopoly profits . . . so it's time to pay back," says Mr Zhou.

But many are much less obviously coerced. Stanley Chen, head of Olympic projects for Heng Yuan Xiang, one of China's largest textile companies, is certain that the games mark a golden opportunity for brand-building.

"Coca-Cola were the sponsors for the Olympics in 1928 . . . without the Olympics, Coca-Cola would not be the current Coca-Cola brand," he says. His company expects to lose money on this year's games. He will not say how much, but he points out that a Beijing Olympics "partnership" – a more prestigious form of sponsorship than Heng Yuan Xiang has – costs at least $20m (€13m, £11m), with two to three times more than that spent on marketing and promotion.

Lui Ruiqi, Heng Yuan Xiang's founder, bristles when asked whether the money is worth it: he points out that his company is neither state-owned nor publicly owned, so "the money comes straight out of my pocket".

But marketing experts say many Chinese companies are not ready to exploit the games as a branding opportunity – and they point to Heng Yuan Xiang as a case in point. Earlier this year, the company was forced to withdraw a prominent television advertisement trumpeting its Olympics association after it was widely ridiculed in print and online.

The 60-second advertisement, released to coincide with Chinese new year, featured a soundtrack that repeated the name of each Chinese zodiac animal three times, in the following pattern: "Rat, rat, rat, Heng Yuan Xiang, official sponsor of the Olympic Games! Ox, ox, ox, Heng Yuan Xiang, official sponsor of the Olympic Games!" and so on. Advertising analysts say the commercial displayed some of the most common – and worst – traits of Chinese advertising.

"If you turn on any Chinese television station, most of the advertising is absolutely indistinguishable. It's loud, it's got the same voiceover, the production values are primitive to say the least – I mean, they are antediluvian," says Tom Doctoroff, Greater China chief executive of JWT, the advertising agency.

Mr Chen of Heng Yuan Xiang disagrees, arguing that repetition is crucial to brand recognition in China. He admits that the company's advertisement was ridiculed but insists it helped make the connection between his company and the Olympics: "Before this advertisement, few people knew that Heng Yuan Xiang was a sponsor of the Beijing Olympic Games . . . but after this, most of the people, they remember the connection," he says. "We think it's very good to learn western advertising methods but we don't think just simply bringing [them] into China will work for us."

Michael Wood, Greater China chief executive of Leo Burnett, the advertising agency, says some Olympics advertisements are better than others: "The advertising you're seeing for the Olympics is a reflection of advertising in general in China: there's a little bit of great, there's a lot of mediocrity and there's a reasonable amount that is right-out bad," he says, noting that just because a company has the money to buy a sponsorship does not mean they have the marketing experience to exploit it.

Mr Wood, whose agency advises Li Ning, says the founder's Olympic flight brought cachet "that no money could have bought". Zhang Zhiyong, the company's chief executive, says the athlete was representing only himself at the games: "Mr Li and the management of the company have made a decision not to take advantage of the opening ceremony." Consumers will make their own judgment.

"I think the global firms have been doing a better job in that regard, like Coke, like Visa. They're not just saying that we are the sponsors. They make an emotional linkage between their brand and customer needs. For Chinese companies, I think they still have to learn," says Mr Zhou of CEIBS. "The problem is, no one has really managed to get out ahead of the pack with the Olympics . . . there's just this pack mentality with everyone doing very similar sort of stuff," says Paul French of Access Asia, the retail consultancy in Shanghai.

'Coca-Cola were the sponsors in 1928 – without the Olympics, Coca-Cola would not be the current Coca-Cola brand'

It does not help to have multiple sponsors, often in the same industry. There are no fewer than three beer sponsors, two in petrochemicals and two telecommunications sponsors. In total, more than 60 companies are official sponsors or partners of the games, while many more are trading off the Olympic spirit without paying for the sponsorship.

Companies from Anta, the Chinese sportswear brand, to Air China to the Chinese Post Office are all vying to capture the spirit of patriotic triumphalism that dominates the world's second largest advertising market. Advertisement after advertisement plays on broadly the same theme: Chinese athletes rising above the toiling masses to glory. Most touch the same pressure points, making it hard for consumers to differentiate one product from another.

So-called "ambush marketing" by non-sponsors is also rife: "The Olympics is so wrapped up with China as a brand that it's very easy to . . . identify yourself with the Olympics. You don't need to have rings, or you can have a few rings," says Mr French. "There is a big confusion about who really is a sponsor and who isn't, not officially, but there is a confusion in consumers' minds," he says. According to a consumer survey done last month by R3, the Chinese marketing consultancy, of the top 10 companies most closely associated with the Olympics, two are not sponsors at all.

Political risk has also tarnished the Olympics sponsorship campaign of Lenovo, the computer company – the only Chinese company to win a seat in the elite group of 12 global Olympics sponsors, alongside Coca-Cola, McDonald's and Johnson & Johnson. Lenovo designed the Olympic torch, which attracted protests in London and Paris, where demonstrators saw it as a symbol of Chinese repression in Tibet (see below).

Most Chinese companies are focusing their Olympics efforts on the domestic market – they will be happy to gain more global recognition but the crucial market is still at home. "One of the good things about Chinese business thinking and strategy is that they have a very pragmatic view of what's feasible and not feasible, and I think that they all do understand that in order to expand their brands internationally it takes more than just an Olympic push," says Mr Doctoroff.

So will the games mark a watershed for China's brands? In terms of global recognition, they are likely to reap little – with the possible exception of Lenovo. Even at home, Chinese companies have a lot of hard work ahead to build their brands, most marketing experts agree.

"Brands are not just a question of desire, it's also a question of concrete corporate structure . . . it's still very rare to see a truly marketing-driven organisation, as opposed to a sales-driven organisation," says Mr Doctoroff. Many Chinese companies take a short-term view of profits – and do not want to invest money over the longer term to build their brand.

Mr Zhou of CEIBS makes an even more basic point: that brands are about much more than marketing anyway. "In the end, it's really the basic work, whether you have reliable quality, good service, that are the fundamental attributes of a brand. The Olympic Games just give you a platform that you can leverage, to promote your brand to a wider audience. But, in the end, it is really those details, everyday work, whether your workers pay attention to those details, that matters – not how many billions of people watch sports advertising on television."

Additional reporting by Geoff Dyer

Cuban athletes use a Lenovo internet lounge in the Olympic village AP

Careful Lenovo attempts to build a connection

Tensions were high as the Olympic torch made its way to San Francisco this spring for the only North American stop of its troubled world tour. Deepak Advani, head of marketing at Lenovo, the Chinese personal computer maker, was not taking any chances.

Human rights protesters had disrupted the relay in London and Paris and briefly extinguished the Olympic flame, creating a public relations nightmare for Chinese authorities.

Lenovo had already decided not to buy billboard advertising ahead of the relay. In consultation with local authorities, Lenovo's marketing teams took extra precautions. They cancelled plans for marketers to distribute promotional materials to the crowds along the relay route out of concern for workers' safety.

The decision to pass up the opportunity for publicity around the torch relay was no doubt difficult for Lenovo, the only Chinese company among the top global sponsors of the games.

In any other year, the torch relay would have been viewed as marketing gold – an opportunity to attach one's brand to an event that has come to epitomise the Olympic spirit. But the politically charged atmosphere in the run-up to this year's games meant that Lenovo had little choice but to lie low.

"We make computers, we don't get involved in politics," Mr Advani says. "We had to look at the events in San Francisco, London and Paris, and ask if they tarnished the Olympic brand, and then say, through association, have they affected sponsors' brands?"

Few companies have more riding on the success of this year's Olympics than Lenovo, whose sponsorship of the Beijing games is the centrepiece of a big and expensive three-year push to establish the company as a genuinely global brand – a transition it has struggled with since its $1.3bn (€874m, £696m) purchase of IBM's personal computer group in 2005.

Lenovo hopes to use the two-week competition as a showcase for its products. It has prepared an advertising campaign designed to emphasise the company's design and engineering as it attempts to reach beyond its core market in China to reach companies and consumers around the world.

In addition to being a top-tier sponsor, Lenovo is providing all the computers, printers, servers and other information technology equipment required to run the games. In return, it has the right to advertise using the Olympic logo.

Lenovo was a sponsor and sole provider of IT equipment to the 2006 winter games in Turin. Although the company considered the event a success, it was only a prelude to this summer's main event.

The company is airing television advertisements in key markets such as the US and China throughout the two-week contest. Its advertising blitz also features a strong internet component.

Several Olympic athletes are maintaining Lenovo-sponsored blogs during the competition. The company has also set up internet lounges in the Olympic village where athletes will be able to check e-mail and keep in touch with supporters back home. Other fans will be able to keep tabs on the games through an application on Facebook.

Lenovo is also employing an army of people on the ground to assist in local "activation" efforts similar to the one it had planned for San Francisco. Branding experts say such local engagement is key to successful sponsorship of big-ticket events such as the Olympics. "It would be impossible for someone to go to Beijing and not realise Lenovo's association with the games," Mr Advani says.

Lenovo needs to make the most of the opportunity. This year's Olympics mark the end of three years of Olympic sponsorship for the company. Acer, a fast-growing Taiwanese rival, will take Lenovo's place as official IT sponsor of the London summer games in 2012.

David Melançon, a partner at the Ito Partnership, a brand consultancy, says he is impressed with Lenovo's efforts to connect with potential customers through blogging and social networking during the games. But he remains sceptical of the company's overall branding effort.

Mr Melançon, who also worked with Visa, the credit card company, during its past Olympic sponsorships, says Lenovo suffers from the same problems faced by other Chinese brands. "They haven't really come up with something that says 'that's a Lenovo machine, I've got to have it'," he says. "Chinese industry has proven to be adept at taking products in from other places and making them faster, better and cheaper. But they haven't brought in that feeling behind the product."

It is that very perception that Lenovo's big Olympic marketing push is designed to address. "We're looking not just for people to know who we are, but to have a special emotional connection to Lenovo, and think of us the next time they buy a PC," Mr Advani says. "The Olympics are still a fantastic platform for us to introduce ourselves to the world."

Lenovo's Deepak Advani: 'We make computers, we don't get involved in politics'

VIDEO

Marketing experts Tom Doctoroff, Paul French and Zhou Dongsheng discuss what Chinese brands have learnt from their Olympic experience **www.ft.com/chinabrands**

FINANCIAL TIMES

"Without fear and without favour"

Thursday August 14 2008

Feed the hawks, shoot the doves

Bank of England must send a tough message on inflation

That the Bank of England will get its interest rate policy wrong is highly likely, so uncertain are the prospects for the economy. The question is in which direction the error will be, and the Bank's quarterly inflation report erred toward too loose a policy, with some firm rhetoric on inflation, but dovish forecasts that suggest higher interest rates are not in prospect.

The report comes after nasty inflation numbers for July: the headline consumer price index rose at an annual rate of 4.4 per cent. The RPIX index, a better indication of the actual cost of living for consumers, was up by an even greater 5.3 per cent, and the rise was broad-based. Food and fuel inflation may be worst, but prices for a large part of the CPI basket are rising much faster than the 2 per cent inflation target. Such ubiquitous price rises increase the chances of higher wage demands from consumers in order to compensate.

Yet yesterday also brought a reminder that the UK economy is slowing down. Unemployment rose by 60,000 in the second quarter, taking the jobless rate to 5.4 per cent, and complementing survey evidence that businesses are gloomy about their prospects. The Bank thinks that there is almost a 50 per cent chance that the economy will be smaller in a year's time.

The policy decision is whether that slowdown is already big enough to bring inflation back below target over the next couple of years, or whether interest rates must be raised from 5 per cent to make the economy weaker still. The Bank's forecast is that, provided interest rates are set in line with current market expectations, the rate of inflation will drop back below 2 per cent in 2010.

The Bank may be right. The ongoing disruption in credit markets is acting as a brake on the economy, over and above the base rate, because less credit is available and it costs more. Without that effect the Bank would certainly need to raise rates; with it, keeping rates on hold looks right for now.

But while rate rises may not be needed to slow the economy, the Bank must also worry about its credibility: if the public ceases to believe that it will bring inflation back down then it will become much harder to do so. That is why the Bank should have drawn greater attention to the – very high – risk that inflation will come in higher than expected and signalled its determination to raise rates if so. The inflation report may say that "the balance of risks to inflation is judged to be on the upside", but its overall message is dovish, and that is not what the UK needs to be told.

A royal muddle

The Prince of Wales is badly wrong about GM crops

Prince Charles is a well-known organic food enthusiast – he even has a range of all-natural biscuits. Now he has launched a passionate attack on modern farming. He sees no need for greater world agricultural production, thinks big companies have caused serious damage to farming and genetic modification has been a disaster. The prince is mistaken on all counts.

The world population is now growing faster than agricultural production. Food prices are soaring around the world and have triggered riots this year in Haiti, Egypt, Yemen and across west Africa. The prince is wrong to reject the need to find ways to increase farm output.

Moreover, big companies are not the enemy. Genetic research is one of our most potent weapons, and only large companies can afford to fund it. GM seeds are very expensive and, while a few large firms do make a lot of money from them, they sell well because they work.

GM crops already allow greater yields with less water, less energy and with fewer chemicals. They will not, on their own, solve the world food shortage but they are already raising productivity growth. New strains of salt-resistant, drought-proof crops will allow us to farm poorer-quality land effectively.

Of course, it may be some years before some of these strains are available and scientists must still keep an eye out for unintended consequences. But there is no evidence for the prince's claims that genetic modification has already gone "seriously wrong".

Prince Charles, furthermore, made a number of assertions that are simply wrong. The water table is falling in the Punjab, he said, because of GM crops. Nonsense. The water problems are the result of subsidies on rice and electricity. The subsidies encourage the cultivation of rice which – GM or not – requires a paddy field filled with water. Since electricity is free to the farmers, they leave water pumps on constantly and bleed their aquifers dry. The Punjab's problems are caused by the Punjab's politicians.

The prince also blamed the high salt levels in the soil of Western Australia on the excesses of modern farming. But salination there is caused by deforestation and geology. It has always been a problem for Australian farmers and was first noted in the 1920s (when Monsanto, the GM food giant, was still making rubber and aspirin).

The prince has done good works through his charities, but he should be guided by science, not superstition. "Let them eat organic shortbread" is no answer to rising food prices.

Zimbabwe's fate

Mugabe's survival would dash any hopes of recovery

To have a chance at recovery, Zimbabwe needs a clean break. This is something the long-suffering Zimbabwean electors proved only too aware of when they voted in a first round of presidential elections in March to retire Robert Mugabe. At the least, they now need a strictly defined, internationally monitored, timetable that brings a near-term end to his catastrophic rule.

Yet the power-sharing formulas on offer at Harare talks mediated by Thabo Mbeki, South Africa's president, have fallen short of this goal. Morgan Tsvangirai, the opposition leader, has come under pressure to accept the position of prime minister, with the lead in managing the economy in a national unity government. Mr Mugabe may be willing to relinquish some of his powers. But he has sought to retain the trump card – a grip on the army and police. It is hubristic on his part to think that simply handing over the ruins of Zimbabwe's economy will be sufficient to persuade the international community to step forward with a rescue package.

There are those, including Mr Mbeki, who doubt Mr Tsvangirai's ability to lead Zimbabwe out of the terrible mess it is in. The former trade union leader has another chance to prove them wrong. He left negotiations in limbo on Tuesday night, asking for time to reflect. By standing firm, he will prove his mettle. If there is no prospect that he can dismantle the institutions underpinning Mr Mugabe's dictatorship, he has nothing to gain from a deal. On the contrary, he has everything to lose: respect among his supporters, credibility in the region, and the leverage he enjoys in the negotiations through his ability to sway international opinion on whether to refloat the economy.

In the event that Mr Mugabe fails to entice his main rival into government, he has a Plan B: to co-opt Arthur Mutambara's breakaway opposition faction into a coalition. This would give Zanu-PF the 10 seats it needs in parliament to form a slim majority, and allow Mr Mugabe to cling on.

This is a preposterous idea that provides no hope of an end to the misery facing Zimbabweans. Mr Mutambara should have no truck with it. Nor should regional leaders when they meet to discuss the Zimbabwe crisis at a summit this weekend. Instead, they should take a cue from South Africa's unions who are promising to obstruct the flow of goods into Zimbabwe should Mr Mugabe remain in power. The wily autocrat is turning negotiations into a means of preserving the status quo. At this point, the talks are only worth pursuing if they establish a peaceful way for him to go.

Letters

Russian cynicism revealed in Caucasus strategy

From Prof William G. Clarence-Smith.

Sir, South Ossetians and Abkhazian Circassians have an undoubted right to self-determination, which the Georgian government has violently and wrongly denied them, but Russian cynicism in this conflict knows no bounds. If Moscow was really concerned with Ossetian and Circassian rights, it would allow its own populations in the Caucasus, including Ossetians and Circassians, the right to secede. Instead, Russia has recently fought one of the nastiest wars in modern history to prevent the Chechens of the north-western Caucasus from achieving independence. This follows centuries of colonial conquest and rule in the Caucasus, in the course of which the Russians deployed a shocking degree of brutality. Moscow also cites the example of Kosovo to justify its war against Georgia, and yet refuses Kosovo the right to self-determination.

William G. Clarence-Smith,
School of Oriental and African Studies,
London WC1H 0XG, UK

Can west mount a response to the 'Putin Doctrine'?

From Mr Thomas Niles.

Sir, In August 1968, we learned of the "Brezhnev Doctrine", which held that once a country had adopted "socialism" it could not deviate from that path. Hence, the Warsaw Pact invasion of Czechoslovakia. Forty years later, we now have the "Putin Doctrine", which essentially holds that areas once part of Russia, or the USSR, are destined forever to be part of Russia or under its effective domination.

This is the message of Russia's attack on Georgia and the various pressures being exerted on the Baltic states, Ukraine and other former Russian/Soviet territories. The challenge to the US and the European Union is obvious; unfortunately, an effective response is less so.

Thomas Niles,
Scarsdale, NY 10583, US

'Addicted' to equities – and with very good reason

From Mr Paul Haines.

Sir, Lombard ("Perfect storm hits pensions", August 12) produces his own journalistic perfect storm by making three contentious statements about pension funding in one sentence.

First, he says that deficits could have been avoided by pension funds selling their equities during the bull market. This assumes that all pension funds could have sold at a given price at some point in the past, but this is hardly realistic: if all pensions funds had tried to sell their equities, the bull market would in all probability have turned into a bear market. Indeed, the selling of equities by pension funds almost certainly contributed to the slide in prices earlier in this decade.

Second, he asserts that pension funds could have switched into assets that "better matched their liabilities", but he fails to tell us what these assets might be. For example, an asset to "match" the liability in respect of a 40-year-old member would need to reflect wage inflation over the next 20-25 years, price inflation over the period of retirement and improvements in life expectancy over the period as a whole. No such asset class exists.

Third, he implies that it is beneficial for pension funds to have assets that "match" their liabilities. Matching is a mathematical assessment of how closely one variable moves in line with another variable. The key investment assessment for a pension fund should not be the expected proximity of the movement in asset prices to the movement in liabilities: rather, it should be the probability that the assets will provide a return in excess of the increase in the liabilities over the lifetime of the fund. That is why pension funds remain, to use Lombard's pejorative term, "addicted" to equities. If Lombard thinks that equities will not provide such a return over the long term, then I look forward to reading a Lombard article themed on the death of capitalism as we know it.

I am not saying that no fault can be found with the historic investment policies of pension funds, still less that there is no scope for improvement in the future. But to suggest that the collective problem of pension fund deficits could have been solved just by selling equities and buying (presumably) bonds is, with respect, so much wishful thinking.

Paul Haines,
Investment Director,
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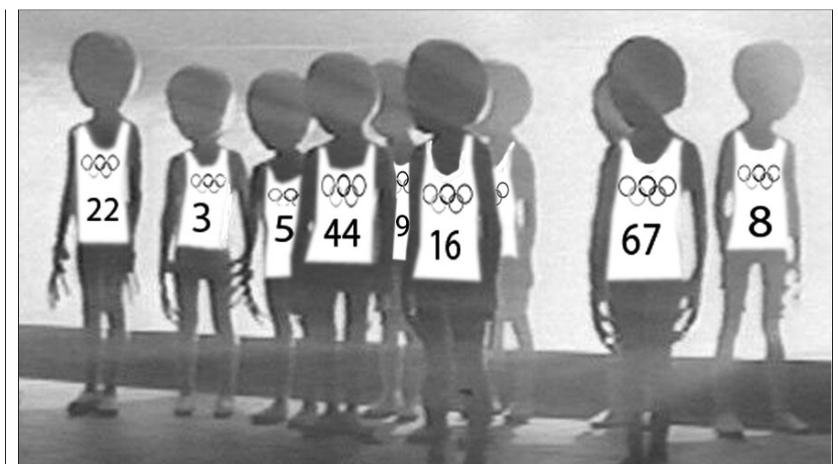

Expecting close encounters in Beijing

From Mr K. Nolan.

Sir, So far we have had fake firework images and a lip-synching child singer. Just as well Steven Spielberg wasn't involved!

K. Nolan,
Carrick-on-Shannon, Co Leitrim, Ireland

Speed takes second place to efficiency

From Mr Chris Johnson.

Sir, The Association of Train Operating Companies' representative may dismiss as "simplistic nonsense" the claim that train journeys have been lengthened to avoid fines, but increased efficiency is a poor excuse ("Operators accused over longer journeys", August 13).

Before electrification, the journey from London Liverpool Street to Cambridge took 60 minutes. Since privatisation, successive operators have added one or two minutes per year, so that it now takes 75 minutes. How can a 25 per cent increase in journey time be more efficient?

The real surprise is that it has taken this long to be publicised, since long-suffering commuters who now pay £3,640 for a second-class season ticket have known it for years.

Chris Johnson,
Cambridge CB1 1JL, UK

Education vital for Zambia's Aids orphans

From Mr William Powlett Smith and Ms Sabita Banerji.

Sir, Your editorial "Aid and Aids" (August 9) rightly emphasises the need to focus on prevention as well as treatment in the fight against Aids. However, it fails to mention one of the most effective tools for prevention – education. It is easy to say: "In Africa, [existing and new prevention money] needs to focus on reducing concurrent multiple partners . . . and the prevention of mother-to-child HIV transmission"; but it is far from easy for people to change their social and cultural practices without access to general education – and within that to good-quality health education – beginning in early childhood, and covering all the ways of preventing infection.

Educating young people on the threshold of their sexual life has been shown time and again in many parts of the world to be one of the most effective ways of reducing HIV infection. Education brings not only knowledge about how to prevent the spread of HIV, but also the self-respect and confidence without which many, particularly women, are powerless to act on this knowledge.

Cecily's Fund supports the education of children whom Aids has orphaned or made vulnerable to infection and poverty – mainly in Zambia's Copperbelt. Given their desperate economic circumstances, help with the costs of going to school is needed to offer these children the chance of a future without exposure to high-risk activity such as sex work or drugs, where the vicious cycle of poverty and infection continues.

Having supported children throughout their school life for the past 10 years, we and our Zambian partner organisations are seeing evidence of the positive effect of education at first hand. We are seeing young people, who could otherwise have been marginalised and possibly destitute, embark on healthier, more secure adult lives. They cannot wait for new biomedical prevention techniques – they need education to let them live lives of achievement to their country's good.

William Powlett Smith
Sabita Banerji
Cecily's Fund – Educating Zambian Children orphaned by Aids,
Witney, Oxon OX29 6TJ, UK

Imaginary, but tax deductible

From Mr George Lemos.

Sir, Brian Reading ("Fair value fails the Sherbourne Saloon test", August 12) ends with a question which I take as a *reductio ad absurdum*: are imaginary losses tax deductible? In the UK at least some are. Fair value losses on financial assets and liabilities, if recognised in accordance with generally accepted accounting practice, are tax deductible.

Mr Reading is not the only critic of fair value accounting. By contrast there is little public discussion of the authority of standard-setters and almost no public notice of the association between ever lengthening standards which are weakly founded, poorly drawn yet minutely prescriptive and the ever burgeoning cost of compliance and ever tightening oligopoly of provision.

Quis custodiet ipsos custodes? was a question posed nearly 2,000 years ago but here has been forgotten.

George Lemos,
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Why Sir Fred got his knighthood

From Mr Leo Doherty.

Sir, I would like to remind Charles Edmond (Letters, August 12) and all shareholders, staff and pensioners of the Royal Bank of Scotland why Fred Goodwin earned the "Sir" privilege. It was because he transformed a relatively small regional bank into a global and well-diversified financial services organisation in less than a decade.

Did Mr Edmond or any of Sir Fred's other detractors foresee the global financial crisis that generated the "perfect storm" to which he refers? I would hazard a guess that Sir Fred and the rest of the RBS board were not endowed with the gift of prophesy either. To change, in Mr Edmond's parlance, the pilot would be an act of lunacy at this stage of the global financial crisis that could only damage the interests of all stakeholders.

Leo Doherty,
Linslade,
Leighton Buzzard, Beds LU7 2TR, UK

An oil price fall is a wonderful thing

From Mr Anthony Smouha.

Sir, I beg to differ with John Authers (The Short View, August 12), who continues to imply that lower oil prices, as a symptom of a weak world economy, are not good for anyone. This is taking the negative outlook too far. The real worry for the world economy is an imbalance between the supply of and demand for commodities, which puts pressure on inflation before adjustments can be made.

Lower oil and commodity prices are therefore wonderful news, particularly as lower oil prices are by no means low. My concern is the opposite – that this setback is merely a temporary phenomenon, a correction in the commodity bull market.

Anthony Smouha,
1231 Conches, Switzerland

COMMENT

Short View
Video: John Authers on the weakening pound
www.ft.com/shortview

Inflation
Video: Chris Giles examines the credibility of the Bank of England's inflation report
www.ft.com/dailyview

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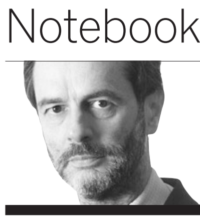
Notebook



John Willman

It's no longer that grim up north

Pity poor David Cameron. As the Tory leader began a visit yesterday to win back voters in the north-west, a report from his favourite think-tank recommended abandoning attempts to regenerate the northern cities. The corollary – 3m more homes in London, Oxford and Cambridge for northern migrants – is equally unlikely to impress voters in the Nimby-inclined Tory heartlands of the south-east.

The recommendations might have been plausible 20 years ago, when the great Victorian cities were on their uppers. But after two decades of regeneration, initiated by the Conservative government when Michael Heseltine was environment secretary, they are again vibrant centres of economic growth in their regions. The Newcastle-Gateshead riverside is the most attractive city centre in England, while Leeds and Manchester have done much to clean up the legacy of the industrial revolution. Even Liverpool is on its way back, with a £1bn private sector investment in a new shopping centre – and while it is still a work in progress, it has some of the most beautiful buildings in urban Britain.

If these cities were thousands of miles from the economic heart of the south-east, writing them off might make sense. But they are just two hours' journey from London, and each is creating clusters of industries around local strengths that attract investment from around the world. The great attraction of Liverpool, Manchester, Newcastle and Sunderland is that they are also ports – providing links with global markets to bypass the congested south-east.

Mr Cameron rightly called the Policy Exchange report "insane". But his party is already flirting with scrapping the regional development agencies, successors of bodies created by Lord Heseltine that have contributed much to the northern revival. If the Conservatives want to be One-Nation Tories again, they must reject any policy that appears to see the UK through the eyes of "I'm all right Jack" affluent southerners.

The wrong line

I hesitate to return to the subject of Britain's improving railways – and not just because of the abuse it will draw. Last time I praised the experience of rail travel in Notebook, I had the worst fortnight of commuting in years and then experienced a nightmare Sunday journey to Liverpool that took double the scheduled time.

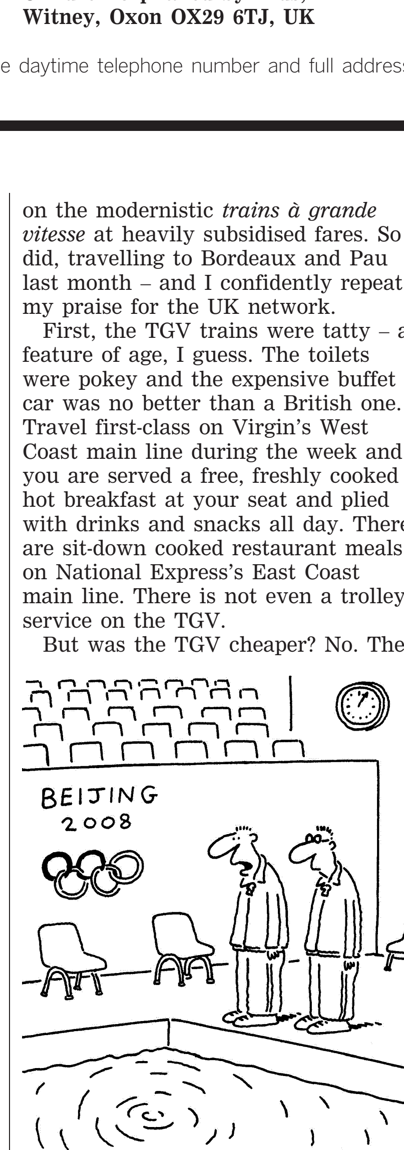
The response of some critics to my original paean of praise was to say I should try France's railways, whose passengers enjoy high-speed journeys on the modernistic *trains à grande vitesse* at heavily subsidised fares. So I did, travelling to Bordeaux and Pau last month – and I confidently repeat my praise for the UK network.

First, the TGV trains were tatty – a feature of age, I guess. The toilets were pokey and the expensive buffet car was no better than a British one. Travel first-class on Virgin's West Coast main line during the week and you are served a free, freshly cooked hot breakfast at your seat and plied with drinks and snacks all day. There are sit-down cooked restaurant meals on National Express's East Coast main line. There is not even a trolley service on the TGV.

But was the TGV cheaper? No. The first-class return fare from London to Bordeaux was £198 for a journey of about 520 miles. The first-class return fare for the 210-mile trip from London to Lancaster cost me £68 in June. (Such cheap fares require advance booking in both countries.)

Finally, the journey to Bordeaux was meant to take eight hours, but it took 12. As with my nightmare trip to Liverpool, the reason was beyond the train operator's control – a trackside fire in this case. But French passengers told us the TGVs had a reputation for lateness. The train crew told us almost nothing, unlike the chatty and apologetic Virgin staff.

The TGV was well ahead of anything on British Rail when it was introduced in 1981, but it is ageing. Britain's long-distance trains are newer and offer better customer service than under BR, largely because of privatisation. All rail networks are susceptible to delays and disruption, but it is a peculiarly British trait to believe that foreigners always do things better.



'I warned Michael Phelps not to do a lap of honour in all his medals'

Où sont les rosbifs?

Sitting outside cafés in Bordeaux I was struck by the fact that the passers-by mostly looked like actors in French films. To have the same feeling about actors in British films, you would have to visit a pub in a Yorkshire pit village, a wine bar in Notting Hill or a seedy club in London's gangland. Why does the real Britain never appear in the movies?

john.willman@ft.com

Comment

European business is changing step by step

Richard Milne

A long-running joke in the FT's Frankfurt office goes that every story about corporate Germany can be boiled down to one question: is Germany changing or not?

But it seems we sold ourselves short. The same query could be applied to businesses across Europe. For every event hailed as a step forward there is almost immediately another in the opposite direction.

In the past week proponents of change could have pointed to the unusual sight of a big European company – Siemens – suing two former chief executives and other senior managers, and a rare hostile bid in Germany by Schaeffler for Continental.

Those critical of Europe's ways, in turn, could instance the proposed board changes at Mediobanca to strengthen the Italian bank's old guard at the expense of young reformers, or the failure of a bid from Austria's OMV for Mol of Hungary after, among other things, a protectionist law passed by Hungary. One big UK investor in European companies is highly pessimistic: "In 20 years of investing, I have seen little, if any, fundamental change in Europe."

That seems unduly harsh. There are big differences between European business today and just 10 years ago. The largest impetus for change has been the shift away from domestic ownership and the increase in foreign shareholders. While some further change may be necessary – in particular over corporate governance and openness to takeovers – it is also important that European companies do not get rid of the things that make them so successful.

Internationalisation of Europe's listed companies has been, perhaps, the dominant theme of the past decade. German, French, Spanish and Italian groups have admirably grasped the opportunity from emerging markets, probably better than most US companies.

Even more important has been the shift in the shareholder base. Where before German businesses were owned by other German companies – the infamous Deutschland AG system – now most of the free-float in Dax-30 groups is owned by foreigners.

It is a similar story in all European countries even if some, such as Italy, still have more cross-shareholdings than they should.

The impact of foreign ownership may be subtle but it is hard to underestimate. Some effects are relatively trivial: for example companies being forced to take things such as investor relations more seriously. (Many continental groups employed nobody to talk to investors until a few years ago.)

Other changes are fundamental, however. Companies are being pushed to adopt a more shareholder-friendly strategy, ranging from the sale of underperforming assets to having to focus on profitability rather than top-line growth. There have even been an increasing number of shareholder-company brawls, from ABN Amro to Deutsche Börse.

Remnants of the old way of doing things still exist. The worst traits crop up in corporations in France, Germany and Italy

Foreign ownership has not only increased on the equity side. Foreign banks also own far more debt issued by European companies than before. Even domestic institutions have shown less willingness to prop up groups than in the past, as several high-profile bankruptcies in Germany and elsewhere show.

Remnants of the old way of doing things still exist. The worst traits crop up in corporate boards. In France, Germany and Italy they still, too often, resemble a cosy old boys' network with not enough change to reflect the more international ownership. Many of the problems arise from an interfering chairman – who often tends to be older or a former chief executive.

Mediobanca is a case in point. Cesare Geronzi, the *éminence grise* of Italian finance, aims to consolidate his power by converting the secretive investment bank's two boards into one. This would probably limit the room for manoeuvre of Alberto Nagel, the far younger chief executive. But it is hardly an isolated case and bitter power struggles are a German speciality, particularly at Volkswagen, the carmaker.

Corporate governance is not the only area where Europe still needs change. There seems a woeful lack of openness to takeovers in some countries. Whereas the Netherlands and the UK appear to welcome nearly every foreign bidder, it is striking how few large French and German listed companies have been taken over in recent years. That there have been few attempts is partly a result of the fall-out from failed bids, such as the Danone-Pepsi skirmish in which France declared yoghurt to be a strategic industry, or cross-border mishaps, such as Eon's misfortunes over Endesa in Spain. Of course, foreign takeovers, in themselves, are not always positive. But some change is needed to make continental Europe more receptive to cross-border deals.

Equally, however, European companies should be careful not to change for change's sake by too slavishly following Anglo-American norms and ignoring home-grown strengths. In the current financial crisis, positive attributes such as a longer-term outlook on business and more respect for technical and manufacturing issues seem all the more important.

Indeed, no matter how profound a change has been wrought by the dominance of UK and US shareholders on some questions, European companies believe they have better answers than the Anglo-Saxons on others. Perhaps the French summed it up better than my former Frankfurt colleagues: *Plus ça change, plus c'est la même chose.*

richard.milne@ft.com

Advertisers will see you read this

John Gapper

If you feel like a shock, try finding out how many online advertising companies are tracking you every time you use the internet.

One way to do so is to go to the Network Advertising Initiative site in the US (www.networkadvertising.org) and click on the opt-out button that allows you to evade their surveillance. It also tells you how many have been watching you already.

My laptop browser, for example, contains cookies (small text files that hold passwords and other data that are used when you browse websites) planted there by 14 advertising networks, such as Google's DoubleClick, Revenue Science and Tacoda.

I did not know they were there before I looked, although I suspected some were. I gave permission when I signed up for the sites of publishers such as FT.com or WSJ.com and many others. Even using search engines such as Yahoo and Google exposes you or, more precisely, your browser to being trailed.

"The reality is that people have had little choice in terms of online privacy. Try browsing the internet after switching off your cookies and see how well it works," says Kent Ertugrul, chief executive of Phorm, which crunches data obtained from internet service providers.

Worries about online surveillance and privacy are growing. The US Congress is investigating internet "behavioural targeting" of this kind and Yahoo last week tightened controls on personalised advertising. Meanwhile, Phorm's planned UK trial with 10,000 BT broadband customers has caused an outcry.

There is plenty to be worried about. Most people know vaguely that companies use technology to track browsing habits but are unaware of the scale and penetration of these techniques. The advent of "deep packet inspection" (DPI), practised by technology companies such as Phorm, takes this a stage further.

Most of the agencies involved have adopted stricter privacy standards than in the early days of the internet, when the abuse of "spyware" and "adware" was rampant. But there is a long way to go before those browsing the internet can rest easy.

As an aside, I have never written a column that had quite such a close connection with its subject.

If you are reading this online, your browser will probably hold a cookie from Revenue Science, an advertising network that counts FT.com among its clients. FT.com has also talked to Phorm and, to round things off, Mr Ertugrul's sister is an FT journalist.

Given that one of these agencies is helping to pay my wages, you would expect me to say that they perform a valuable function. Indeed, up to a point, I believe it.

Most publications, from blogs to newspaper sites, rely on advertising to make money. Relatively few sites are able to procure subscriptions from users, since people are used to the internet being "free".

But the internet is also an extremely fragmented medium and the bulk of display advertising revenues go to a few sites with mass audiences, such as Yahoo's home page. Smaller sites with obvious appeal to advertisers – such as car-buying sites – can do well but others struggle to attract advertisements.

JOHN GAPPER'S BLOG
Read and post comments about this column online at:
www.ft.com/gapperblog

One response is to target adverts at users rather than sites. If you can identify a few hundred thousand users who are interested in buying cars, you can then serve up car adverts to them, no matter where they are.

This is what advertising networks do. They strike deals with publishers that have users who are valuable, because they are well-off or interested in buying things, and track them using cookies. When these users go to other sites, the networks put adverts there that are likely to engage them.

Advertisers pay more to get adverts in front of people who will be interested in them. So other publishers can often double or triple – and sometimes increase by a factor of 10 – the rates they charge advertisers.

"We are helping the consumer because the ads that they see are more relevant to them and, over time, they will see fewer of them because the advertisers can be more efficient," says Jeff Hirsch, chief executive of Revenue Science.

This all sounds fine and, in some ways, it is. There is no such thing as a free lunch, even a virtual one, and increasing advertising yields helps to pay for content. I am a bit sceptical as to whether behavioural targeting produces all of the gains that its exponents claim, but it helps.

The problem is privacy. Between networks and search engines, you can hardly move on the internet without being observed. Yahoo collects information even from those who opt out of its customised advertising; it says that it needs the data to, for example, combat fraud.

Standards are tighter than in the past. The networks insist that they track browsers rather than people and hold no data that identify individuals. Nor do they follow targets willy-nilly, only on sites within networks.

They point darkly to DPI companies, which know more about users' habits from ISPs. Mr Ertugrul responds that Phorm does not hold any personal data, identifies users only by randomly assigned numbers and ignores sensitive sites.

I do not know which are better behaved, but it is safe to say that everyone has room for improvement.

Too many enterprises hide opt-in clauses and permission to embed cookies in user agreements. It is harder than it should be to opt out of being tracked by networks or search engines. Plenty of data are collected without users knowing about it and without due cause.

Targeted advertising has its uses and, at best, can benefit advertisers, publishers and individuals. But the companies take users' obeisance for granted at their peril.

john.gapper@ft.com

The west shares the blame for Georgia

Anatol Lieven

The bloody conflict over South Ossetia will have been good for something at least if it teaches two lessons. The first is that Georgia will never now get South Ossetia and Abkhazia back. The second is for the west: it is not to make promises that it neither can, nor will, fulfil when push comes to shove.

Georgia will not get its separatist provinces back unless Russia collapses as a state, which is unlikely. The populations and leaderships of these regions have repeatedly demonstrated their desire to separate from Georgia; and Vladimir Putin, Russia's prime minister, made it clear again and again that Russia would fight to defend these regions if Georgian forces attacked them.

The Georgians, like the Serbs in the case of Kosovo, should recognise reality and formally recognise the independence of these territories in return for a limited partition and an agreement to join certain Georgian-populated areas to Georgia. This would open the way either for an internationally recognised independence from Georgia or, more likely in the case of South Ossetia, joining North Ossetia as an autonomous republic of the Russian Federation. For the Georgians, the resolution of their territorial conflicts would make it more likely that they could eventually join the European Union – though after the Georgian administration's initiation of this conflict, that cannot possibly be considered for many years.

Western governments should exert pressure on Georgia to accept this solution. These governments have a duty to do this because they, and most especially the US, bear a considerable share of the responsibility for the Georgian assault on South Ossetia and deserve the humiliation they are now suffering. It is true that western governments, including the US, always urged restraint on Tbilisi. Mikheil Saakashvili, Georgia's president, was told firmly by the Bush administration that he must not start a war.

On the other hand, the Bush administration, with the full support of the US Congress, armed, trained and overwhelmingly financed the Georgian military. It did this although the dangers of war involving these forces were obvious and after the Georgian government had told its own people that these forces were intended for the recovery of Abkhazia and South Ossetia.

The Bush administration, backed by Congress, Republican presidential candidate John McCain and most of the US media also adopted a highly uncritical attitude to both the undemocratic and the chauvinist aspects of the Saakashvili administration and its growing resemblance to that of the crazed nationalist leader, Zviad Gamsakhurdia, in the early 1990s.

The latest conflict is humiliating for the US, but it may have saved us from a catastrophic future

Instead, according to European officials, the Bush administration even put heavy pressure on US and international monitoring groups not to condemn flagrant abuses by Mr Saakashvili's supporters during the last Georgian elections. Ossete and Abkhaz concerns were ignored, and the origins of the conflict were often wittingly or unwittingly falsified in accordance with Georgian propaganda.

Finally, and most importantly, the US pushed strongly for a Nato membership action plan for Georgia at the last alliance summit and would have achieved this if France and Germany had not resisted strongly. Given all this, it was not wholly unreasonable of Mr Saakashvili to assume that if he started a war with Russia and was defeated, the US would come to his aid.

Yet all this time, Washington had not the slightest intention of defending Georgia, and knew it. Quite apart from its lack of desire to go to war with Russia over a place almost no American had heard of until last week, with the wars in Iraq and Afghanistan it does not have an army to send to the Caucasus.

The latest conflict is humiliating for the US, but it may have saved us from a far more catastrophic future: namely an offer of Nato membership to Georgia and Ukraine provoking conflicts with Russia in which the west would be legally committed to come to these countries' aid – and would yet again fail to do so. There must be no question of this being allowed to happen – above all because the expansion of Nato would make such conflicts much more likely.

Instead, the west should demonstrate to Moscow its real will and ability to defend those east European countries that have already been admitted into Nato, and to which it is therefore legally and morally committed – especially the Baltic states. We should say this and mean it. Under no circumstances should we extend such guarantees to more countries that we do not intend to defend. To do so would be irresponsible, unethical and above all contemptible.

The writer is a professor in the war studies department of King's College London and a senior fellow of the New America Foundation. He covered the Georgian civil wars of the 1990s as a correspondent for the Times (London)

Japan needs to acquire a taste for competing

Michiyo Nakamoto

As even a casual visitor to Japan can attest, in this Michelin-star studded country, there is food, glorious food. From the most sumptuous feasts concocted from simple vegetables, to the endless variations on the humble *onigiri* rice balls that line the shelves of convenience stores, the inventiveness and care that go into food production in Japan make it a true foodie's paradise. But contemporary Japan's rich culinary culture owes as much to the free flow of global trade in agricultural produce as to the creativity of its chefs. Despite its staunchly protectionist stance towards agriculture, which has defined its position at World Trade Organisation talks, Japan is one of the world's largest importers of food products. The country that brought the world miso soup, tofu and soya sauce produces only 20 per cent of the soyabeans that help make these staples.

Japan's dependence on imported food has grown so much, alongside the westernisation of its eating habits, that food self-sufficiency measured by calories consumed has tumbled from 79 per cent in 1960 to 40 per cent today. This is the lowest of the world's most advanced economies. As the explosion of demand from developing economies has affected supplies and an increasing number of countries have been restricting exports of staples, there is growing alarm that Japan might not be able to count on the rest of the world to satisfy its demanding palate.

Hirota Matsumoto, executive director of the National Chamber of Agriculture, says: "There has been a paradigm shift in terms of human food supplies and demand. I am very worried about Japan's abnormally low food self-sufficiency." Nobody expects food imports to dwindle to the point that Japan will be left to survive on potatoes and rice,

There is growing alarm that it might not be able to count on the rest of the world to satisfy its demanding palate

the latter being the one staple in which Japan can boast nearly 100 per cent self-sufficiency. Nevertheless, there is almost unanimous agreement that Japan needs to rethink its agricultural policy, which has left many parts of its farming sector facing a grim future.

This is particularly true of rice farming, where the government's protectionist stance and a policy of restricting production in order to keep prices high have undermined the sector's commercial viability. Japan has taken a fiercely protectionist stance over rice, imposing tariffs of 778 per cent on imports. A policy of protecting the rice sector from outside competition and from market forces has left Japan woefully unprepared for the challenges confronting domestic rice production.

For one thing, it has left the long-term viability of Japan's rice sector in question. The failure to introduce market efficiencies has meant that despite high prices, rice farming is so unprofitable that few young people are willing to take it on. More than half of rice farmers are in their 70s and most of them only produce rice part-time.

Only 60 per cent of land available for use as rice paddies is actually used and as ageing farmers retire, this proportion is expected to fall. If the situation is left unchecked, Japan's rice crop could plunge from an annual 8.5m tonnes to about 4m tonnes, says Akio Shibata, director of the Marubeni Research Institute. Mr Shibata worries that even if Japan opened its market to rice imports, it might not be able to procure all the supplies it needs, given recent global trends.

Second, despite staunch opposition from the rice lobby, there is growing acceptance that, as Shoichi Ito, professor at Kyushu University says, "import barriers will have to be reduced and Japanese farmers will have to compete in that [open] market". Rather than continue to coddle its rice industry, Japan needs to implement measures aimed at raising its competitiveness. Allowing rice imports into the country is a step in that direction.

The issue is not just a matter of feeding the Japanese population. As one of the world's largest food importers, Japan's lack of food self-sufficiency could have a potentially damaging impact on supplies for other countries with less buying power. Already Japan is coming under fire for its failure so far to release some of the 1.3m tonnes of rice it has stockpiled as part of its WTO commitments to countries facing shortages, such as the Philippines.

As a country that relies so heavily on food imports, Japan needs to play its part in ensuring stability in global food trade. If Japan succeeds in raising the competitiveness of its agricultural sector and, better yet, becomes a food exporter capable of helping to ease tightening world supplies, that would be a far worthier distinction than any number of Michelin stars.

The writer is a Financial Times Tokyo correspondent

Business Life

Lucy Kellaway
THE PROBLEM

Do I owe a debt of honour to my boss?

I've worked for a small, struggling publisher for five years and like and respect my boss. At the end of last year I asked for six months' leave to write a book but, within a few weeks of my return, was offered a better-paid job at a big publishing house. I would jump at it, but feel I have a debt of honour to my boss. When he allowed me time off the unspoken agreement was that I would not jump ship on my return. If I resign now, he will rightly be angry. But should I do it anyway?
Publisher, female, 34

LUCY'S ANSWER

You are right to feel uneasy. To sidle off now would be a low thing to do. Understandable, but still low.

Most of us can dispense with loyalty to our employers as they show none to us. Your employer is not a faceless company but a decent man who has done you a favour.

Luckily, there is an easy way to solve your problem: talk to him. Tell him you have been approached. Tell him you feel tempted. Tell him that you feel under an obligation to him.

It is quite possible he will be relieved. To pay one fewer salary when he is struggling may make him feel Christmas has come early. And as he survived without you for six months, he may not be worried about doing so indefinitely. If this is right, you can both wave farewell fondly and heave your separate sighs of relief.

Equally, it is possible – given what a decent fellow he is – that he will want to keep you but will also understand that small, poor companies can't keep good people for ever, and see five years as a fair whack.

There is another chance (smaller, I think) that he won't take it so well, and will protest that you have broken your unspoken deal.

If he takes this line, you must make that upspoken deal spoken, agree a minimum length of service and serve it with good grace. Then you can assuage your thwarted ambition with the thought that a decent boss whom you respect is rare. One who allows you to go off and write books is rarer still.

If you do stay, there is a risk you may be rewarded by losing your job as times are hard, and small struggling publishers may well fold. Yet you would not necessarily be safe in the big one either: it might not go under, but could well fire first the last one to have been hired.

YOUR ADVICE

Dumb boss

No commercially minded boss would allow his best staff to take six months' leave based on an unspoken agreement of loyalty, especially if the business is struggling. He took a needless risk, the foolishness of which does not confer on you any moral obligation to correct his mistake. Don't even wait for him to match the offer – take the other job and move on.
Director, male, 35

Loyal

As the credit crunch brings back some of the more old-fashioned values, you should stay loyal for some time – new offers will appear at a more appropriate time.
Fund manager, male, 48

Grab it

I was faced with a similar situation – I was offered an attractive job but allowed myself to be talked into staying by my boss, who played on my feelings of guilt. I initially felt smug self-satisfaction but within six months realised I'd made a mistake. Within a year of rejecting that job offer, I was actively soliciting other offers.
Banker, male, 37

Honour

If the unspoken agreement was that you would stay around for a while, that is what you should do. Quite simply, the question is this: are you good for your word or not? Who knows, a future employer might even respect you more for your decision.
Banker, male, 46

Disloyal

Tell him you have had a better offer. If he can't match it, tell him you are very sorry but need to do what is right for you and your family.

Blind loyalty is rarely repaid in my experience.
Director, female, 37

Get right out

Take the grand job. But, let's face it, *all* of publishing is struggling. Your best bet is to ditch the (print) publishing business completely.
Female, anon

The next problem

I have been working for a large non-profit healthcare organisation for about a year now. My focus has always been on introducing efficiencies and my work is recognised by the board of directors. My issue is that some of my colleagues are developing a Pavlovian reaction to everything I say or do and are opposing it on principle. I try to engage them and work with them but they seem threatened by my low tolerance for mediocrity and desire to challenge the status quo. I love my job but fighting them drains my energy and is not sustainable. What to do?
Healthcare director, male, 32

MORE ANSWERS ONLINE
See more answers from FT readers at www.ft.com/dearlucy. Please send answers and new problems to problems@ft.com

Gear change: Adam Parr (left) congratulates Williams GP2 series driver Bruno Senna — Sutton

From boardroom to the F1 pit lane

A career switch from Rio Tinto to the adrenalin of running the Williams FI team brought several tough challenges, Adam Parr tells **James Allen**

Travelling on Bernie Ecclestone's private jet to a meeting at Ferrari or standing below the podium at the Australian Grand Prix, where his driver finished third, are just two reminders of how much Adam Parr's life has changed.

Two years ago he was a senior executive at Rio Tinto; now he is chief executive of the Williams F1 team and has been officially named by racing legend Sir Frank Williams as the key man in his succession plan. The worlds of mining and F1 are poles apart, but Mr Parr has made the experience and skills acquired in one career serve in another.

"I like competing," Mr Parr says. "And unlike football, where there are 11 guys, in an F1 team you really sense there are 530 people competing. As one of my colleagues says, it's the only opportunity he has to be a world champion, because it is a constructors' world championship and, to build a car capable of winning, it needs literally everybody."

Mr Parr joined Rio Tinto in 1989 after reading English at Cambridge. He worked in operations in South Africa and Australia, and did a spell in the head office as assistant to the chief executive. In 1993, he took a break to do bar exams and practise as a barrister, before returning to Rio Tinto five years later.

He was managing one of the company's mining operations in Australia when he was introduced to Sir Frank after the 2001 Melbourne Grand Prix. The two men kept in touch and in 2006 Sir Frank asked him to join his team as chief executive.

He had a perfectly good career, so why make the switch?

"F1 is the perfect competition because it is sport, it's technology, it's business," he says. "Whether it's sponsors or the Max Mosleys and Bernie Ecclestones of this world, you deal with really interesting people. And it's all in this fiercely competitive environment, which gives everything an edge.

"I'm not interested in having an easy life – when things become routine, it loses its edge," he says.

Mr Parr manages a company with 530 employees, making only five racing chassis a year and in which costs are always spiralling out of control, competition with major motor manufacturers is intense and where the team puts its reputation on the line at the 18 grands prix that make up the world championship.

The margin between success and failure is measured in 10ths of a second and the gap between the fastest and slowest car on the grid is now the smallest in the history of the sport. Mr Parr must keep his team motivated, keep the sponsors' dollars rolling in and constantly encourage his engineers to find that extra edge to beat their rivals.

One of the biggest differences with his previous business life is that performance assessment is instant, and excuses harder to find.

"Often in business you are building for the long term, and success and failure are hard to measure," he says. "Here you get these vicious brutal public beatings if you are not on the right path. Rio Tinto is now involved in one of the biggest takeover battles of all time – it's being pursued by BHP Billiton. To be involved in the bid team on either side would be comparable to this, but that's unusual unless you work in a merchant bank."

Adding additional pressure to his new job is the Punch and Judy-style F1 politics, with the shifting loyalties of commercial supremo Mr Ecclestone, FIA president Mr Mosley and the other nine team principals.

This elite group was once described as the "Piranha Club" by one member and their confrontational meetings are legendary. At the Spanish Grand Prix recently, barely a year into the job, Mr Parr found himself being publicly screamed at by Mr Ecclestone in a meeting just for standing his ground.

One difficulty for Mr Parr in making the transition to a new role was that he had no time to get to know the personalities.

"I think that's one of the biggest problems I have," he says. "This is not a business for the faint-hearted – you have to be clear and you have to be confident and pretty much from day one I had to take a position."

He recalls that at the first team principals meeting he attended, the first item on the agenda was something his team had a position on, "so I was able to be quite strong. I was criticised for being a new guy, only just arrived and already getting in there, but it's what our team needed and it's my job."

According to Richard Emerton, head of industrial practice at headhunters Heidrick & Struggles, career moves such as Mr Parr's are not uncommon, but often end in failure because of lack of research.

"If you are going to do this, make sure you have done the due diligence on the company you are joining," he says. "And the other thing is to be very self-aware; the fact that you have done well in a large organisation may not necessarily mean you will be a world-class leader in a smaller organisation. You have to understand the things that make you successful and work out if they will be applicable in the new organisation."

Often, Mr Emerton adds, in an organisation where the founder is still around and is the lifeblood of the company, it can be hard for a chief executive to get the workforce to go to him.

Mr Parr seems to have taken note of this and is getting on well with Sir Frank, who describes him as "extremely bright".

But now Mr Parr and the team need to find a new winning formula. Grand prix racing is a sport that takes place on a Sunday afternoon and the rest of the time it is a business.

It is hugely commercial, with an annual turnover in excess of $4bn a year. The Williams team operates on a budget of about $180m, roughly three times what it spent in the glory days of 1996-97, when it won the last of its nine team world championships. Sadly for Williams, it is also barely a third of what the top teams spend today. The wage bill is about $60m a year, with average salaries around $100,000.

As a competitor in F1 you are more likely to fail than succeed, in a way that is not always so obvious in other businesses.

Mr Parr copes with that, he says, by looking at failure in different terms – some 44 F1 teams have come and gone since the Williams team was founded 31 years ago, so just getting on the grid is a success in itself. "Failure to me means ceasing to be able to compete in F1. Of course you want to win races and championships, but no one wins every race," he says.

Despite the pressures, Mr Parr is delighted with his new choice of career because he feels it combines all the elements he is looking for.

"Williams is a team of engineers and I love that. I love going into the machine shop and looking at what the guys are putting together and it's a fantastic product," he says. "Then you put it all together and go racing and you've got an extraordinary sport."

How previous careers smoothed the road to the chequered flag

Adam Parr started at Rio Tinto in 1989, taking a career break in 1993 to do his bar exams and practise as a barrister, before returning to the mining company 1998. He has a clear view of how the skills he brought from his previous career have helped in his new one as chief executive of a Formula 1 team.

From the legal world he learnt the ability to withstand the adversarial atmosphere and stick to your guns, as well as conflict resolution: "The way you analyse the situation and the way you seek to structure ways out of things, with Bernie [Ecclestone], with Max [Mosley], with other teams, it's a constantly moving kaleidoscope of partnerships, alliances and agreements," he says. From his time at Rio Tinto he took the experience of managing operations of about 500 employees and giving himself thinking space.

"Working for Rio Tinto, which was quite an intellectual company, gave me the opportunity to think about, as well as do, things. So I have thought long and hard about how things work here," he says.

Hell and high water with the light blues

BOOK REVIEW
The Last Amateurs
To Hell and Back With The Cambridge Boat Race Crew
Mark de Rond
Icon Books £17.99

Dream team: the winning Cambridge oarsmen — Getty

What do you get when you cross a Dutch ethnographer with a boatload of highly trained, supremely motivated athletes? The answer is a colourful eyewitness account of muscular chaps steeling themselves for the most important 17 minutes of their lives – the time it takes eight of them to row from Putney to Mortlake on the river Thames in the annual Oxford versus Cambridge university boat race.

"Colourful" does not do the book justice. The author, who is based at Cambridge's Judge business school, offers more or less uncensored reportage from the towpath and the locker room. The film of the book – "Brideshead Revisited meets Fight Club", in the author's words – would require an 18 certificate. We get not only "blood, toil, tears and sweat" but several other bodily fluids too. Starting seven months before the 2007 race, Mr de Rond immerses himself in the rowers' world. He trains with them, eats and drinks and passes out with them, being given – for an outsider – unprecedented access to the life of a "blue boat" athlete.

It is to prove a shattering experience, one he feels compelled to describe at times in some rather purple prose. "That laborious seven-month journey towards race day is . . . a voyage into a mysteriously private place: into what it means to be truly and fully a man," he says.

Why should Financial Times readers – male or female – bother with this book? Because it provides a rare glimpse of the birth, development and management of an elite team getting ready to perform under great pressure. Forget any incipient Olympics fatigue. This book has much to teach about what makes a great team tick.

Surely it is all pretty straightforward, you might think. Get the eight best rowers together, put them in a boat and off you go. But teams – on the water or in the office – do not work like that.

"Rowers can perform differently depending on who else is in the crew," Mr de Rond says.

"Oarsmen like to row with oarsmen they respect, where respect is earned the hard way by putting in the miles and bringing home the medals." Paradoxically, in the run-up to the race, squad members have to collaborate with each other as well as compete.

Once selected, it becomes clear that this blue boat is a dysfunctional group. The ethnographer declares: "What makes these guys attractive makes them difficult too . . . they want to be the best and yet are contemptuous of those inferior to themselves, and they are extraordinarily strong-willed."

Training is hard and unforgiving. There is controversy in the squad when an ostensibly more competent rower is ditched in favour of a more collegiate one. "His gusto, cheerfulness and confidence may not translate into better boat-moving ability on an individual level, but they seem to get a better performance out of the other seven," the author says.

Sensitive readers – male or female – should be warned that there are several nude scenes in the book. The rowers are, Mr de Rond says, "masculine but unafraid of male intimacy". A lot of showers are taken. Invidious comparisons get made. "Having seen how well-hung the squad are," Mr de Rond confesses, "I've become fixated on my own member."

In the run-up to race day, the team enjoys watching macho and violent films – *The Godfather*, *Seven*, and the TV show *24*. But on the day of the race itself Ricky Gervais's *The Office* is preferred. Light relief.

After all this gripping build-up, the race is described in rather muted terms. The author seems exhausted by the effort of relating his experiences. But the result is the right one, from his point of view: Cambridge win.

So this is how the light blue boat did it in 2007. But is it the whole story? An anonymous e-mail, sent to the entire squad four months before the race, recommended boosting testosterone levels before the start by becoming "maximally aroused but clear of orgasm".

It was important, the e-mail suggested, to try to achieve this spike in hormone levels in the final few hours before competition.

As this reviewer (an Oxford man) could have told you, that Cambridge lot are clearly just a bunch of tossers – albeit a well-organised, high-performing one. You won't read a better book on teams anywhere else this year.

PS Back to normal in 2008, of course. Oxford won again.

Stefan Stern

Arts & Television

Elves, trolls and a little Tennyson

Martin Hoyle
FILM

The stilted, strangely unelided dialogue is intoned as if the actors had recorded their individual scripts separately in different studios at different times to be spliced together in almost surreal non-communication. Our hero has the dimpled chin, chiselled jawline and expensively bobbed nose that bespeaks cosmetic surgery. Which is odd, since this is CG animation, ideally a flexible form for depicting humans untrammelled by nature's blemishes. But what **Star Wars: The Clone Wars** serves up is a rehashed *Thunderbirds* with a dash of Japanese anime.

The rather desperate excuse for this return of the Jedi is to expand on the briefly mentioned Clone Wars fought by Anakin Skywalker, father of the as-yet-unborn Luke, and the young Obi-Wan Kenobi. Anakin is given a cutesy kittenish female sidekick, a facial amalgam of Nefertiti and Pete Doherty. They indulge in wacky banter while defying death. Chief point of interest is the giant slug Jabba the Hutt, an autocratic gangster with the aura of Idi Amin. At a generous estimate, the eternal light-sabre battles fall victim to the law of diminishing returns, even for children, after 40 minutes – which leaves nearly an hour of boredom.

Compare and contrast **Hellboy II: The Golden Army**. Director Guillermo del Toro has shown his grasp of fantasy in such films as *Pan's Labyrinth* and is preparing to film *The Hobbit*. His latest release combines the superhero genre – the alarmingly gifted use their paranormal powers against society's enemies – with trolls, elves and tourist spots in Northern Ireland, an area that has had enough mortal warriors, one would have thought, without hosting a snoozing subterranean horde waiting for the off; which is perhaps why it was cautiously filmed in Hungary.

Hellboy, you may remember, was created from dark forces during the second world war by Nazis working inexplicably in Scotland but was saved for good by being brought up by John Hurt. Now adult, Red has a Desperate Dan physiognomy, a (literal) sledgehammer right hand and sawn-off horns. He is employed, along with a human amphibian and a girl who can turn into a ball of flame, by the US government to combat immortal Celtic faerie princes and insects that devour what appears to be Sotheby's, New York, evidently a prime target for supernatural revenge when inadvertently offering magic antiquities for sale.

Monstrous wit: 'Hellboy II' creates a dark world of monsters and gremlins

Visually fascinating, the movie creates a dark world of monsters and gremlins, whether beneath the Brooklyn Bridge or County Antrim. Dwarfish metalworkers and underground goldsmiths, together with hints that Hellboy will one day cause the end of the world, add a Wagnerian flavour, leaving the franchise open for its own *Götterdämmerung*.

Disappointingly, the action scenes often slide into the messily incoherent. But the film shows a certain wit and a refined eclecticism: a director who in a few seconds combines Mozart's Clarinet Concerto, a quotation from Tennyson's *In Memoriam* and two monsters singing *Beautiful Freak* deserves watching.

Back to the real world, though the elegiac pace, sombre lighting and spare, elliptical performances of **The Banishment** verge on the almost ritualistically stylised. Some have complained about the film's length (2hrs 40mins) but it slips gently by, holding the attention in an iron grip. Based surprisingly on a William Saroyan story, Andrey Zvyagintsev's film narrates a domestic tragedy, transplanted to rural Russia, a variation on the concept of children as hostages to fortune. There are prize-winning performances, seductive landscapes and hallucinatory shots of empty urban streets and shadowy interiors. Though not as good as the same director's *The Return*, the work treads a tightrope between melancholy and lugubrious to haunting effect.

One longs to like **Miss Pettigrew Lives for a Day**. Based on a pre-war novel recently rediscovered, the romance concerns an unemployed governess, sheltered and rather prim, caught up, for one day, with a glamorous actress and her various lovers in a madly fashionable London. The story has a very English period charm. Here seen through American production eyes and directed by the Indian-born Bharat Nalluri with a talent for the tough (TV's *Life on Mars*), it seems weirdly un-English, in spite of extensive use of London locations.

Amy Adams as an American blonde bombshell plays a cliché to the hilt. The intelligent and sensitive Frances McDormand has little to do except look wise and rueful as the blossoming governess – the role gives her nothing to work with – and rather surprisingly for an allegedly feminist work, the men come off best: Ciaran Hinds, Tom Payne and the American Lee Pace, from TV's *Pushing Daisies*, who manages not one but several creditable English accents, sometimes unfortunately all in the same sentence, but whose emotional depth shows up this ball of fluff as insubstantial. Forgettable.

I wish the same could be said of **You Don't Mess with the Zohan** but images of a thrusting male pelvis haunt the sensitive critic yet. Adam Sandler is a crack Israeli anti-terrorist commando who, when not splatting Arabs, is barbecuing naked on the beach, casually tossing grilled fish in the air to catch in his rectum and then wittily discharging them from the same quarter. A potentially funny premise – the hero has a secret ambition to be a hairdresser – is given what one can only call a phallocentric approach, sparked by our hero's stunning ability at extra-follicular activities, especially with elderly clients. Sandler's centre of gravity is the crotch. In one shot, worthy of a sexually weighted *Alien*, he even shows how to wave goodbye – not with his hands. Gross.

Wild Child is not gross, but little else either. Spoilt Californian teenage brat is sent to stuffy English boarding school. Mutual revulsion gives way to affection, aided by the headmistress's son, played by a male model who has yet to learn to utter lines, and the heroine's introduction to chip butties. The types are such extremes that the partisans in the audience will continue to hate American brats and English snobs respectively, rapprochement between two sets of caricatures seeming unlikely. Chief point of interest: the school is called Abbey Mount, Yorkshire. Can this be The Mount, York, alma mater of Margaret Drabble and Judi Dench?

A documentary on limited release provides a welcome dash of gravitas. Jonathan Demme recorded the ex-president on a book-publicising tour in **Jimmy Carter: Man from Plains**. At a time of mistrust of politicians, both for their professional abilities and their personal probity, one is tempted to sneer: "Where's the catch?" But Carter does seem that rare thing, a decent man in public life. Not ground-breaking cinema, but a reminder that Christians can be tolerant and politicians principled.

Star Wars: The Clone Wars (U) ★★☆☆☆
David Filoni

Hellboy II: The Golden Army (12A) ★★★★☆
Guillermo del Toro

The Banishment (12A) ★★★★☆
Andrey Zvyagintsev

Miss Pettigrew Lives for a Day (PG) ★★★☆☆
Bharat Nalluri

Wild Child (12A) ★★☆☆☆
Nick Moore

You Don't Mess with the Zohan (12A) ★☆☆☆☆
Dennis Dugan

Jimmy Carter: Man from Plains ★★★☆☆
Jonathan Demme

THEATRE

The Tell-Tale Heart

Royal Lyceum Theatre, Edinburgh

Anyone who saw Steven Berkoff's theatre adaptation of Poe's short story in the 1980s would attest to the capacity of the piece to teeter on the brink of an arch, high camp kind of humour. The gothic will perhaps always have this propensity when staged, but in Barrie Kosky's production for Malthouse Melbourne, the line is trodden with conspicuous care, so that the chuckle you're about to vent dies in your throat at the next turn of grotesquery.

In it, Martin Neidermair sits stock still, tieless and barefoot to narrate Poe's story of the murder of an old man pretty well verbatim for a good 10 minutes, before a series of increasingly grotesque and jerky movements propel him up and down the wood staircase that forms Anna Tregloan's entire design. As Kosky performs a series of piano pieces to accompany the movement, from Bach to Purcell to Wolf, our usual musical associations with the tunes are eerily transformed through Neidermair's character into elegies to dysfunctional emotional processes.

Much credit must go to the lead performer, whose robust versatility is demonstrated by Paul Jackson's lighting, which alternately picks out his endlessly twitching, gyrating face, then dimly illuminates his convulsing body. As Neidermair spits, drools and snaps his teeth, he reflects upon his victim's eye again and again. And as we penetrate his *mitteleuropäisch* accent – a touch of Peter Lorre – we realise being seen absolutely for what we are can be a frightening experience at the best of times. In an elevated state of delusion, it can provoke hideous consequences.

All this captures a thrilling kind of horror, as we journey into the mind of this monstrous sociopath and see the world from his perspective. But this might also be a flaw in the piece, which emerges as a forensic inquiry into abnormality, by which, however chilled we might be, we are always detached. Surely Poe's original, which might well have looked at the world from his own alcohol- and narcotic-fuelled point of view, showed us that in the hinterlands of any adjusted psyche, there's a capacity for violence and psychosis. ★★★☆☆

Steve Cramer

MORE ARTS ONLINE

Rossini Opera Festival, Pesaro
'Twelve Ophelias', New York
www.ft.com/arts

This Evening's Television

BBC 1

Matt Allwright and Anita Rani demand hygiene at 8.30pm

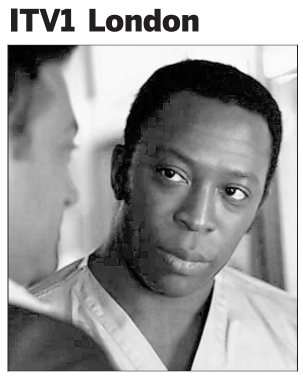
6.00 BBC News.
6.30 Regional News Programmes.
7.00 Olympics 2008: Games Today. Gabby Logan introduces highlights from the sixth day of competition in Beijing, including the men's gymnastics.
8.00 EastEnders.
8.30 Rogue Restaurants. Matt Allwright and Anita Rani take the team undercover to investigate allegations of poor health practices and hygiene standards in two of London's Indian restaurants.
9.00 Traffic Cops.
10.00 BBC News.
10.25 Regional News and Weather.
10.35 FILM **On a Clear Day.** A shipyard worker is made redundant, and vows to swim the English Channel.

BBC 2

6.00 Battle of the Brains.
6.30 Eggheads. R
7.00 Who Do You Think You Are? The actress Patsy Kensit traces her ancestry. R
8.00 Would Like to Meet Again. New series. Five years after the original programme was broadcast, the team of dating experts revisit the lovelorn singletons.
8.30 Dr Alice Roberts: Don't Die Young. The anatomist explores the ear, nose and throat.
9.00 Mock the Week.
9.30 Lab Rats.
10.00 Never Mind the Buzzcocks. R
10.30 Newsnight.
11.20 The Edinburgh Festival Show. Lauren Laverne presents extended footage of the first of three programmes from Pleasance Courtyard in Edinburgh.

Dara O'Briain takes aim at the news at 9pm

ITV1 London



Shaun Parkes aids an injured patient at 9pm

6.00 London Tonight.
6.30 ITV Evening News.
7.00 Emmerdale.
7.30 Death on Our Streets: Stop the Violence. A special edition of The London Programme visits New York to find what steps have been taken to combat gang violence.
8.00 The Bill.
9.00 Harley Street. Ekkow helps a patient comes to terms with her injuries.
10.00 News at Ten and Weather.
10.30 London News and Weather.
10.40 London Ambulance. On call with the London Ambulance Service.
11.10 Soundtrack to My Life. New Zealand band Crowded House join Cat Deeley.
11.40 The Goodwood Festival of Speed.

Regional variations apply

CHANNEL 4

6.00 The Simpsons. R
6.30 Hollyoaks.
7.00 Channel 4 News. Plus sport and weather.
7.55 Bright Young Wonders.
8.00 Gok's Fashion Fix. The designer creates four stylish autumn-winter outfits for less than £800 and takes the pop star Jamelia for a spot of retail therapy. Plus, the Street Style Icon of the Year is revealed. Last in series.
9.00 Big Brother.
10.00 The Charlotte Church Show. The singer is joined by the boxer Ricky Hatton.
10.45 My Name Is Earl.
11.15 Tonightly.
11.45 The Kevin Bishop Show. Amy Winehouse, Gordon Ramsay and Colin Farrell are among the stars lampooned, and Bruce Forsyth makes an appearance. R

Gok Wan reveals the Icon of the Year at 8pm

FIVE

6.00 Michaela's Zoo Babies.
6.50 Live UEFA Cup Football. FH Hafnarfjordur v Aston Villa (Kick-off 7.00pm). Coverage of the first leg in the second qualifying round at the Kaplakriki in Iceland.
9.05 The Hotel Inspector. Alex Polizzi attempts to reverse the fortunes of the Garden Lodge guesthouse in Folkestone, but faces a battle to convince the owner to rid the place of its clutter. Last in series.
10.05 Grey's Anatomy. Part one of two. Addison takes a leave of absence to visit an old friend in Los Angeles, and Cristina is overwhelmed by the sudden rush of wedding activity.
11.05 My Strange Brain. Cases of individuals with a distorted sense of reality.

Cable & Digital

BBC3
7.00 Doctor Who. 7.45 Doctor Who Confidential. 8.00, 8.30 The Real Hustle Las Vegas. 9.00 Britain's Really Disgusting Foods. 10.00 EastEnders. 10.30 Touch Me, I'm Karen Taylor. 11.00, 11.25 Family Guy. 11.45 Britain's Really Disgusting Foods.

BBC4
7.00 World News Today. 7.30 Proms on Four 2008. 9.20 High Culture for All in Post-War Britain. 10.00 Maestro. 11.30 BBC Four Sessions.

E4
6.00 Big Brother's Little Brother. 6.25 Friends. 7.00 Hollyoaks. 7.30, 8.00, 8.30 Friends. 9.00, 9.30 My Name Is Earl. 10.00 Big Brother's Big Mouth. 10.35 Alan Carr's Celebrity Ding Dong. 11.25, 11.40 E4 Comedy. 11.55 Big Brother Live.

More4
6.25 Selling Houses. 7.00 Grand Designs. 8.00 More4 News. 8.30 The Daily Show with Jon Stewart. 9.00 Ramsay's Kitchen Nightmares USA. 10.00, 11.00 Without a Trace.

Film4
7.20 Carry On Up the Khyber. 9.00 Braveheart. 12.15 Shaft.

Sky Sports 1
6.00 Premier League World. 6.30 Cesc Fabregas Show. 7.00 It's A Wonderful Run By Giggs. 8.00 Sir Alex: The Frost Interview. 9.00 Premier League Years. 11.00 Premier League Team of the Season.

Sky One
6.00 Malcolm in the Middle. 6.30, 7.00, 7.30, 8.00, 8.30 The Simpsons. 9.00 Bones. 10.00 Mums Who Leave Their Kids. 11.00 Road Wars.

History
5.00 Human Weapon. 6.00 Mega Movers. 7.00 Cities of the Underworld. 8.00, 9.00 Ax Men. 10.00, 11.00 The Universe.

UKTV History
6.00 Tenko. 7.00 Antiques Roadshow. 8.00 Wild Thing I Love You. 9.00 D-Day to Berlin. 10.00 Fighting the Blue. 11.00 Antiques Roadshow.

Sky Arts
6.00 Tim Marlow on Modern Art Oxford. 6.40 John Nettles' Westcountry. 7.05 Sky Arts at Folkestone Triennial. 7.15 The Takacs Quartet. 8.00 Paul Anka: Rock Swings, Live in Montreal. 9.00 Johnny Cash Live at Montreux. 10.00 Iconoclasts. 10.45 The Story of the Clash. 11.45 Moog.

Discovery
6.00 American Chopper. 7.00 How It's Made. 7.30 How Do They Do It? 8.00 World's Fattest Kids: My Shocking Story. 9.00 Real ER: The Bronx. 10.00 Deranged Killers. 11.00 Crime Scene Australia.

Pick of the Day

A jaded, tacky evening includes the occasional disappointing damp squib (**Lab Rats** BBC2 9.30pm: plenty of talent wasted).

One sure thing is **Proms on Four** (BBC4 7.30pm). Daniel Barenboim conducts his brainchild, the West-Eastern Divan Orchestra, comprising Arab and Israeli youngsters, many getting to know the presumed ogres from the other side for the first time. Heart-warming politically, the orchestra has the bonus of excellence.

Talk Radio (Five US 10.5pm): Eric Bogosian's virtuoso nastiness as an airwave shock jock is directed with mounting tension by Oliver Stone.

Martin Hoyle

THE LEX COLUMN

Thursday August 14 2008

ING

ING has displayed some nifty footwork. The Dutch insurance and banking group is in the buy and hold game. Still, it chose to offload equities at the right time in the second quarter. The resulting capital gain helped to take some of the sting out of lower investment income. Earnings of €1.9bn may be down but were still better than expected.

Rivals have more to be green about. Take funding. For ING, funding itself either wholesale or via retail deposits is no sweat. In the short-term money markets it can fund itself well below Libor. And, while competition for precious customer deposits – accounting for over half of ING's funding base – has hotted up, ING has been able to attract its share, without seeing the cost of acquiring them spiral out of control. It has also managed to staunch the outflows from ING Direct, its online banking arm, in the fierce UK market. The end result is a financial group that still talks of balance sheet growth, not shrinkage.

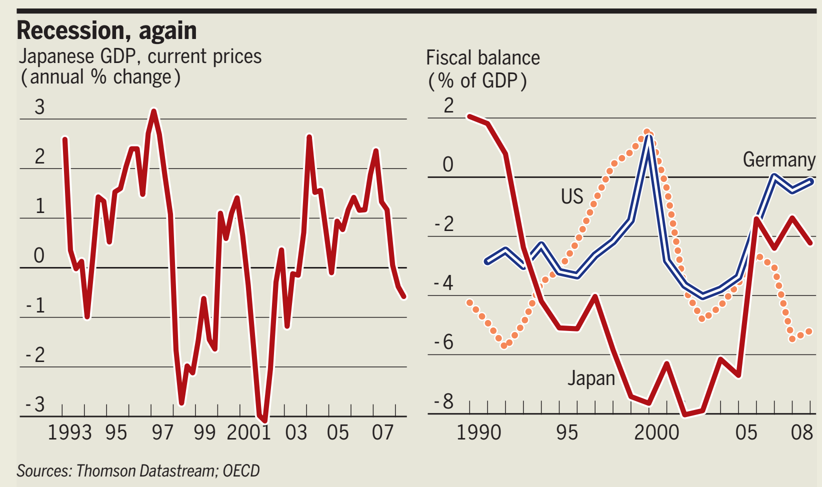
The other envy-inducing element of ING's results is the limited scale of writedowns due to losses on mortgage-related assets. ING has not escaped the carnage altogether. It holds €22bn of Alt-A mortgage securities, which, sitting between prime and subprime, could presumably suffer during further market declines. But even if the rating agencies' loss projections for Alt-A materialise, ING believes its potential credit losses are unlikely to be dramatic. Unlike some, it is not so capital constrained that it needs to reduce its exposure in a fire sale.

Investors may worry that its sure-footedness this quarter will be hard to repeat. Rivals with strengthened capital positions will in time become more aggressive. But its fundamentals look strong and any respite from the drumbeat of bad news out of financials is welcome.

Japan and the 'R' word

On technical definitions at least, Japan is officially half way into a recession. Real GDP contracted by 0.6 per cent on a quarter-on-quarter basis in the April-June quarter. So what? Compared with a year ago, the world's second biggest economy is still expanding. At first glance, Japan looks as well-equipped as any to withstand recession. Corporate balance sheets are robust and consumers, unlike their global peers, are not over-stretched. Japan Inc is certainly better placed than the past post-bubble era downturns, having shed much of its excess debt, labour and capacity.

The government's position is less enviable, however. It is cash-strapped and unpopular with voters, who are being squeezed by rising prices. Any fiscal stimulus – with 0.5 per cent interest rates, monetary easing is hardly an option – would thus play better to voters than to the state's balance sheet. Japan may have a fiscal deficit of 2 per cent of GDP, according to the Organisation for Economic Co-operation and Development figures, but it is the rich world's most indebted nation and has already this year embarked on a $1,200bn bond issuance programme. Moreover, the shrinking economy will inevitably dent tax revenues by a few percentage points; perhaps by $14bn or so, Credit Suisse estimates. A stimulus package, say by extending financial aid to smaller businesses and consumers, could cost a similar amount.



Sources: Thomson Datastream; OECD

Conversely, any positive impact is likely to be small. Japanese shoppers never took up the baton. That is partly why – now net export growth is dropping out of the picture – the economy is shrinking. With corporate profit growth reversing, tempering wage rises and perceptions of job security, consumers are gloomier still. A deteriorating fiscal picture would arguably even increase their caution, by adding to the case for higher taxes. Japan may lack a housing bubble of US or UK proportions, but condominium prices are tumbling and inventories rising – problematic when the construction and related sectors employ maybe a tenth of the workforce. Alas, Japan is no better insulated if recession hits than any of its G8 peers.

Loan buy-outs

Shareholders of banks are gleeful when they offload loans mangled by the credit crunch, almost regardless of the terms. Should private equity's limited partners be equally sanguine about buying them? The buy-out kings are now the prime lubricators of dried-up loan markets. Standard & Poor's LCD estimates that private equity has taken up to two thirds of the $65bn in block sales of loan portfolios this year.

The strategy is born of necessity on both sides. Buyers argue that the banks are more stressed than the debt being sold. Fair value accounting gives an incentive to US banks to pass on rather than keep their books of loans. Those keeping debt or buying it, meanwhile, bet that most loans will survive intact. Buy-out groups, with unspent billions in their coffers, must also get creative in seeking profits to justify their fees.

Buying at a discount, often using leverage offered by the seller, provides protection against more price volatility and greater potential gains should loans reach maturity. In the meantime, buyers collect the spread between the interest income on the debt and their financing costs, offsetting potential losses in the event of a default. Making fast outsized returns – as GSO, Blackstone's credit specialist, managed as a result of Alltel's sale to Verizon – requires luck. Buy-out groups can, however, channel knowledge from failed takeover bids into selecting decent credits.

By buying into the debt of buy-outs, however, private equity groups are doubling up on their exposure to highly leveraged investments made in the boom. The risk is that defaults occur quicker and more broadly than expected, overwhelming even the most sophisticated models. After sales to old hands such as Apollo and GSO, the loans left available are also less appetising, even as more buyers start jostling to enter the field. The next step is for wannabe debt investors to get into distressed and junior debt. The private debt bonanza will not end well for all.

Oh Deere

It is not often that a company reports record results only to see its share price plummet. In spite of its management predicting sales will be up by a fifth in 2008, John Deere's third-quarter numbers were greeted with disdain yesterday. Its stock dropped 6 per cent and is now down by almost a third from its April peak, underperforming a falling capital equipment sector.

The problem is not a failure to sell new combine harvesters. Farmers around the world, their pockets full thanks to booming agricultural commodity prices, are splashing out on new equipment. Sales to South America are growing at a tremendous pace – up about 40 per cent on the year before. Expectations for strong harvests have prompted crop prices to fall recently, but agricultural incomes remain high.

However, cost increases for raw materials such as steel, first highlighted back in May, are proving tough to absorb. Deere hopes to push through price rises sufficient to restore profitability levels, but doing so without deterring buyers will be difficult, doubly so if the dollar continues to recover some poise. Dollar weakness has been worth about 5 percentage points worth of sales growth this year, or a quarter of expected overall growth.

Meanwhile, Deere is the second-largest maker of construction equipment in the US, behind Caterpillar. The decline in revenues for this business is accelerating as property markets falter, crushing margins. With peers reporting downward pressure on prices for small and mid-size equipment, ambitions to push them higher in the new year seem optimistic. At the same time, the group's small financing business reported the now familiar refrain of higher provisions for credit losses. Analysts' estimates, having climbed strongly for much of the past three years, have now plateaued. But with crop prices moderating, and US construction moribund, the expectation must be that those numbers are due for the chop.

Falling Brics

The brick has dropped. Brazil, Russia, India and China – the so-called Bric countries – have long enjoyed turbo-charged economic growth. Yet this has not been matched by recent investment performance. This year, the US stock market has done better than any Bric. While the S&P 500 has fallen "just" 12 per cent, Brazil has lost 15 per cent, Russia and India more than 20 per cent, and China's CSI 300 index a whopping 54 per cent.

Local factors have played a role. More important, though, has been the fall in commodity prices. This has hurt resource-rich countries such as Russia and Brazil. It has also dented the belief that strong Asian economies were why commodity prices were rising in the first place. That is why the markets of traditional commodity importers such as China and India – which benefit from falling food and energy prices – have also suffered.

In terms of valuation, there is now little to differentiate the Bric average from the S&P: both are on 15 times earnings. Longer term forces are also at work. For years the main source of marginal world growth has come from emerging markets. After an almost three-year decline in the dollar, US exporters may now be the world's new growth story. The US trade deficit shrank by 10 per cent month-on-month in June. If that trend continues, its counterpart will be falling trade surpluses elsewhere.

That will hurt manufactured goods exporters from China. It will also hurt the creditworthiness of countries that supply the commodities these manufacturers consume. That is why JPMorgan's benchmark global emerging bond index has returned less than 1 per cent this year, while 10-year US Treasuries have returned more than 3 per cent. You can believe in globalisation, or in de-coupling, but not both.

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A gentle nudge

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Slippery slope or temporary blip?

Forum: Oil prices have fallen more than a fifth from their peak. Will they stabilise at their new lows or is the current fall a blip in the continuing rise of oil?
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1 UBS chiefs knew of rule breaches
2 Why Russia's response to Georgia was right
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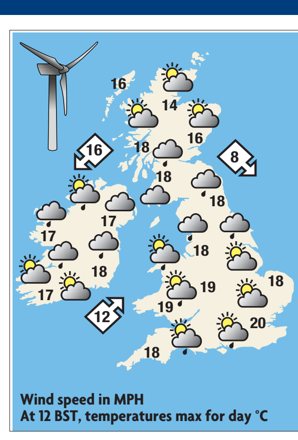
WEATHER

Britain and Ireland today
Southern parts of England and Ireland will have sunny spells and the odd shower. Scotland will have sunny spells but with showers in the south. Elsewhere it will be cloudy with some heavy and thundery showers.

Europe today
Northern Spain, France, the Low Countries, the Alps, Scandinavia and parts of eastern Europe will have showers and longer spells of rain, some heavy with the risk of thunder. Germany will be cloudy. Elsewhere it will be mainly sunny.

UK and Europe outlook
The UK will remain unsettled during the coming days, with showers and longer spells of rain. Temperatures will be close to or just below average. Central, northern and eastern parts of Europe will see further showers and more persistent rain over the next few days, some heavy with thunder. The Mediterranean area will stay dry and sunny.



Today's temperature Maximum for day °C & °F

Abu Dhabi	Sun	37	99
Amsterdam	Rain	20	68
Athens	Sun	35	95
B'ham	Fair	19	66
Bangkok	Shower	34	93
Barcelona	Fair	29	84
Beijing	Thunder	26	79
Belfast	Rain	18	64
Belgrade	Sun	36	97
Berlin	Cloudy	26	79
Bombay	Thunder	28	82
Brussels	Fair	20	68
Budapest	Sun	32	90
Buenos Aires	Fair	16	61
Cardiff	Shower	19	66
Chicago	Fair	27	80
Cologne	Fair	22	72
Copenhagen	Shower	19	66
Delhi	Thunder	30	86
Dubai	Sun	38	100
Dublin	Cloudy	17	63
Edinburgh	Rain	17	63
Frankfurt	Fair	24	75
Geneva	Shower	22	72
Glasgow	Shower	18	64
Hamburg	Cloudy	20	68
Helsinki	Shower	22	72
Hong Kong	Sun	33	91
Istanbul	Sun	31	88
Jersey	Cloudy	18	64
Lisbon	Sun	25	77
London	Shower	20	68
Los Angeles	Sun	27	81
Luxembourg	Fair	20	68
Lyon	Fair	21	70
Madrid	Fair	30	86
Manchester	Rain	18	64
Miami	Shower	32	89
Milan	Fair	29	84
Montreal	Fair	23	74
Moscow	Shower	30	86
Munich	Fair	24	75
New York	Shower	27	80
Nice	Shower	27	81
Paris	Cloudy	22	72
Prague	Fair	25	77
Reykjavik	Fair	13	55
Rio	Sun	27	81
Rome	Sun	30	86
San Francisco	Sun	20	67
Stockholm	Shower	19	66
Strasbourg	Fair	24	75
Sydney	Sun	16	61
Tokyo	Fair	32	90
Toronto	Fair	24	75
Vancouver	Sun	25	77
Vienna	Shower	26	79
Warsaw	Fair	27	81
Washington	Shower	29	85
Zurich	Shower	24	75

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Beds, Herts, Essex	107
Norfolk, Suffolk, Cambs	108
South Wales	109
Shrops, Hereford, Worcs	110
Central Midlands	111
East Midlands	112
Lincs & Humberside	113
Mid Wales	114
North Wales	115
NW England	116
W&S Yorkshire	117
NE England	118
Cumbria & Lake District	119
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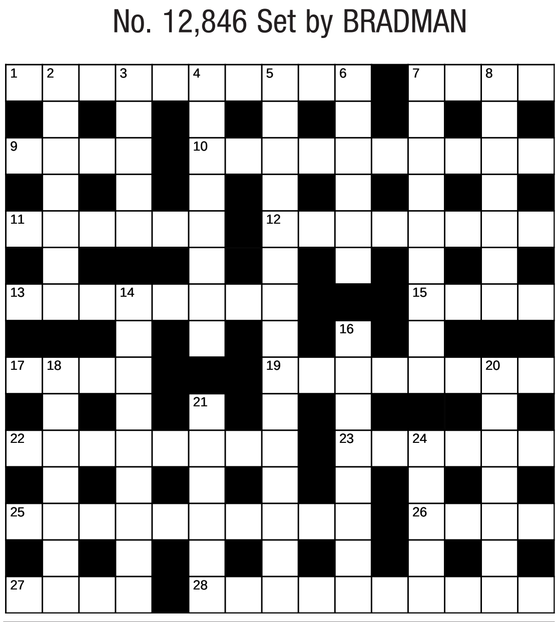

JOTTER PAD

ACROSS
1 Operating in demonstration, is male giving support for traditional political system? (10)
7 Too involved in local societies (4)
9 Love getting embarrassed returning flower (4)
10 Easy maybe to have confused mind having got over terrible mishap (10)
11 Meat tucked into by a person who is holy and pure (6)
12 A whole lot of wine – the thing I love from the word go (2,6)
13 Good series of matches in which one gets more begrimed (8)
15 Clothing son acquired must be sent back (4)
17 There's a game, look, on the far side of the river (4)
19 What you have right starts to thrill you (8)
22 Ill-fitting garment that should be kicked (3,5)
23 Islander with complaint against militia (6)
25 Drug brought back by police star (3,3,4)
26 A German retreating across lake and river (4)
27 Hilarity when bishop is evicted from church territory (4)
28 Drive to work? That brings reprimand (4,2,4)

DOWN
2 One liked getting on? (3,4)
3 Demon makes one scared – no help given facing it (5)
4 Beef that's firm, medium and without garnish (8)
5 Director in pink, a weird get-up that won't fool everybody! (6,4-5)
6 Fabric from draper, I, a home-maker ordered up (6)
7 A quiet purpose ends with the nice person getting the job (9)
8 Stopping water entering a surface where it might, we hear? (7)
14 Herb etc to get chopped up – something used by cook (9)
16 Gosh, forged steel can be used for piece of body armour! (8)
18 Going around winning time and time again? (2,1,4)
20 Part of plant therefore absorbs everything (7)
21 The aim is to express disapproval (6)
24 Producer of picture one day – film with little monster in (5)

SOLUTION 12,845

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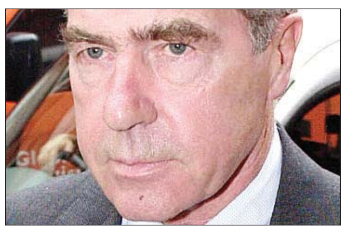

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Genentech rejected a $43.7bn (£23.3bn) takeover bid from majority owner Roche. **Page 20**

MARKETS
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Almost one fund manager in four in a Merrill Lynch survey said the global economy was in recession and almost half expected it to contract. **Page 27**

CMA casts off
French shipping line CMA CGM is to take its first step on to public equity markets. **Page 27**

Auditors increase vigilance

Credit crunch adds to companies' risks

Early discussions to establish viability

By Jennifer Hughes

Auditors are stepping up their scrutiny of companies amid increasing worries about the potential of the credit crunch and the economic slowdown to wreak widespread damage.

The auditors are holding unusually early discussions with companies over year-end results, focusing on their financing and ability to continue as a "going concern".

The crucial judgment for auditors is whether to sign off a company as being a viable business for at least 12 months.

"The risk this year is heightened, and it has broadened," said Andrew Ratcliffe, a senior audit partner at PwC. "We're not just looking at indebted companies, but all those vulnerable to the way the economy is going."

More than half the FTSE 100 have calendar year-ends. Although audit firms' real "busy season" occurs once the year-end has passed, senior accountants say they are holding the in-depth discussions early in an effort to avoid any last-minute shocks.

Auditors were put on watch last year as the credit crunch hit banks but outside the financial sector the effects of the crunch were muted. That is not likely to be the case this year.

"We've seen the banking crisis, now the effects of the credit crunch are spreading and more companies will have difficulties accessing funding," said Paul Sater, an audit partner at Ernst & Young.

A going concern review is based on examining budgets and projections, all of which will face increased scrutiny.

"For many companies there is a level of consideration we didn't have a year ago," said Martyn Jones, national technical partner at Deloitte. "The credit crunch and the slowdown have put 'going concern' much higher up the agenda."

Among the issues under the most intense scrutiny will be cashflow forecasts, the risks of suppliers and customers getting into financial difficulties, company assessments of how the slowdown will hit the business model and the terms of any debt covenants. "It's all about asking 'is this realistic?' We're probing to see where the vulnerabilities are," said Mr Ratcliffe.

The Financial Reporting Review Panel, the UK accounts watchdog, has warned it will be focusing its scrutiny this year on banks, retailers, commercial property, leisure and housebuilders. The panel reviews about 300 sets of accounts each year, picking its focus depending on where it sees the biggest risks.

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Credit Suisse failed to act on trades

By Chris Hughes, Investment Banking Correspondent

The FSA has fined Credit Suisse £5.6m for controls failures, saying traders had not been 'adequately challenged' Bloomberg

Credit Suisse's back office raised questions internally in the five months before the Swiss bank announced $2.7bn (£1.4bn) of mispriced trades in February, but a deferential attitude to the trading desk prevented it following through on the concerns.

The finding was made by the Financial Services Authority yesterday as it fined Credit Suisse £5.6m for systems and controls failures implicated in the trading scandal. The regulator did not conduct its own investigation, relying instead on the probe conducted by Credit Suisse.

Lawyers said the episode raised questions about the authority and expertise of investment banks' back-office controllers, whose responsibility is to verify the valuations traders put on their portfolios. The FSA said Credit Suisse traders had been "treated with too much deference".

"Controllers not challenging happens a lot across the City," said one lawyer who works for the investment banking industry. "It is important to give those in control sufficient weight to override those who make the money. The fact that issues were identified [at Credit Suisse] and not followed up, the FSA will have found to be very significant."

The FSA said that "in August/September 2007, some significant price-testing variances . . . were identified but, although questions were asked, the explanations given by certain traders were not adequately challenged".

Valuation inconsistencies were also identified in the following three months, but "certain traders were able to continue pricing certain positions higher than market indices despite requests to the contrary".

A front-office supervisor began an investigation of the structured credit book in late January. However, top management was unaware of the potential overvaluation when the group reported its annual results on February 12. A profit warning blaming the trades followed a week later.

Credit Suisse's fine was part of a settlement with the FSA and was reduced from about £8m due to co-operation and swift action.

Margaret Cole, FSA director of enforcement, said Credit Suisse's writedown had "the potential to undermine market confidence".

Brady Dougan, Credit Suisse's chief executive, said: "This incident . . . does not represent the high ethical standards of Credit Suisse. Our overall control framework remains sound and we have taken actions to implement a remediation programme."

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Watchdog shows teeth, Page 16

John Authers
THE SHORT VIEW

Foreign exchange traders care about trends. It is hard to work out a "fundamental" value for a currency, so trading patterns are often all they have to go on. If a long-term trend is breached, that can mean more to them than the latest economic data.

Look no further than the upheavals for the euro and the pound. Moving averages matter. If a currency regularly trades above or below its 200-day moving average (its rolling average over the last 200 days of trading), then a move through that average takes on great significance.

That is what happened to the euro last week, taking some comments from Jean-Claude Trichet of the European Central Bank as a catalyst. Once the euro had dropped through its 200-day moving average, the result was a dramatic sell-off. With the trend broken, suddenly much greater falls became thinkable.

This was nothing compared to sterling, which breached its 200-*week* moving average. Once an inexorable upward trend of many years had been broken, it could go into free fall. Hence it was yesterday heading towards $1.86, having traded almost at $2 earlier this month. A downbeat assessment of growth prospects from the Bank of England, which put rate cuts firmly on the agenda, helped the move.

But sterling's savage underperformance continued even though there were signs that the dollar's dramatic upward shift of the past few days had been arrested. Oil prices rose, financial stocks set new lows for the month on a renewed round of concerns about the depth of the financial crisis, and retail sales data from the US were awful.

All of this should have undercut the dollar, and it did against other currencies. But when such a long-running trend had so recently been breached, there was no support for sterling. For now, international confidence in the UK's currency and its economy is broken.

www.ft.com/shortview

HBOS streamlines costs with job cuts and mortgage unit closure

By Jane Croft, Retail Banking Correspondent

HBOS, the UK's biggest mortgage lender, is to cut 425 jobs and close one of its five mortgage brands to new business as it aims to streamline costs.

The bank, which recently reported a 72 per cent slump in first-half profits to £848m and saw its £4bn rights issue shunned by most investors, said the shake-up was aimed at reducing duplication between brands.

It comes weeks after HBOS said it would consider disposals or winding down businesses as it positions itself for a shrinking mortgage market and a fall in house prices of up to 20 per cent.

From late August HBOS will stop writing new mortgage loans at its TMB division, which offers home loans in areas such as buy-to-let and to borrowers who want to build their own houses.

HBOS will also stop offering conventional mortgages through its Intelligent Finance brand. In future, borrowers wanting to take out a home loan with IF will also have to take out a current account alongside a savings account.

Three hundred and twenty-five jobs will be cut from the bank's mortgage operation and a further 100 will go in IT. HBOS said it aimed to redeploy staff.

HBOS said there were no changes to its main mortgage brands – Halifax, Bank of Scotland and Birmingham Midshires. Existing TMB and IF customers will be unaffected.

Nigel Stockton, head of HBOS Intermediary Mortgages, said the bank had been reviewing the five brands and had decided to move parts of TMB's business into Birmingham Midshires, which deals with specialist mortgage lending. He said: "This is a more effective way of operating the brands and will help remove duplication."

HBOS's move comes as the gross UK mortgage market is expected to shrink from £368bn in 2007 to about £280bn this year because a number of lenders who relied on securitisation have quit the market. HBOS said it was committed to having a number of brands for its mortgage and savings accounts.

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FSA still struggling to be complete Olympic package

Jennifer Hughes
LOMBARD

Which moved things along faster – Credit Suisse's desire to wrap up the case or the Financial Services Authority's hunger for high-profile scalps?

The watchdog's £5.6m fine levied on the bank yesterday for lax controls is one of its speediest big cases ever – less than six months from the bank's admission to the conclusion of the case.

The FSA's enforcement team has long been promising its own version of the Olympics' "faster stronger higher" motto and it looks like it might now be delivering.

Higher – the most comparable case to Credit Suisse is Citigroup's infamous Dr Evil bond trade, for which the bank got a penalty made up of £9.9m in clawing back illicit profits but only £4m in actual fine. Credit Suisse would be facing £8m if it was not for its early settlement discount.

Faster – Citi did not have the discount option because it did not exist in that form so it is difficult to compare directly. But it co-operated with the FSA throughout – as Credit Suisse has – and the case still took nearly 11 months.

The regulator would not comment yesterday but this looks like a further example of its efforts to streamline its investigations by getting the necessary evidence to make the case, but stopping there. For Credit Suisse, the FSA appears to have based its conclusion on the bank's own investigation. But why not? Sending in its own team would have doubled the work and it already had a culprit which voluntarily held its hands up.

Stronger – this is what it still has to prove. The FSA has an avowed mission to deter bad and criminal behaviour with high-profile cases. It also wants to go after individuals, to maximise the deterrent.

In yesterday's final notice, it says bluntly that the "pricing errors" were "in part the result of intentional misconduct by a small number of traders" – but there is no word on whether it is going after those individuals.

The FSA has done this before – fined a company then gone back for the individuals, so it could yet do it this time.

Traders in a big firm are exactly the sort of headline-grabbing scalps that it needs to produce the deterrent it keeps talking about.

Badly plotted romance

The fight for British Energy looks increasingly like a bad romance novel.

Will it be smooth-talking EDF, with its riches and experience, or Centrica, the cash-poor, but homegrown, champion?

To top it all, our heroine yesterday had something of a swoon when the market opened after it reported weak results.

There have been enough instalments in this saga for any investor to have tired of the "will they, won't they" plotline. But perhaps the real question does not involve "will they", but "do they need to?"

One school of thought says that delaying a sale much longer risks slowing the entire project to develop new nuclear capacity.

It could, but there are enough moving parts at this stage – between legislation, planning permission and other necessities – which can progress without settling British Energy's future just yet.

The fear is that EDF will walk away if it does not get the whole thing. Certainly, one company would make the whole project simpler. But EDF was interested in UK nuclear joint ventures before the sale of British Energy came along and could yet be a valuable partner for some development projects even if its target ends up part of a national champion (there are some merits to having one) with Centrica.

EDF does look like the clear leader. But it still has to mollify two British Energy investors who, bullish on the sector, reckon the French operator will be picking up a massive bargain.

Can the government, bruised by the furore over its sale of Qinetiq, the defence research group, risk another charge of selling assets on the cheap?

Rights issues still deliver

Bradford & Bingley's £400m rights issue finally closes tomorrow, marking the end of a three-part series that began with Royal Bank of Scotland's £12bn cash call, then the "failed" HBOS £4bn issue, where share price falls left the underwriters with the stock.

RBS benefited from going first while both B&B and HBOS illustrated the problems of such a drawn-out process.

The fashion seems to have switched to asset sales, as with RBS's plans to raise a further £4bn by offloading non-core holdings.

Yesterday, however, the bank took its Australian ABN Amro business off the market due to a lack of interest. Other companies with assets for sale are finding that bidders are struggling to secure the necessary financing. Perhaps for all their creaky process, rights issues with their underwritten promises, still have something going for them.

jennifer.hughes@ft.com
To comment, visit www.ft.com/lombard

Lonmin's chairman hits back at critics

MINING

City accused of short-termism

Xstrata's bid price 'ridiculous'

By Rebecca Bream

Sir John Craven, chairman of Lonmin, accused the City of short-termism and defended the performance of the platinum mining group, which is facing a £5bn hostile takeover bid from Xstrata.

In an interview yesterday with the FT in which he set out Lonmin's defence strategy, Sir John conceded that the group had fallen behind on platinum production targets, but said the City had not given enough credit for other improvements.

"I've got a bit bad tempered with analysts' total focus on what production will be in each quarter. Current production levels is a very small matter compared to the value of assets that will produce for the next 60 years at least."

Lonmin's declining production has led to its shares underperforming the platinum price, and this month Switzerland-based Xstrata took the opportunity to make a cash takeover offer of £33 a share. Although this represented a 42 per cent premium to the value of Lonmin's shares prior to news of the offer, it was lower than the stock's peaks this year.

Sir John denied reports of a boardroom split and backed Brad Mills, chief executive, who many analysts blame for Lonmin's problems. "The board is completely supportive of what Brad has been doing with the business and the new mining team he has brought in." Sir John said Mr Mills had been central to overhauling Lonmin's old-fashioned culture and "embracing change", such as adapting to new laws on black economic empowerment in South Africa, where all of Lonmin's operations are based.

He said Mr Mills was responsible for great improvements in Lonmin's safety record, in its handling of HIV/Aids among the workforce and in relations with the South African government.

Lonmin yesterday issued more information about its business to counter what it called Xstrata's "opportunistic approach". It said its mines in South Africa had a total life in excess of 100 years and contained 156.3m ounces of platinum metals.

Sir John said that, at today's platinum prices, these reserves and resources were worth $187bn (£99.9bn) and if shareholders accepted Xstrata's offer they would be "selling out a fabulous asset at a ridiculous price".

Shares in Lonmin rose 6p to close at £34.10.

Troubles: RBS is also facing difficulties getting the price it wanted for its insurance businesses Bloomberg

RBS fails to sell Australian assets

BANKS

By Peter Thal Larsen and Andrea Felsted in London and Rebecca Sharp in Sydney

Royal Bank of Scotland's efforts to offload businesses have suffered a setback as the bank scrapped the sale of its operations in Australia and New Zealand after the last remaining bidder dropped out.

Commonwealth Bank of Australia, the country's biggest mortgage lender, blamed uncertainty in world financial markets as it withdrew from talks to buy the business.

RBS, which acquired the businesses through its role in the break-up bid for ABN Amro, the Dutch lender, had earmarked them for disposal as part of a programme designed to boost its capital reserves by £4bn.

However, RBS said the decision to keep the assets, valued by analysts at up to A$1bn (£468m), would have little impact on its balance sheet ratios because it was not expected to generate a large capital gain. Executives are now reviving plans to integrate the Australian and New Zealand businesses in RBS's global investment banking operations.

Nevertheless, the scrapped sale underlines the difficulties facing banks that are seeking to raise capital by selling subsidiaries. RBS is already facing questions about the sale of its UK insurance operations after several bidders dropped out.

Allstate, the US insurer, has made an offer for the business, which includes Direct Line and Churchill. However, the bid is less than the £7bn price tag put on RBS Insurance when it was put up for sale in April. Allianz and Travelers showed interest earlier in the auction, but Allianz said last week that it had "refrained from making an offer", and there are doubts about Travelers' commitment to the process.

Shares in RBS fell 15¾p to close at 229¾p.

Watchdog shows its teeth with Credit Suisse fine

BANKS

News Analysis

FSA determined to tackle culture of deference towards top traders, writes **Chris Hughes**

The City watchdog's decision to fine Credit Suisse £5.6m over a trading scandal that cost the Swiss bank $2.7bn this year has underscored its determination to force investment banks to sharpen up the way they police themselves. Weak controls in Credit Suisse's structured credit division enabled a handful of its traders to ascribe inflated valuations to their positions over a period of five months before the bank got on top of the problem in February.

That weakness stemmed in part from the complexity of the bank's systems, including multiple spreadsheets, but also revealed patterns of "deference" towards successful traders, the Financial Services Authority said.

According to the regulator, Credit Suisse should have been alert to the risks, given that the traders had a motive to inflate their positions – a bigger bonus.

The FSA has been most closely associated with a clampdown on market abuse this year, in particular insider trading. But its harsh punishment of Credit Suisse highlights the breadth of its ambitions in cleaning up the City more generally.

Brady Dougan, Credit Suisse's chief executive, said: "This incident . . . does not represent the high ethical standards of Credit Suisse."

The primary victims of this episode were the bank and its shareholders rather than its clients.

But for Margaret Cole, the FSA's head of enforcement, Credit Suisse's weak controls were the ultimate cause of the bank's shock profit warning in February, which she says had the potential to undermine confidence in the entire market.

Lawyers say the FSA was making an example of Switzerland's second biggest bank. The fine is the fourth largest ever imposed by the regulator, after Shell's £17m punishment for mis-stating its reserves, Citigroup's £14m for its so-called "Dr Evil" trade in the European bond market, and Deutsche Bank's £6.4m for mishandling a share issue.

Simon Hart, partner in the financial services litigation team at Reed Smith, said: "Significant fines from the FSA are likely to become more common in future as they continue to try to make examples of firms in high-profile cases."

Tim Dolan, partner at Pinsent Masons and a former member of the FSA's enforcement division, said the regulator's tough stance is an attempt to fight back in the wake of the criticism it has suffered over Northern Rock.

But lawyers also say it is still possible that the FSA could take action against the traders at Credit Suisse who mismarked their books, or against senior management at the firm.

They point to a warning issued by Ms Cole in June.

"We know that taking enforcement action against individuals is a vital part of achieving credible deterrence overall. So, you can expect to see more supervision and enforcement focus on individuals."

People

EDITED BY
Emiliya Mychasuk

Lights go out at British Energy

An unexpected power outage stopped **Bill Coley**, chief executive of British Energy, in mid-sentence yesterday on an early morning conference call. Halfway through explaining to journalists how first-quarter profits had been cut by two-thirds largely due to unplanned closures at two of its nuclear power stations, his line went dead.

When the American with a southern drawl came back on the line, with a rather crackly connection, he explained that the British Energy rented offices in Paddington had been suffering from power cuts lately and there must have been another. He admitted the irony of the situation was not lost on him.

Later in the day, he was just as sanguine about a question at the analysts' briefing about high "trip" rates. Was it "dodgy instrumentation" or an installation problem, asked JPMorgan's **Ian Mitchell.** Nope, said Mr Coley, it wasn't an installation or calibration problem, it was just that the plants were old – so old that in some cases they weren't making the spare parts anymore.

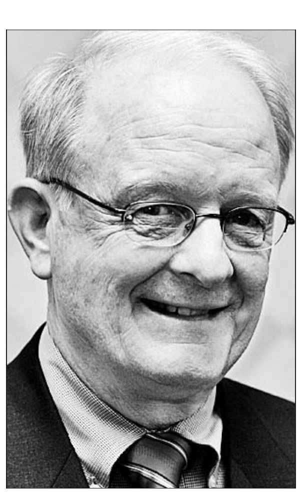
Permira Olympics

China is being seen as private equity's new Eldorado, as shown by Permira's new hire to lead its Hong Kong office: Henry Chen, one of Goldman Sachs's senior rainmakers in the Chinese market.

As the flood of western private equity groups to China has started to resemble a gold rush – from Blackstone to Bain Capital, all have opened offices there – Mr Chen's poaching comes amid fierce competition for the most talented local dealmakers.

Born in Taiwan, with joint Taiwanese-Chinese nationality, he spent nine years with Goldman in China and advised on deals such as Lenovo's purchase of IBM's PC business.

The trilingual 37-year-old, who speaks English, Mandarin and Taiwanese, joined Goldman after graduating from Harvard Law School.



Bill Coley: power cuts at Paddington offices

Permira, which also has an office in Tokyo but has only done two Asian deals, is likely to be patient with its new Chinese boss. It waited more than two years between opening its Japanese office and doing its first deal there late last year.

The group's only other deal in Asia also came last year, with its $840m acquisition of a 20 per cent stake in Galaxy Entertainment, the Macau-based casino operator.

But that deal was overseen by one of its London-based partners.

Bank experience

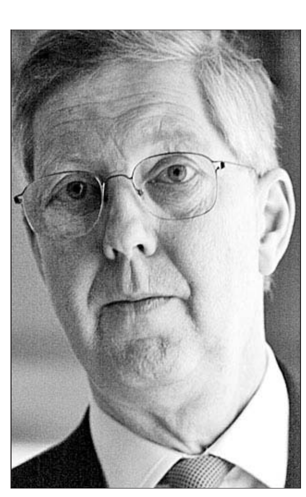
Sir David Clementi is now more free to pursue some of those spare seats on UK bank boards that are on headhunters' lists.

After he hands over the Prudential chair to former Man Group boss and philanthropist **Harvey McGrath** (can a knighthood be far away?), Sir David's 2009 diary becomes open.

What remains is a Rio non-executive board job, which could have a limited timespan, plus a seat on the Foreign & Colonial Investment Trust board, as well as some Royal Opera work. He has an otherwise strong financial services CV with experience as Bank of England deputy governor for five years from 1997 after being chief executive of Kleinwort Benson. One of those RBS board seats might suit.

If anyone can find a bank boardroom that needs him, it's **Carol Leonard** at Whitehead Mann, who Sir David enlisted to find Mr McGrath for Prudential.

Meanwhile, much hyped but wrong suggestions that Merrill Lynch investment banker **Bob Wigley** would get the Pru gig means that he is also still in the market for board seats.



Sir David Clementi: CV suits bank board vacancy

Oiling the wheels

Further evidence that the onetime mercenary army provider turned oil explorer **Tony Buckingham's** contact book spans the oil world. The newest director of his recently-listed Heritage Oil is **Salim Hassan Macki**, a former ambassador for the Sultanate of Oman who chairs Gulf Hotels, is on the Oman Oil board and represents Oman on the Caspian pipeline consortium.

The Heritage board also boasts **General Sir Michael Wilkes**, with a military career that includes being special forces chief and adviser on the Middle East. He is now on the board of Aim-listed Cyberview and, more prosaically, Stanley Gibbons, as well as private defence groups including a homeland security outfit.

All helpful for yacht loving Mr Buckingham in developing interests ranging across Angola, Congo, Uganda and Oman. His one-third stake in Heritage is worth about £200m, though the shares have slipped since the JPMorgan Cazenove-sponsored listing in March, from a high of 354p to 215½p. Either way it's a long way from his days in the Special Boat Service and as an offshore oil rig diver.

Out of fashion

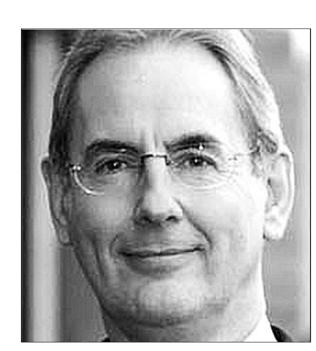
Luxury fashion brands group Marchpole is on an immediate search for a new finance director, as **John Macaulay** leaves "by mutual agreement" to "pursue personal interests". Feisty deputy executive chairman **Michael Morris** said last year that investors were "out of their brains" in their reaction to a contract loss when they sold the shares down to 65p. They closed yesterday at 13¼p.

people@ft.com

Prudential appoints McGrath chairman

LIFE ASSURANCE

By Andrea Felsted, Insurance Correspondent



Harvey McGrath: likely to satisfy investors' demands

Prudential has ended its search for a new chairman by naming Harvey McGrath, the former head of Man Group, to succeed Sir David Clementi.

Mr McGrath is well known in the City as chief executive and then chairman of Man Group, the world's biggest listed hedge fund manager. He retired from Man at the end of last year.

He is also chairman of the London Development Agency and a member of the international advisory board of the School of Oriental and African Studies.

Mr McGrath will join the Pru board as a non-executive director on September 1 and will assume the role of non-executive chairman on January 1. He will be paid an annual fee of £500,000, fixed for three years.

He said the Pru had the "rare combination of both a proud heritage and an extremely exciting future".

The insurer has been searching for a successor to Sir David, who has been chairman for more than five years. Mr McGrath is likely to satisfy investors' demands for a UK-based chairman with international experience. However, one investor questioned whether Mr McGrath had enough experience of business in Asia, the powerhouse of the Pru's operations.

He does have experience of restructuring businesses. Man last year separated its brokerage business, floating 80 per cent of MF Global in New York in July 2007.

One of Mr McGrath's challenges will be dealing with pressure from investors for a break-up of the life assurer.

Another longer-term issue will be tackling the succession to Mark Tucker, who became chief executive in 2005.

Interdealer broking

Set apart by Englishness

News Analysis

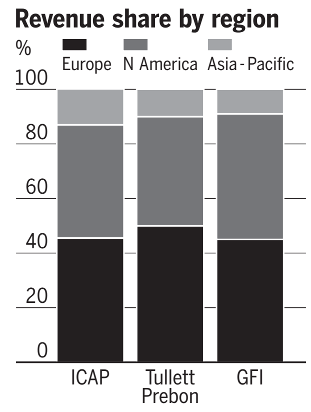
Tullett Prebon, GFI and Icap are rooted in the City's flexibility and ability to innovate, writes **Brooke Masters**

Interdealer brokers

Name	Traded products (including..)
ICAP	Foreign exchange and fixed income products, interest rate swaps
Tullett Prebon	US repos, US Treasuries, Credit derivaties
BGC Partners	US Treasuries, Interest rate swaps, Foreign exchange products
GFI	Currency derivatives, weather derivatives, emerging market products
Tradition	Foreign exchange products
Creditex	Credit derivatives
MTS	US / European agency and municapal bonds

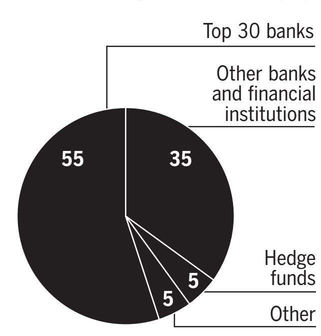
Source: Celent

Revenue share by region



IDB customers

Share of trading volume, 2006 (%)



In a world of globalising financial services, with many big names in the City and Canary Wharf from overseas, the inter-dealer broker market stands out for its Englishness.

The two largest operators, Icap and Tullett Prebon, are run out of London. The number five, New York-based GFI – now in talks to combine with Tullett Prebon – was founded by an Upminster-born currency broker who got his start in London.

All three IDBs draw heavily on London's historic role as an international money trading centre and its favourable regulatory climate.

"When I set up Icap, London as a financial centre had advantages head and shoulders above other European cities," says Michael Spencer, Icap's chief executive. "There was no way you would ever have tried to build a flexible, labour-intensive business of highly paid individuals in Frankfurt or Paris."

UK brokers also got a crucial head start over their US counterparts because of tight regulatory controls over foreign exchange trading that were not lifted until 1979, says GFI founder Michael Gooch. He was part of a wave of English brokers and traders who moved to New York to take advantage of the liberalisation.

For their part, the three IDB founders share a willingness to flout convention to pioneer new markets and a real appreciation of the importance of working across national boundaries. But in other ways, the three men could not be more different.

Mr Spencer has a fondness for long words, fine wines (he recently served a 1988 Chateau Pichon Longueville Comtesse de Lalande) and sailing (on the 100-foot *Icap Leopard*) – all perhaps reflecting his overseas upbringing and Oxford education.

After two unhappy experiences at City firms, he started Icap in 1986 to trade interest rate swaps and then spotted the opportunity to move into foreign currencies.

Known for his short temper and readiness to poach talent from rivals, he shocked competitors by dispensing with corresponding brokers and dealing directly with foreign banks. He surprised them again by pushing forward with both deal-making and electronic trading.

"You've got to be open-minded and entrepreneurial and I found myself surrounded by people who were parochial and narrow-minded. They simply didn't want to believe the world would change," Mr Spencer says.

Across town, Terry Smith, Tullett Prebon's chief executive, is a pugnacious East Ender turned UBS analyst. He first made his name by writing a book exposing various creative accounting strategies, and then rolled up a series of financial services firms to form what are now Tullett Prebon and the FTSE 250 stockbroker Collins Stewart.

Known for his take-no-prisoners stance towards competitors, Mr Smith now has his eye on GFI and the opportunity such a deal would give him to challenge Icap's dominance in the inter-dealer brokers, which are intermediaries for over-the-counter deals between banks and hedge funds.

"I don't see any shame in emulating a successful strategy," Mr Smith says. "It's a compliment to Michael. He's proved beyond reasonable doubt that consolidation is the future of this industry."

> 'You've got to be open-minded and entrepreneurial. I was surrounded by the parochial and narrow-minded'

GFI's Mr Gooch got his start as an accountant after high school and opted for City life after making friends with some currency brokers at a local pub.

His first taste of the IDB market came at Tullett's precursor firm, and he made his way to New York in time to benefit from the liberalisation of the currency trading markets there.

He founded GFI in 1987 to trade options on US government bonds and it has become a leading broker of credit derivatives, which come out of the debt market rather than foreign currency trading.

"The traditional IDBs were quite slow to get into the derivative market and US investment banks were quite active. That created an opportunity for American firms" like GFI, says Mr Gooch – a dedicated yachtsman, a Republican party donor and a columnist in the surburban weekly newspaper that his wife runs.

The English domination of inter-dealer brokers contrasts with what is happening with UK stockbrokers.

Belgian bank KBC owns Peel Hunt, Iceland's Landsbanki snapped up Teather & Greenwood and Bridgewell and Religare of India bought Hitchens Harrison.

Now Collins Stewart has been approached by an overseas buyer.

"London genuinely is a more international financial centre than New York," says Mr Smith. "The IDB market reflects this. The world financial centre is here."

Planned merger comes at crucial time for industry

GENERAL FINANCIAL

Business becoming more international

Challenge from many exchanges

By Jeremy Grant

If London-based Tullett Prebon and New York-based GFI Group execute their planned merger, they will create a group to rival Icap, the world's biggest inter-dealer broker, at a crucial time for the industry.

IDBs, which operate as the middlemen of the over-the-counter (OTC) derivatives market, are facing three structural changes: electronic broking is growing fast; there is regulatory pressure, amid the credit crunch, for OTC credit products to go through the safety mechanism of clearing; and there is a mounting threat from derivatives exchanges.

Volumes in OTC products – just like volumes in exchange-traded derivatives – have soared in the wake of the credit crisis as market volatility has prompted a scramble to hedge risk. Demand for the services of the IDBs is global: Tullett's fastest growing business in the second quarter was in Asia.

Traditionally, OTC deals have been structured on a bespoke basis with brokers tailoring products over the phone with clients.

However, some OTC products, such as interest rate swaps, are becoming increasingly standardised, reducing the need for a personalised service and driving the development of electronic broking.

The combination of GFI and Tullett will unite the US firm's strength in credit derivatives with Tullett's leading position in currencies, interest rates and fixed income. Together, they should also make the higher fixed costs of electronic broking viable.

Michael Spencer, Icap's chief executive, acknowledges that a combined GFI-Tullett would "certainly create a substantial voice broking competitor that gets them closer to us".

But he contends they would still be unable to "bridge significantly" the gap with Icap, whose electronic broking business accounts for almost one third of operating profit, up from zero in 2000.

Despite analysts' insistence that e-broking is the future for IDBs, Terry Smith, head of Tullett, says that a deal with GFI would "not be driven primarily" by electronic broking, but instead by economies of scale.

He points out that GFI and Tullett operate "hybrid" broking businesses that combine screen and voice-brokered elements.

Building scale would help at a time when the derivatives exchanges are eyeing ways to push into the OTC business.

The most aggressive move by an exchange into the OTC area came in June, when the InterContinental Exchange, bought Creditex, a large IDB that significantly also provides clearing services for OTC contracts.

Mr Smith views this as a watershed because it will test traditional relationships between the banks, which are the IDBs' clients, the exchanges and the IDBs themselves.

"I think almost all the exchanges are eyeing the OTC markets. Our combination will be a more substantial franchise and a very good fit. I think we'll be a more attractive asset as a result."

Balfour Beatty builds orders

CONSTRUCTION

Outlook for group 'pretty buoyant'

By Sarah Laitner

Balfour Beatty lifted its order book by 14 per cent in 12 months as a focus on big infrastructure projects helped the construction group avoid the slowdown bedevilling Britain's builders.

The company, which will build the London Olympics' aquatics centre, highlighted the steady qualities of key customers, including governments and regulated industries.

Ian Tyler, chief executive, said: "I am not suggesting that we exist in an economic bubble. But our customers are long-term investors in infrastructure. Over the past six months we have seen continued investment by these customers, irrespective of the economic cycle."

He said Balfour Beatty was "pretty buoyant" about the future and the order intake and trading performance would remain strong throughout the year. At the end of June, the order book was £12.1bn.

The company yesterday reported a 25 per cent increase in interim pre-tax profits, partly as a result of a US acquisition.

Big UK rail projects such as Thameslink and Crossrail would create "substantial opportunities" in the coming years, the group said, as it revealed projects in Dubai with a total value of £240m.

Balfour Beatty increased interim pre-tax profits to £95m, against £76m last year. An interim dividend of 5.1p (4.6p) will be paid out of basic earnings per share of 24.1p (14p).

Paul Checketts, an analyst at Oriel Securities, said: "There was strength across the board this time. You're not going to see weakness in the short term. But it will be interesting when it comes to retendering contracts; are people going to be more aggressive on margins?"

The shares fell 3p to 407p.

Strong support: the company has a good order book Newscast

Auditors are prepared as troubled times loom large

ACCOUNTANCY

News Analysis

Focus falls on mounting risk of fraud and the notion of a 'going concern', writes **Jennifer Hughes**

Last year, the attention of auditors focused most sharply on Britain's banks, quite sensibly given the travails of the financial services sector.

This year, however, that extra level of scrutiny will be applied to a far wider range of companies as the economic slowdown takes its toll.

Auditors have given clients plenty of warning, embarking on unusually early, detailed conversations in an effort to avoid nasty shocks later in the year.

Among the increased risks they are worried about is the likelihood of fraud and potential problems with the notion of what is a "going concern" – the crucial audit judgment that says a business is viable for at least the next 12 months from the date the accounts are signed off.

"We want to know where companies expect to be at year end and what they're worried about," says Andrew Ratcliffe, a senior audit partner at PwC.

As a result of the slowing economy and banks' struggles, a number of assumptions that were easy to make previously have become much harder and auditors expect to spend longer making sure they are comfortable with a company's financial forecasts.

"It's not just about their expected P&L [profit and loss], but cash flow, since these days it is all about that," says Mr Ratcliffe.

Paul Sater, an audit partner at Ernst & Young, says: "Our audit guidance requires that companies are able to meet their liabilities as they fall due.

> Fraud has also become more likely as a result of the strained economic conditions

"You need cash to do that so we've got to make sure that if the company is borrowing, that the loan will be there and, if not, that companies can keep turning their debtors into cash."

Fraud has also become more likely as a result of the strained economic conditions.

"First, there is rogue trader risk. Secondly, there is management override of processes and accounting policies to present a prettier view.

"Then there is other types including expense fiddles and cash theft. Auditors need to be aware of them all," says Mr Sater.

Auditors also admit to an extra worry: many of their staff have not experienced a widespread, significant downturn before.

"It does help to have been around the block a few times. I'm going back and thinking about the issues of the early 1970s," says Martyn Jones, national audit technical partner at Deloitte.

Mr Ratcliffe agrees: "Junior people aren't used to these conditions and do not necessarily know the questions to ask.

"A lot of these issues, particularly fraud, will be picked up by the junior staff first of all, so we have to get them tuned up and that knowledge transfer is going on."

Turbulent markets will add their own specific concerns too.

Problems that might previously have seemed immaterial can be magnified by the huge trading volumes in some markets such as oil and other commodities while volatility in some – oil in particular – can make valuations and steady projections difficult.

"We've seen oil move $4 in 60 seconds.

"Those sorts of price swings can take you all the way from profit to loss and back again," says Mr Sater.

British Energy still woos EDF

ELECTRICITY

Reactor shutdowns hit group's profits

Maintenance costs 'more than expected'

By Rebecca Bream and Maggie Urry

Lengthy shutdowns at two of its nuclear reactors hit first-quarter profits at British Energy, which is still conducting "advanced discussions" with EDF of France about a takeover bid.

British Energy's nuclear power output for the three months to the end of June fell from 13 terawatt hours (TWh) to 9.5 TWh, due to the closure of the Hartlepool and Heysham 1 reactors, shut down last year following the discovery of corroded wiring.

Eggborough, the group's one coal-fired plant, increased its output from 0.8 TWh to 1.9 TWh, offsetting some of the losses from Hartlepool and Heysham 1.

Bill Coley, chief executive, said that the two reactors were on track to return to service in the last three months of 2008. However, he said maintenance work had cost more than expected and would total £115m, up from earlier estimates of £50m.

First-quarter revenues fell from £668m to £629m, with the lower output outweighing higher prices, which rose 12 per cent to £45.7 per megawatt hour (MWh).

Costs rose 46.7 per cent to £39.6/MWh, squeezing British Energy's margin from £13.8/MWh to £6.1/MWh, reflecting the cost of the outages at Hartlepool and Heysham 1 as well as the rise in coal costs at Eggborough.

The group's net profits fell two-thirds from £143m to £47m and earnings per share for the quarter decreased 67 per cent from 8.9p to 2.9p.

Mr Coley refused to comment on whether EDF was likely to come up with a takeover proposal for British Energy that would please all its shareholders. A £12bn proposal from EDF was rejected earlier this month when two of British Energy's biggest shareholders said it was too low.

When asked whether the situation would be resolved soon, Mr Coley said: "I would hope so".

Shares in British Energy closed up 1½p at 706½p.

● FT Comment

British Energy's fall in earnings was widely expected and its results yesterday actually beat several forecasts thanks to a rise in power prices. The stock is trading on a relatively high forward p/e ratio of 16.6 times, but this is largely driven by M&A considerations. It is not yet clear whether EDF will sweeten its previous proposal of 765p a share, and whether this will be enough to secure the backing of M&G and Invesco, who scuppered the deal earlier this month. The short-term direction of the shares is therefore hard to predict, but British Energy's prime nuclear sites mean that the stock contains long-term value.

Lombard, Page 16

Airlines seek to establish transatlantic joint venture

TRAVEL & LEISURE

By Kevin Done in London and Justin Baer in New York

American Airlines, British Airways and Spain's Iberia are expected to announce today they are applying for antitrust immunity from the US and European competition authorities to form a transatlantic joint venture that would create one of the most powerful forces in the Atlantic aviation market.

Approval by Washington and Brussels would allow the carriers to form a profit and revenue sharing joint venture for their transatlantic routes in which they could co-operatively arrange capacity, networks, pricing and sales.

The move will be fiercely opposed by some rival carriers led by Virgin Atlantic, controlled by Sir Richard Branson.

Sir Richard has written to US presidential candidates Senators Barack Obama and John McCain, warning the proposed alliance would severely damage competition on transatlantic routes and leave consumers worse off.

The surge in fuel costs, weakening economies and the impact of the "open skies" treaty agreed last year between the US and the European Union have pressed many of the largest carriers from both sides of the Atlantic to draw closer to old allies or to forge new partnerships.

BA announced two weeks ago it had begun merger negotiations with Iberia. In the US Delta Air Lines is seeking to merge with Northwest Airlines, while Continental Airlines is aiming to form a transatlantic joint venture with United Airlines, Air Canada and Lufthansa.

This will be the third attempt in 11 years by BA and American to gain antitrust immunity for their alliance – the last filing was made in 2001 – but both Gerard Arpey, American chief executive, and Willie Walsh, BA chief executive, have said they believed changes in the competitive landscape could allow them to succeed with a fresh application.

Heathrow airport, BA's global hub and the leading gateway to Europe for travellers from the US, has been opened to full competition for all EU and US carriers since the end of March, when the "open skies" treaty came into force to liberalise transatlantic aviation.

BA and American believe "open skies" should eliminate the need to divest any slots to competitors at Heathrow.

Continental, Delta, Northwest and US Airways have all entered the Heathrow market this summer and have proved in the process they could acquire take-off and landing slots at the highly congested airport.

The main rivals to BA and American already have antitrust immunity for transatlantic joint ventures with Air France-KLM, Delta and Northwest in one grouping, and Lufthansa, United, Air Canada and other Star Alliance airlines in another.

Grand performance Stagecoach defies downturn as profits prance ahead

Stagecoach Theatre Arts, which operates the UK's largest franchise network of performing arts schools, has defied the economic downturn by posting an 89 per cent rise in full-year pre-tax profits, **writes Sanjay Odedra**. For the year ended May 31, the company surpassed expectations by a third as pre-tax profits rose from £370,000 to £710,000. Stagecoach attributed this increase to strong student demand for dancing, singing and theatrical tuition in addition to an ongoing cost reduction programme. Group turnover rose slightly to £6.33m, compared with £6.32m in 2007. Network turnover, the total school fees earned by franchisees, also rose from £26.5m to £28.5m. Earnings per share nearly tripled to 5.1p (1.7p), prompting the company to propose a resumption of a 2p dividend payment. Stagecoach added that falling consumer confidence had failed to have "any negative impact" on trading. "We are hopeful of long-term growth in SportsCoach and with our German and US-based operations, as well as looking to secure licences for new overseas areas." The shares rose 5p yesterday to close at 68½p. Sam Pearce

Shortage of fun in the leisure sector

TRAVEL & LEISURE

News Analysis

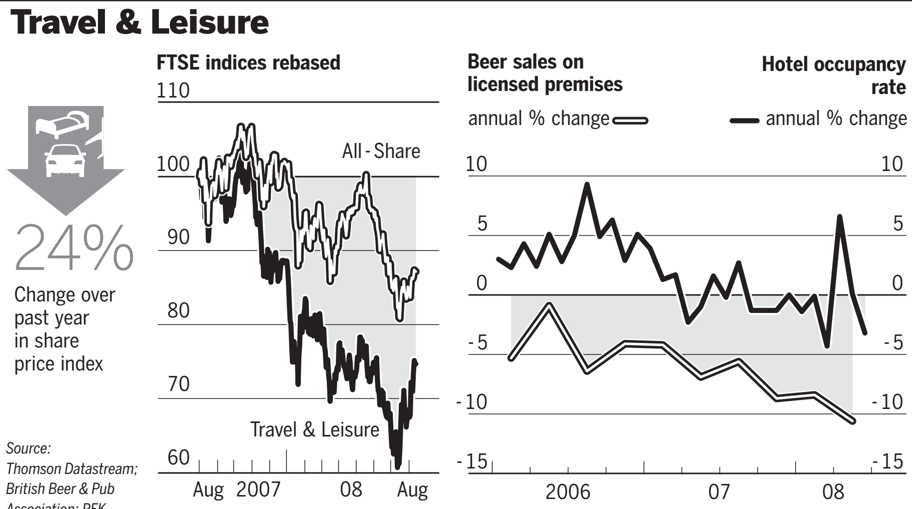
Chill winds blew early bringing a taste of struggles to come, writes Roger Blitz

STRUGGLING WITH THE SLOWDOWN

One year on from the start of the credit crunch, this is the fourth of the FT's sector-by-sector examination of the UK corporate landscape and how it is coping with the economic slowdown

Tomorrow: the banking industry

To read the whole series: www.ft.com/ukslowdown



For most of the first half of 2008, many of the big companies in the leisure industry took the blows of the markets with a collective expression that said: "what exactly have we done wrong?"

Share prices had been falling since the fourth quarter of 2007 on the back of a couple of profit warnings but the rate of decline took off early in 2008.

Yet save for the stocks in pubs, which had begun to report a drop-off in Christmas trade, leisure companies were suffering from investor perception of a consumer downturn rather than the reality of one.

Hotel groups were among those reporting little evidence in the first quarter of the year of customers staying away. After a few years of stellar growth, the rate of expansion was slowing, maybe, but sector operators such as InterContinental Hotels Group, which generates about half of its revenue and profits from franchises, remained largely untroubled.

Consumer belt-tightening appears to have strengthened in the second quarter, notably in June. "Putting out a current trading statement is incredibly difficult because it is hard to get a read on what is happening," says Adrian Fisk, an adviser at Lehman Brothers.

"Around early June, you would be feeling reasonably optimistic. But there has been a big drop-off in the last two weeks of June and July is looking pretty tough."

The pub groups are feeling it most among leisure sector peers: the assault started that much earlier for them, with the introduction of the smoking ban in England last summer and increases in beer duty, not to mention their troubled business models, particularly tenanted pub groups.

They also have high levels of debt, having expanded their asset bases through high-value property transactions.

Beer sales in pubs fell 10.6 per cent in the second quarter compared with the same period last year but the measures taken by several pub groups to combat this trend, not least increasing food offerings, are falling victim to a double hit – from rising food costs and consumers cutting back on eating out.

As Enterprise Inns made clear in its downbeat statement last month, tenanted pub groups face increasing pressure to keep their struggling tenanted landlords in business.

For managed operators, controlling costs and capital expenditure and differentiating their product from others will be their strategy for the rest of the year, and Mitchells & Butlers and JD Wetherspoon are well placed to make this happen.

Several analysts believe share price falls in betting and gaming groups appear to have been overdone. Bookmakers would have muddled through previous downturns by cutting employees but they are more reliant on fixed-odds betting terminals and the scope for reducing staff is more limited these days.

The groups that will work their way through the downturn best are the companies that dominate their areas of activity, and that is particularly true of the likes of Thomas Cook and Tui, the tour operators.

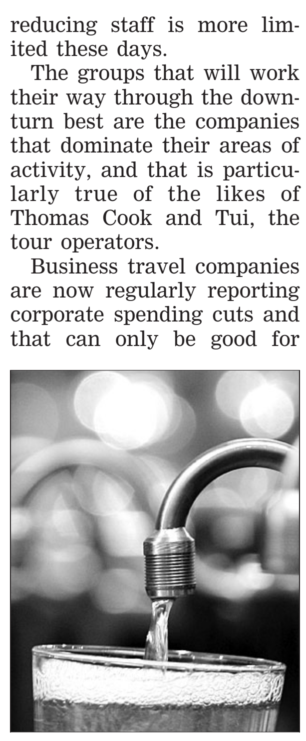
Business travel companies are now regularly reporting corporate spending cuts and that can only be good for Whitbread and Travelodge, the budget-priced hotel groups.

Their merged groups are far better placed to manage their earnings by cutting capacity, something they have done for this year's seasons and are likely to do again if, as expected, the travel market softens next year.

Across the sector, the spectre of refinancing does not emerge until 2010. By then, most people in leisure industries hope credit markets will have recovered.

It is hard to find a leisure stock that does not now look undervalued but the prospect of deals is being held back both by constrained debt markets and a general sense of unease about the sector.

"There is a fairly widespread view across private equity," says one banker, "that it is still premature to get back into consumer and leisure-facing stocks."



Lower beer sales and the smoking ban have hit pubs

Whitbread
Budget hotel boom

Whitbread has emerged as a haven in the choppy waters of the leisure sector, thanks to penny pinching executives and holidaymakers, **writes Pan Kwan Yuk**.

The group, which has been cannily selling off pubs and health clubs to focus on its Premier Inn budget hotels over the past years, has seen a boom as business travellers trade down to cheaper hotel accommodation.

The numbers make for impressive reading. In the 13 weeks to May 29, like-for-like sales at Premier Inn were up 10.7 per cent. Revenue per available room was up 6.2 per cent, with 8.3 per cent more rooms sold.

"Companies are trading down in terms of travel expenses," says Alan Parker, Whitbread's chief executive. "They have found that they do not need to pay £150 per night when [an employee] can stay in a Premier Inn for £50."

For now, Whitbread appears to be in a sweet spot. The budget hotel market is expected to grow significantly over the next 20 years, with projections suggesting the sector could treble in size. Premier Inns – already the biggest operator in the sector with 38 per cent of the market (or 35,000 rooms) – is hoping to capitalise on this by expanding the number of rooms in the UK to 55,000 in five years.

But like other consumer facing companies which claim to be benefiting from the "Aldi effect" – the big question for Whitbread in the future is whether it can retain the customers it appears to have won.

Thomas Cook reports robust holiday sales

TRAVEL & LEISURE

Spending on main breaks holds up

By John O'Doherty and Andrea Felsted

Thomas Cook has dispelled some of the gloom surrounding the British consumer by reporting growing sales and resilient demand for holidays.

Manny Fontenla-Novoa, the travel agent's chief executive, said while there was evidence of customers cutting back on "discretionary" travel spending on short city breaks, mainstream holiday spending was holding up.

"We're not recession proof, but we are still very robust," he said.

"People want to cut back on all sorts of other things before they cut back on their holiday.

"At the moment we have seen no evidence of people cutting back on their holidays or trading down."

Pro-forma revenue for the nine months to the end of June was £5.3bn, up 9 per cent on the same period last year, while gross profit was 18 per cent higher at £1.2bn.

However, shares in Thomas Cook fell 3.3 per cent to 237p as analysts expressed concerns about even tougher times ahead for the consumer across Europe.

As of this week, Thomas Cook has 14 per cent fewer UK-originated holidays left to sell than at the same period last year.

● FT Comment

Mr Fontenla-Novoa noted that destinations outside Europe were proving more popular, as consumers grappled with the strong euro. For the winter season, bookings to Egypt were up 20 per cent while bookings to Turkey were 13 per cent higher.

It takes more than a sharp decline in house prices, growing inflation and the seizing up of credit markets to affect consumers' enthusiasm for their favourite discretionary purchase. Thomas Cook is so far relatively unscathed by the downturn, and has insulated itself by hedging 92 per cent of its exposure to the oil price for the year 2008-09. It has also cut excess capacity from less profitable "third-line" rentals – those properties that are more than 200 yards from the beach. Barring an upturn in unemployment, Thomas Cook should continue to prosper, and at 9.5 times 2008 earnings, the shares trade roughly in line with its main rival Tui, which will update the market today. That parity appears warranted, but with the shares already rallying in recent weeks and more economic uncertainty inevitable, investors should not expect sharp rises in the near future.

Punch Taverns
Whipping boy resuscitated by takeover speculation

Punch Taverns has been the clear whipping boy of the pub sector over the past six months, **writes Pan Kwan Yuk**.

The company, formerly a blue-chip in the FTSE 100, has seen its share price plummet by 85 per cent from a high of £13.79 last May to a low of 200p this July. In a way, the company is a victim of the reversal in attitudes to leverage since the credit crunch hit. Punch has used the reliable cash flows generated by rent from pubs on long leases to take on a huge amount of securitised debt. It is one of the more leveraged companies in the market. At £4.9bn, its net debt is about 7.4 times 2007 earnings before interest, tax, depreciation and amortisation, or 84 per cent of its enterprise value.

This debt is all long-term, with fixed interest. But conditions (distinct from and less onerous than covenants) attached to parts of the debt mean that a moderate fall in ebitda could prevent Punch from taking cash out of its securitisations to fund dividends or capital expenditure.

So although the group is nowhere near breaking debt covenants, the prospects of a "cash trap" breach make investors nervous.

Sentiment has also not been helped by trading conditions – compounded by the smoking ban, higher taxes and softening property values.

Analysts expect the amount that Punch spends on rent concessions and beer discounts will go up as more of its tenants struggle to stay afloat. But in spite of these pressures, most expect the company to ride out the downturn in one piece.

However, the shares have rallied 60 per cent since their low on recent takeover speculation.

RESULTS

Name		Turnover	Pre-Tax	EPS (p)	Div (p)	Pay day	Total
Balfour Beatty ♣	Int	3,788 2,863	144 35	24.1 18.2	5.1 4.6	Dec 10	– 11.5
Berkeley Tech $	Int	0.733 2.2	1.08L 0.371	2L 1	– –	–	– –
First Quantum $	Int	1,164 612	390 201	574 299	– –	–	– –
Genesis Petroleum	Int	0.064 0.006	1.25L 0.929L	0.44 1.26L	– –	–	– –
Interserve ♣	Int	914 861	33.7 28.2	17.7 15	5.3 5	Oct 27	– 16.2
Mallett	Int	8.17 10.7	0.297L 1.45	1.45L 7.6	nil 2.4	–	– 8.4
NWF	Fin	361.2 298.9	4.2 5.8	6 8.8	2.9 2.9	Nov 3	3.9 3.9
Proximagen	Int	0.056 0.191	1.61L 1.09L	8L 5.4L	– –	–	– –
Shariah Capital $	Int	0.087 0.181	1.79L 1.43L	3L 2L	– –	–	– –
Stagecoach Theatre ♣	Fin	6.33 2.67	0.707 0.375	5.1 1.7	2 nil	Nov 25	2 nil

Figures in £m. Earnings shown basic.
Figures in light text are for corresponding period. $US currency. ♣Free annual report available. To order call +44 (0)208 391 6000 or go to www.ftannualreports.com

For more information on dividend payments visit www.ft.com/marketsdata

US banks near auction rate settlement

BANKS

Morgan Stanley and JPMorgan in talks

Groups give in to regulators' pressure

By Joanna Chung and Francesco Guerrera in New York

JPMorgan and Morgan Stanley were last night nearing settlements with regulators to buy back billions of dollars worth of auction rate securities from investors, people briefed on the negotiations said.

The two banks, which are also likely to pay fines, would become the latest groups to give in to pressure from regulators.

JPMorgan's clients hold about $5bn in ARS, of which $3bn belongs to retail investors. Morgan Stanley said this week that it was willing to buy back about $4.5bn in ARS.

The banks declined to comment on the details of the talks, but the settlements would come on the heels of similar agreements made by Citigroup and UBS with state and federal regulators last week.

Citi and UBS said they would buy back more than $26bn in ARS and pay fines of $250m. Merrill Lynch and Wachovia are also in discussions with regulators.

The banking industry's willingness to buy back the illiquid securities underscores its desire to draw a line under a controversy that has sparked dozens of state and federal investigations and numerous lawsuits by regulators and investors.

Regulators have accused banks of misrepresenting ARS as liquid, cash-like instruments. The collapse of the $330bn market in February highlighted the risk in the long-term securities, whose interest rates are periodically reset at auctions.

Citigroup and UBS – two of the biggest participants in the ARS market – last week became the first banks to settle with regulators, without admitting or denying wrongdoing. The settlements raised the likelihood that other firms would follow suit.

Merrill voluntarily offered to buy back ARS, saying it expected its retail clients to have about $10bn of the debt instruments when it would start repurchasing them in January.

Regulators are reviewing the bank's proposal. Andrew Cuomo, the New York attorney-general, said Merrill's programme "fails to contain certain investor protection safeguards". Merrill declined to comment.

Meanwhile, Wachovia, whose clients hold about $9.5bn in ARS, was also continuing talks with regulators yesterday. Mr Cuomo told JPMorgan, Morgan Stanley and Wachovia on Monday to enter into "immediate talks" to resolve the probes. The settlements with banks are being negotiated with Mr Cuomo, the US Securities and Exchange Commission and a task-force of 12 state securities regulators.

$1bn deal set to launch 3-D film business

MEDIA

By Matthew Garrahan in Los Angeles

A consortium of the biggest US cinema chains is closing in on a $1bn deal that will pave the way for a new generation of money-spinning 3-D movies, after securing provisional backing from three key Hollywood studios.

Walt Disney and Paramount Pictures are on the verge of signing a contract with Digital Cinema Implementation Partners, a consortium made up of the AMC, Regal and Cinemark chains, according to people familiar with the situation.

20th Century Fox was the first studio to back the plan, but its support was conditional on other studios signing up. DCIP needs a minimum of four studios on board before it launches the $1bn financing, which funds the conversion of about 15,000 screens to digital projection systems.

The consortium, which declined to comment, is also in advanced talks with Universal Studios. The four studios all declined to comment.

Digital systems enable the projection of 3-D movies, which can earn as much as five times per screen as films shown in 2-D thanks to the willingness of audiences to pay a premium.

Walt Disney's recent *Hannah Montana* film highlighted the format's potential when it set a box-office record, generating more than $65m in the US from only 700 3-D-capable screens.

There are about 40,000 cinema screens in the US, but only 700 can show films in 3-D. There are hardly any digital-ready screens in the international marketplace, so the studios have set their sights on the US first. However, they are also betting that the format will eventually transform the global box office.

JPMorgan Chase is leading the DCIP financing, which has been delayed by tightening credit markets and the reluctance of some studios to come on board. But with commitments falling into place, the consortium has moved closer to its goal.

Studios are producing more movies in 3-D, with 13 to be released in 2009. Fox has lined up James Cameron's *Avatar* and *Ice Age 3*, while Disney will release *Bolt* this year and plans to reissue *Toy Story* next year in 3-D. It also has *Toy Story 3* in the pipeline, which will be released in 3-D.

Universal will release the animated *Coraline* in the format next year, while Paramount, which distributes DreamWorks Animation's films, puts out the 3-D *Monsters vs Aliens* in March.

George Lucas plans to reissue the *Star Wars* films in 3-D, which has given renewed impetus to the digital conversion plans because of the success of the series and its passionate fan base.

Automobiles

GM falls after Moody's rating cut

By John Reed in London and Nicole Bullock in New York

General Motors' shares fell more than 5 per cent yesterday after Moody's downgraded the carmaker, citing concerns over whether it could make and sell smaller cars fast enough to compensate for collapsing large-vehicle sales.

The ratings agency lowered GM's "corporate family" and "probability of default" ratings deeper into junk territory to Caa1 from B3, seven notches below investment grade.

Moody's said the downgrade reflected the challenges GM would face in re-establishing a competitive position and generating positive cashflow amid annual US vehicle sales that could remain below 15m units through 2009.

Rick Wagoner, GM's chief executive, told the Financial Times this week that the company had put the worst behind it in terms of US job cuts and restructuring, but also said July's annualised US car sales of 12.7m units was "not a long-term sustainable position."

GM, like rival carmakers Ford Motor and Chrysler, has responded to flagging demand for sport utility vehicles and pick-ups by reducing jobs and capacity at plants making them, and fast-tracking plans to produce smaller cars and crossover vehicles.

However, Moody's yesterday said GM would encounter difficulties in establishing pricing power in these segments, and raised questions over the 18 to 21-month timeframe it needed to expand its portfolio.

GM would face challenges "convincing consumers that these vehicles offer as good a value proposition [as] Asian product," Moody's vice-president Bruce Clark said.

Rival ratings agency Standard and Poor's downgraded GM, Ford and Chrysler a notch to B- last month.

Credit default swaps on both GM and Ford have hit all-time highs of late. The cost of default protection on the two companies rose slightly after the latest downgrade.

Inner competition: Honda's Civic hybrid sedan faces rivalry from a smaller and cheaper hybrid hatchback Bloomberg

Hybrid race heats up for carmakers

By Bernard Simon in Traverse City, Michigan

The battle between Toyota and Honda for supremacy in the hybrid petrol-electric car market is set to heat up with both Japanese carmakers set to introduce distinctive new models early next year.

Honda disclosed details yesterday of a hybrid hatchback that will be smaller and cheaper than its existing Civic hybrid sedan.

Toyota is due to unveil a larger version of its popular Prius. It has so far kept a low profile on the new model to avoid damping sales of the existing Prius.

The Detroit carmakers are also stepping up their hybrid offerings. Ford is preparing to launch hybrid versions of its mid-sized Fusion and Mercury Milan sedans next year.

Dick Colliver, executive vice-president of Honda's US unit, yesterday said: "The challenge, especially with small cars, is to bring the price down to where more people can afford it. And this is our goal for this new hybrid model . . . to make it affordable to a new generation of car buyers."

Mr Colliver said that Honda aimed to sell 100,000 of the new cars a year in North America, including Canada.

Sales of the Civic hybrid in the US reached only one-third of that level last year, although demand last month was 38 per cent higher than in July 2007.

Honda wants to sell 200,000 units of the new hybrid model globally per year.

Rebecca Lindland, analyst at Global Insight, said: "One of the reasons Prius is so successful is that you can't mistake it for anything else.

"If the Honda vehicle is only hybrid, they're going to get the same bragging rights that Prius has now."

Toyota sold 181,200 Priuses in the US last year and another 106,000 in January-July 2008. It is gradually winding down production ahead of the new model.

Toyota last month said it would convert an assembly plant under construction in Mississippi from slow-selling sport-utility vehicles to the Prius. Production is due to start in late 2010.

Ford said yesterday it was setting up a 40-person team to equip its vehicles with new entertainment and other consumer electronics systems, in partnership with prominent technology suppliers.

The new group is part of a drive by Ford to improve the attractiveness as well as the profitability of small and mid-sized cars.

"These people will work at a clock speed that neither Ford nor the industry has seen before," said Mark Fields, head of Ford's North American operations.

Mr Fields said that Ford's drive to integrate its global operations would also help boost the profitability of small vehicles in North America.

Chrysler in talks to build Fiats at idle US plants

By Bernard Simon and John Reed

Chrysler confirmed yesterday that it had held talks with Fiat to use some of its idle North American capacity to build vehicles for the Italian carmaker.

The move fits Chrysler's drive to overcome its weak financial position and reliance on North America through partnerships with other carmakers. It is also gearing up to make Nissan trucks and Volkswagen minivans in the US and Canada.

Chrysler, the smallest of the three Detroit-based carmakers, is pursuing alliances in Russia, China, India and Latin America.

Tom LaSorda, Chrysler's vice-chairman, said the company expected to start selling small cars in Latin America next year made by China's Chery Automotive.

It has also held talks on an alliance with Great Wall Motor, China's biggest privately owned carmaker.

Chrysler expects to finalise the design within the next few months of a small car made by Nissan to fill a crucial gap in its North American product line-up.

Mr LaSorda said he expected "some light at the end of the tunnel" for a venture in Russia by the end of the year. He declined to provide details.

Noting that Russian carmakers have had little access to modern vehicle technology, he said: "We can offer a lot with our engineering as well as our manufacturing and our brands."

Chrysler's likeliest partner is Gaz, a leading producer of commercial vehicles that is expanding into cars. In 2006, Gaz acquired manufacturing equipment for a previous version of Chrysler's Sebring model, and last month it began producing it at its plant in Nizhny Novgorod as the Siber. Gaz has held talks about a possible partnership with General Motors.

Russia is one of the world's fastest-growing car markets and it is on course to replace Germany as Europe's largest by volume.

Fiat has said it is considering assembling its small Fiat 500 and an Alfa Romeo in North America. Alfa last sold cars in the US in 1995, but Fiat wants to reintroduce the brand next year.

Mr LaSorda said that "at this stage there are no formal discussions going on. But there was an enquiry".

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Deere shares plunge after warning that profit margins will be slashed

INDUSTRIAL ENGINEERING

Group hit by rising raw materials costs

Foreign demand boosts earnings

By Daniel Pimlott in New York

Deere & Co, the world's largest maker of farm machinery, yesterday warned that rising raw materials and logistics costs would hit profit margins, sending its shares down 8 per cent at one time, even as the company reported stronger earnings.

Deere, which makes tractors and combine harvesters, has been hit by rising steel prices and freight costs, which pose a threat to profits, and it has been unable to raise prices fast enough.

The pinch from higher expenses mean that, although Deere forecasts a 29 per cent jump in sales of equipment in the fourth quarter, net income is likely to be $425m, lower than analysts expected.

The company's shares fell $2.2, or 7.89 per cent, to $63.88 by mid-morning. They recovered to close at $67.10, down 3.24 per cent.

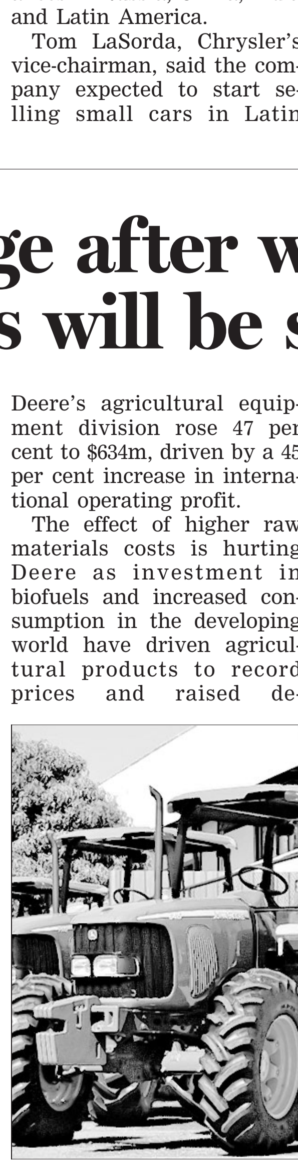
"Though agricultural commodity prices have moderated, they remain quite favourable by historical standards and are continuing to provide strong support to farm incomes and to the sale of productive farm machinery worldwide," said Robert Lane, chairman and chief executive.

Net income was $575m, or $1.32 per share, up 7 per cent from $537m a year ago. The earnings were a record for the quarter, due to sharply higher international demand, but missed analysts' predictions of $1.36 per share.

Revenues rose 17 per cent to $7.74bn. Equipment sales were $7.07bn, short of Wall Street forecasts of $7.17bn, according to Reuters Estimates.

Operating profits in Deere's agricultural equipment division rose 47 per cent to $634m, driven by a 45 per cent increase in international operating profit.

The effect of higher raw materials costs is hurting Deere as investment in biofuels and increased consumption in the developing world have driven agricultural products to record prices and raised demand for farming equipment.



Mixed news: Deere & Co has reported stronger earnings

The company's financial services operations saw operating profit fall 21 per cent to $111m because of higher expenses, an increase in leverage, and a higher provision for credit losses.

Consumer and commercial equipment operating profit fell 28 per cent in the quarter to $91m. Construction and forestry equipment saw operating profits down 38 per cent to $93m.

"US markets for construction and forestry equipment are forecast to remain under continued pressure due to a sharp decline in housing starts, which are expected to reach 60-year lows in 2008," the company said.

Adrian Compton, an analyst at S&P, said: "Growth was strong in the agricultural segment, especially in emerging markets, but the slow US housing market hurt other segments, and material costs are high."

See Lex
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Banks seeking better grades need to work on clarity

Jennifer Hughes
ACCOUNTANCY

Every schoolchild knows the phrase "show your working". Tacked on to the end of countless exam questions, it is for some a chance to show off and demonstrate just how well they have understood the underlying theories to earn extra marks. For others, it is a dreaded demand that threatens to expose just how lucky their stab in the dark actually was.

The concept of showing the assumptions and calculations that go into an answer is also familiar to anyone reading statements involving complex financial instruments, particularly those of banks. In addition to marking most of their financial holdings to market prices, companies are meant to explain how they came to a particular value for those instruments without clearly visible market prices.

According to a new report from PwC based on the annual reports of 22 of the world's biggest banks, few would get an "A" grade for their workings. Most would fall into the old school report category of "could do better".

PwC's point – and mine – is that banks can indeed do better and it is in their own interests, as well as those of shareholders, to do just that. If they don't, the chances are that accounting rulemakers could get more prescriptive and detailed in what they demand – a direction neither they nor the banks want to go.

How to prevent the threat of detailed, finicky rules? This is where investors need to step up and tell banks what they want.

This already bore fruit this year. Anyone listening to bank earnings conference calls through the autumn was left in no doubt as to the amount of detailed information that investors wanted. To some extent they got it. According to a study by KPMG, the core financial sections of European banks' annual reports grew by an average of 17 per cent this year. In reports that often hover at about 400 pages and can stretch to 600, that is a lot of working being shown.

But are the extra disclosures actually useful?

"Clearly there was a big effort," says Edmund Hodgeon of PwC. "But banks need to get more clarity in how they show what they have, how they categorised it. Readers want to understand how they applied their thinking and if it was consistent."

What was really meant to help investors this year was IFRS 7, the well-timed new standard on financial disclosures that requires companies to provide detailed information on what they have, how they measure it and how they manage the risk. In line with the accounting standard setters' aim of moving towards a more principles-based approach rather than overly detailed rules, the new standard allows banks a lot of latitude in how they actually meet its requirements.

What PwC found was that banks tended to match minimum requirements but failed to go beyond that to paint a coherent picture.

"Even if they made all the disclosures, we found they were all over the place, scattered through the report," Mr Hodgeon says.

To be fair, by the time the credit crunch hit last summer, banks had already set up their reporting systems for the year and any spare time in the autumn was largely occupied with fighting fires such as how exactly to value securities in frozen markets. That had to come before figuring out how to explain and present the workings to outsiders.

But there is always the coming year – and this is where banks can improve. Many still default to chunks of boilerplate text lifted almost straight from the accounting rules. This is not good enough – each bank is different, and their reports should reflect this.

There were clear cases last year where banks' stocks were punished for executives failing to be sufficiently candid with their data. This year they have had a little time to get their systems in order. Hopefully this will be reflected in their reports.

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Schaeffler willing to increase its bid for rival Conti

AUTOMOBILES

Offer rejected but talks to continue

Bearings maker offers €75 per share

By Daniel Schäfer in Frankfurt

Schaeffler yesterday paved the way for a friendly settlement of one of the fiercest takeover battles corporate Germany has seen in recent years after it said it was willing to increase its €11.3bn ($16.8bn) bid for rival Continental.

Jürgen Geissinger, Schaeffler's chief executive, sent Conti's supervisory board a letter stating that the privately-held bearings maker would be willing to pay €75 per share instead of the €70.12 it is currently offering, according to people close to the board.

Conti's board again rejected the offer. But it said that management would continue negotiations with Schaeffler with "the goal of reaching a solution to the benefit of the company as soon as possible".

Mr Geissinger welcomed this, saying that Schaeffler was very confident that the negotiations would lead to a positive outcome.

A complete takeover is not Schaeffler's intention in the short-term, as it has said it would only aim to buy a "controlling stake" of more than 30 per cent of the shares.

If Schaeffler were to gain a majority, this would create a hugely indebted group at a time where the outlook for the car industry looks grim. Some investors therefore were puzzled about the pledge to increase the bid.

"They should get a considerable amount of the shares if they lift the offer," said a large institutional investor.

However, Schaeffler has plenty of room for manoeuvre. The company owns 8 per cent of Conti's shares and has access to another 28 per cent via swap transactions with banks – which it could cancel if too many shares were tendered.

It could also sell shares to the market after the bid ends in two weeks time.

With Schaeffler's concession both sides can save face.

Manfred Wennemer, Conti's chief executive, can claim he managed to squeeze a 7 per cent premium on the initial bid for his shareholders. The total value of the bid would be lifted to €12.1bn.

Schaeffler, on the other hand, will have reached its aim to gain a controlling stake in Conti, which is three times bigger in terms of sales. In the long run it will be able to swallow Conti completely.

The move came after Conti had stepped up its fight against Schaeffler in the past few weeks, considering an array of defence tactics that have now been put on hold.

Werner Bischoff, Conti's supervisory board vice-chairman and trade union representative, said that for business strategic reasons, it is "not appropriate to pursue a pure defence policy" in tackling the Schaeffler takeover offer.

Mr Geissinger and Mr Wennemer have held several talks in the last weeks.

People close to Conti say the main issue for further discussions is how long Schaeffler would be willing to guarantee Conti's independence as a listed company based in Hanover.

Conti's share price rose 2.19 per cent yesterday to close at €73.17.

Temperatures rising: Areva and Bouygues have clashed over the question of responsibility for welding work on an EPR nuclear reactor in Finland TVO

Areva safety claim triggers reaction

ELECTRICITY

By Peggy Hollinger in Paris and Robert Anderson in Stockholm

Areva's troubled nuclear power project in Finland – and France's own nuclear ambitions – yesterday suffered a fresh setback after it emerged that the Finnish nuclear safety authority is investigating some construction work on Europe's first new generation reactor.

Finland's nuclear safety watchdog, STUK, has this week launched an inquiry into welding work on non-load bearing parts of the EPR reactor – which is running two years late and at least €1bn ($1.4bn) over budget – after a Greenpeace report raised questions over quality control.

It is also investigating claims on Finnish television this week that construction workers were barred from talking about safety. "That is the worst thing we heard. That is something we will go into in great detail," said Petteri Tiippana, STUK assistant director.

Areva, the French nuclear group that is leading the construction consortium, yesterday denied Greenpeace's claims and said it was "stunned" by earlier comments from a STUK representative.

These issues had been dealt with last winter, the group said, and involved coordination of welding on the less sensitive non-structural parts of the reactor which did not call into question the quality of the work that had been done.

"Last winter, the consortium took note of remarks made by STUK about the welding," Areva said. "The subject was raised with the subcontractor concerned, Bouygues. The necessary measures were taken to conform to the Finnish safety authority's demands." Mr Tiippana confirmed that this was the case.

But the allegations will cast a cloud over French President Nicolas Sarkozy's campaign to make France the world's leading provider of nuclear technology. They follow a series of recent setbacks at home that have fuelled concern over the country's dependence on nuclear power. Earlier this summer French safety authorities ordered EDF, the electricity utility, to halt temporarily construction on its new EPR reactor after it raised concerns about the organisation of work also under Bouygues' responsibility. Then last month Areva's Socatri low grade waste treatment site was forced to shut down after 75kgs of natural uranium leaked into the environment.

The claims have also laid bare the tensions between Areva and its partners on the project. Yesterday the French construction group denied it had anything to do with the welding works and demanded an immediate retraction from Areva.

$4.5bn loss for Tribune after writedown

MEDIA

Tribune, publisher of the Chicago Tribune and the Los Angeles Times, reported a second-quarter net loss of $4.53bn after writing down the value of its publications, **writes Bloomberg**.

The loss compared with a profit of $36.3m a year earlier and included a $3.83bn expense to reflect the falling value of its newspapers, the Chicago-based company said today in a filing.

Sales fell 5.7 per cent to $1.11bn and newspaper advertising sales tumbled 15 per cent, Tribune said.

The worsening advertising slump has made it harder for investor Sam Zell, who took Tribune private in December, to manage $12.5bn in debt after the buy-out.

Mr Zell has eliminated jobs and trimmed pages to cut costs, sold Newsday in New York and is seeking a buyer for the Chicago Cubs baseball team. The company said in June it is exploring options for headquarters buildings in Los Angeles and Chicago.

"If conditions continue to deteriorate and their revenues drop and their operating cash flows continue to drop, then the next bogey is that debt payment in June," said Ken Doctor, an analyst at the media consultant Outsell in Burlingame, California. "That's harder and harder to make given the deteriorating revenue conditions."

Mr Zell said yesterday Tribune has repaid $807m in debt using proceeds from the sale of commercial paper and Newsday. The company has a remaining principal balance of $593m due in June 2009, he said.

The company said the writedown was primarily from Tribune's $7.5bn purchase in 2000 of Times Mirror, publisher of the Los Angles Times. The company also reported a loss of $693m on the sale of Newsday to Cablevision Systems even after receiving $630m from the transaction.

Operating profit before the writedowns fell 3.8 per cent to $168.5m from $175.1m a year earlier. Operating cash flow dropped 2.5 per cent to $220.7m.

"Since the beginning of the year, we have launched dozens of programs and products that have the potential to make a meaningful impact on our future, and we have made significant progress in aligning our expenses with the realities of an industry in recession," Mr Zell said in the statement. Publishing revenue declined 11 per cent to $700.6m, the same percentage drop as in the first quarter.

US group rejects $44bn offer by Roche

PHARMACEUTICALS

By Julie MacIntosh in New York

Genentech yesterday rejected an unsolicited $43.7bn takeover bid from its majority owner Roche but suggested it would consider a higher offer.

The US group, one of the world's largest biotechnology companies, said Roche's $89 per share bid "substantially undervalues" its business.

However, it said a special committee of board members would consider a proposal that "recognises the value of the company and reflects the significant benefits that would accrue to Roche as a result of full ownership."

Switzerland's Roche, which already owns 56 per cent of Genentech, made the bid to buy out the company's minority shareholders public on July 21, ending years of speculation over whether it would attempt to bring Genentech fully into the fold.

Wall Street analysts had broadly expected Genentech to refuse Roche at the current price, which represented a premium of 9 per cent to the price at which Genentech's shares closed before the bid was announced.

> Genentech has consistently boosted Roche's results, and it developed many of Roche's most successful drugs

Merger dealmakers say it is likely Roche and Genentech will negotiate over a deal at a higher price, in order to keep the climate surrounding the drugmakers and their critically-important scientists and other employees from growing frigid.

Shares of Genentech closed at $98.37 yesterday, or about 1 per cent higher, reflecting investors' expectations for a new bid at or above that level.

Throughout the nearly 20 years it has owned a majority of Genentech, Roche has long maintained that the companies' partnership, rather than a full merger, provided an ideal operating platform.

Genentech has consistently boosted Roche's financial results, and it developed many of Roche's most successful drugs, including blockbuster cancer treatments Rituxan, Herceptin and Avastin.

The two companies' businesses have started to overlap – and at points, compete – more significantly in recent years, however. Roche has said a deal to buy the remainder of Genentech could save $750m-$850m a year.

Roche's about-face, combined with Bristol-Myers' bid for the rest of its partner ImClone, is now sparking debate over whether other drugmakers that partner with smaller companies on key ventures will enact mergers.

These include Eli Lilly and Amylin Pharmaceuticals, Bayer and Onyx Pharmaceuticals and Johnson & Johnson and Vertex Pharmaceuticals.

Shares rise by 17% as Tandberg reveals move by private equity

ELECTRONIC EQUIPMENT

By Robert Anderson in Stockholm and Martin Arnold in London

Shares in Tandberg, the leading video-conferencing equipment producer, jumped 17 per cent yesterday after the Norwegian company said it had been approached by a private equity fund.

Tandberg has begun preliminary discussions with the unnamed potential bidder and has hired JPMorgan to advise it. Fredrik Halvorsen, chief executive, refused to give any further comment.

Silver Lake, the US private equity group specialising in technology buy-outs, is rumoured to have approached Tandberg.

Silver Lake, which last year acquired one of Tandberg's competitors, Avaya, with TPG Capital, declined to comment. The potential bid comes as the video conferencing market is experiencing strong growth as international companies try to improve internal communication across continents and enhance the work-life balance of their employees.

Using video conferencing as a substitute for foreign travel can also reduce a company's costs and help burnish its green credentials by reducing its carbon footprint.

Technological improvements are making video conferencing cheaper and easier and enhancing its quality, ending its erstwhile image as an expensive and unreliable executive tool. Consequently video conferencing has spread from the executive suite to ordinary desktop computers and in the future will link mobile telephones.

According to Frost & Sullivan, the technology consultancy, the market for video conferencing endpoints was worth $821m in the first three quarters of last year.

Tandberg says the video conferencing market grew 37 per cent in 2007.

In the second quarter of this year it increased operating profit by 24 per cent to $41.2m on revenue up 36 per cent to $194.9m.

Tandberg has recently overtaken Polycom of the US to become the market leader with a 39 per cent share and it strengthened its position last year through the acquisition of Codian of the UK, a video conferencing infrastructure vendor.

Codian should allow Tandberg to more easily integrate video with other desktop applications, potentially giving clients a unified communication system.

"This will become crucial in coming years," says Dominic Dodd, principal analyst for Frost & Sullivan's enterprise communications group.

Plan to revamp probes into US insider trades

EXCHANGES

By Joanna Chung in New York

US stock exchanges have agreed to overhaul the way they pursue insider trading investigations and the US Securities and Exchange Commission said yesterday that it was reviewing the proposal.

The proposed plan, which was first reported by the Financial Times, would require US stock exchanges to change the way they handle cases they refer to the SEC, the main markets watchdog that enforces federal securities laws.

Currently, each of the 10 US exchanges is responsible for monitoring insider trading on its venue and conducting any investigations.

Under the proposed plan, they would cede the responsibility to just two bodies, the New York Stock Exchange's regulatory arm and the Financial Industry Regulatory Authority, which oversees broker-dealers.

NYSE Regulation and Finra would be authorised to detect insider trading wherever it occurred in the US. The plan has the "potential to increase the likelihood that those who engage in insider trading will be caught and punished", said Christopher Cox, SEC chairman, yesterday.

"This should send a strong warning to those who would undermine market integrity and undercut investor confidence for their own personal gain."

It could also lead to faster and more efficient oversight of illegal activity, by eliminating gaps and duplication in surveillance of possible insider trading. While exchanges and other regulatory bodies have long cooperated and shared information on potential cases, the detection of market abuse has become increasingly challenging, not least because of increasing sophistication of trading.

"A focused, consolidated review strengthens our ability to prevent anyone from profiting from insider information," said Richard Ketchum, chief executive of NYSE Regulation.

The agreement between equity exchanges, now open for public comment, is part of efforts to consolidate regulatory supervision and follows a similar consolidation of responsibility for surveillance for insider trading involving options, which the SEC approved in June 2006.

Apollo faces grilling on fund's future

INVESTMENT COMPANIES

AAA conference call set for today

US group planning New York flotation

By Martin Arnold in London

Apollo Global Management, the private equity group, will today face questions from investors about the fate of its poorly performing Amsterdam-listed fund after its US parent company revealed a first-quarter loss of $96.4m.

Analysts said Apollo Alternative Assets was likely to be de-listed from Amsterdam as part of the US group's planned New York flotation, mirroring a similar move announced by rival Kohlberg Kravis Roberts earlier this month.

KKR has offered to acquire the shares of its KKR Private Equity Investors (KPE) vehicle in return for 21 per cent of its own management company, which will be simultaneously floated on the New York Stock Exchange.

Apollo filed plans for an initial public offering in New York in April. No date has been set for the share issue. But once it goes ahead analysts believe AAA will quickly become redundant, as investors are likely to prefer investing in Apollo's main US listing.

AAA is due to hold a conference call with investors today to discuss its results and is set to be grilled on its future.

"AAA is in a very similar situation as KPE at the moment," said Louisa Symington-Mills, analyst at ABN Amro. "Overall, AAA appears to be a prime candidate to follow in KPE's footsteps."

However, a person close to Apollo said it was unlikely to copy KKR's move. Many AAA shareholders invest directly in Apollo's private equity funds and the group did not want to upset them.

The KKR deal has attracted criticism from some investors who complain they are being bought out too cheaply.

Apollo Global Management reported a net loss of $96.4m for three months to March, against a $144m profit a year earlier, as it wrote down struggling investments, such as Realogy, the US real estate broker, and Countrywide, the UK estate agent chain.

Apollo and KKR were the first to list "permanent capital" vehicles on Euronext Amsterdam and have been the worst performers. AAA shares are trading at a 50 per cent discount to their net asset value, while KPE shares are trading at a 43 per cent discount.

Some investors say Apollo has provided less information than its rivals on its fund. Ms Symington-Mills at ABN said AAA gave investors "much less detail, transparency or explanation of their activities" than other Amsterdam-listed funds, such as Conversus Capital or Lehman Brothers Private Equity.

Apollo has recently taken steps to improve its relations with investors, hiring Gary Stein from NYSE Euronext as head of investor relations, and appointing Financial Dynamics, the London-based communications agency.

Separately, Apollo has teamed up with Lazard to jointly pursue European private equity investments two years after Lazard closed its struggling buy-out fund.

Unicom lays the foundations for 3G services

MOBILE & TELECOMS

By Justine Lau in Hong Kong

China Unicom plans to spend up to Rmb100bn ($14.5bn) in the next two years to improve its network as the country's second-largest wireless operator prepares to introduce third-generation services.

Analysts, who called the expenditure plan "very aggressive", said it signalled an intense price war between Unicom, China Mobile and China Telecom as China's three telecoms companies gear up to expand their operations.

"[Rmb100bn] is a big and scary number. Every company seems to be spending a lot to upgrade their networks.

"It implies pretty heated competition," said Marvin Lo, analyst at Daiwa Institute of Research, who had expected Unicom to spend up to Rmb66bn.

Beijing this year announced a long-delayed plan to reorganise the telecoms sector, creating three operators with both mobile and fixed-line networks.

The restructuring is a prelude to the introduction of 3G mobile services, although it remains unclear when they would be launched.

Under the arrangement, Unicom is to merge with fixed-line operator China Netcom. Unicom said yesterday the combined group, to be called China Unicom (Hong Kong), was expected to receive a 3G licence following the merger, likely to be completed in the fourth quarter.

"Upon the completion of the proposed merger, the enlarged group is expected to obtain a 3G licence. As a result of the proposed merger, the wireless capital expenditure ... is expected to be very substantial and may reach Rmb100bn in 2009 and 2010," said Unicom. The capital expenditure will be focussed on areas such as 3G equipment and upgrading the 2G network.

Shares of Unicom and Netcom fell 4.3 per cent and 3.9 per cent respectively in Hong Kong yesterday as investors were concerned about the high spending amount, which will be borne by the listed arms.

China Telecom, which has acquired a CDMA mobile network from Unicom, said last month its parent planned to spend Rmb80bn over the next three years to upgrade the system.

Unicom continues to operate a GSM network, which is more profitable and bigger than CDMA.

China Mobile said in March it had budgeted Rmb127.2bn for capital expenditure this year, Rmb119bn next year and Rmb109bn in 2010.

China Mobile currently has a 70.8 per cent market share of the country's wireless market – the world's largest in terms of subscribers.

Unicom's GSM operation has a 21.8 per cent share while the CDMA business accounts for just 7.4 per cent. China Telecom has said it aimed to capture 15 per cent of the market by 2010.

Mr Lo expected China Mobile's share of the market to drop to about 67 per cent in 2012, while that of Unicom would climb to 28 per cent, possibly at the expense of huge handset subsidies.

MORE ON FT.COM

Sol Trujillo, Telstra CEO, has attacked the Australian government over delays in awarding a contract for a national broadband network
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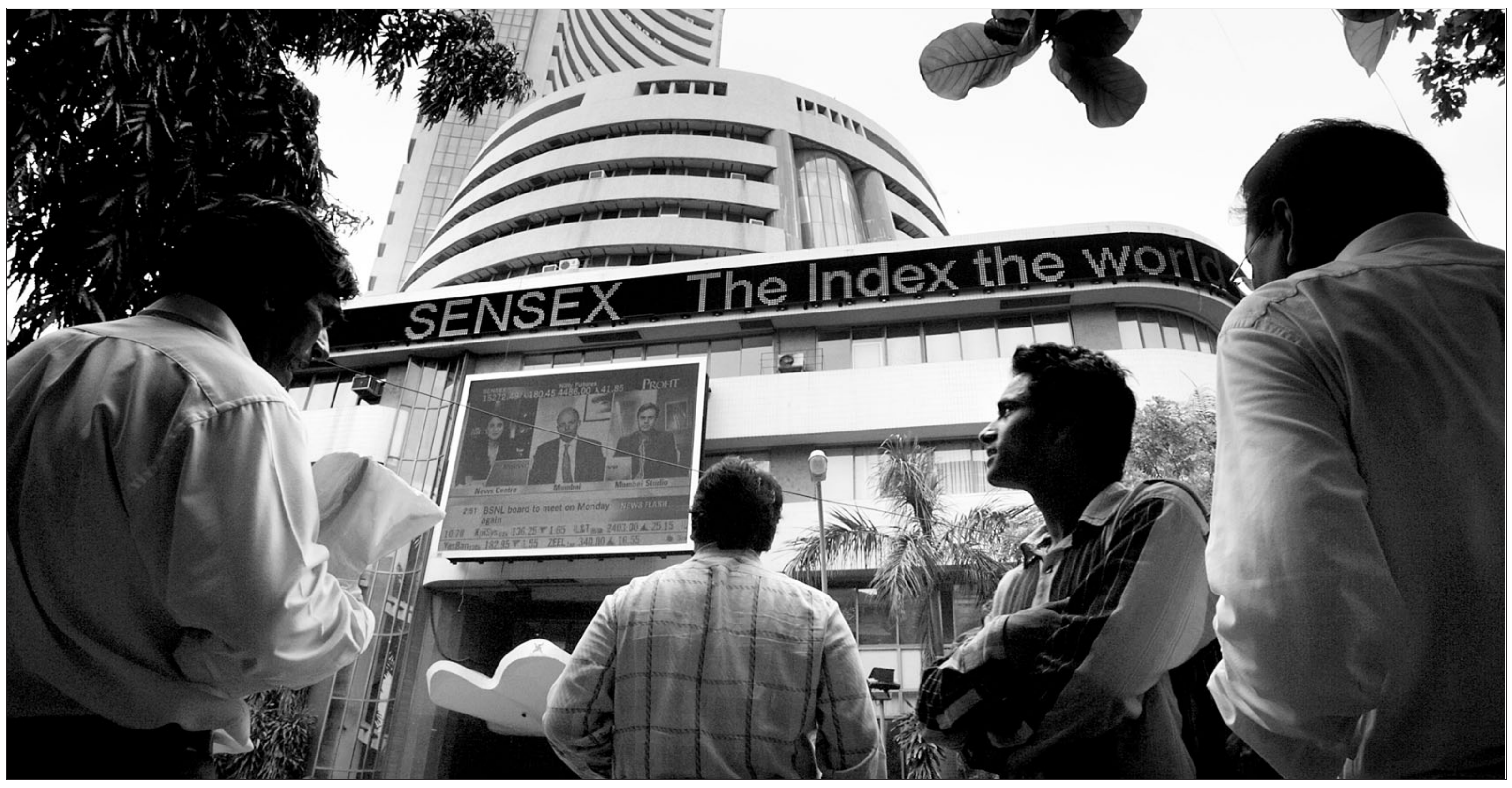

Watching brief: the benchmark Sensex index has tumbled since touching record highs in January Bloomberg

India's brokerages face shake-up

GENERAL FINANCIAL

News Analysis

Sharp market falls and lower volumes are likely to spark consolidation, writes **Joe Leahy**

When Indian brokerage Edelweiss Capital staged its initial public offering in December, its share price nearly doubled on the first day.

At an intra-day high of Rs1,608 per share, Edelweiss was valued at nearly 80 times the previous year's earnings. This mirrored the inflated prices of other large Indian brokerages that had also recently listed on the market, such as Motilal Oswal Securities, and Religare.

After a five-year bull run, Edelweiss and its peers were cashing in on a belief among investors that the good times in India's stock market were here to stay.

Unfortunately, that winning streak ended just two months later, when the global financial crisis and rising interest rates began to hit India's market.

Analysts say that with volumes now substantially lower, India's brokerage industry is likely to experience a period of rationalisation similar to the mid-1990s, when a previous market correction led to a shake-up among small brokers.

"The marginally capitalised firms certainly will increasingly be under pressure," says Tarun Kataria, HSBC India managing director and chief executive of global banking and markets. HSBC announced an agreement to buy local house IL&FS Investsmart in May, in a deal awaiting regulatory approval.

"For the next six to 12 months, with little ability to drive revenues materially higher, survival will depend on one's ability to manage costs effectively."

The downturn in India's market has taken even seasoned investors by surprise. In January, the Bombay Stock Exchange's benchmark Sensex index was touching all-time highs of nearly 21,000 points. By the following month, the Sensex was in freefall, and on July 16 it touched its lowest point this year of 12,575.80 points.

While India's market has recovered slightly since then, it remains the worst performing large emerging market in the world this year, with the MSCI India index down about 38 per cent since the end of December. The brokerage sector, in particular, is hurting.

Edelweiss is now trading down more than 20 per cent on its IPO price of Rs825. Religare is still trading above its Rs140 listing price but at about Rs389.50 per share, it is about half its high of Rs729. Motilal Oswal is trading at Rs104, below its IPO price of Rs165 (accounting for a stock split).

HSBC became the first in India to capitalise on the fall in global markets with its acquisition of the 73.21 per cent stake in IL&FS Investsmart, controlled by ETrade of the US, for Rs10bn. ETrade was forced to sell to raise capital as a result of subprime problems in the US. The deal valued IL&FS Investsmart at about 18 times the previous year's earnings.

The sale continues a trend in which foreign banking houses, eager for a share of India's financial services pie, have been among the biggest buyers of brokerages.

Lehman Brothers last year bought local house Brics Securities while Standard Chartered re-entered equities broking in Asia for the first time in a decade with the acquisition of UTI Securities.

"A lot of the global banks are betting the centre of the world economy is going to be the Brics [Brazil, Russia, India and China] countries. They want to get a platform here and build it up as fast as they can," says Raamdeo Agrawal, joint managing director of Motilal Oswal.

Mr Agrawal says consolidation is most likely among the 50-60 per cent of India's broking market that consisted of small shops of one to two branches.

Motilal Oswal had already bought several such operations in Andhra Pradesh, Uttar Pradesh and Kerala states, Mr Agrawal says.

Naresh Kothari, head of institutional equities at Edelweiss Securities, says those larger brokerages that listed during the boom and remained well-capitalised will be the consolidators.

Small brokerages catering to retail investors, who tend to shun bear markets, are likely to be most vulnerable if the downturn continues.

Mr Kataria says the long-term dynamics of the market is driving interest in the industry, including India's rapid economic growth and its high savings rates.

"Institutional and retail brokerages are attractive because people believe in India's long-term structural story, its growing band of mass affluent investors, in its compelling demographics and in the increasing amounts of savings that will be channelled into the equity markets as an avenue of wealth creation," says Mr Kataria.

See Lex

Wagner to split from MGM

MEDIA

By Matthew Garrahan in Los Angeles

Paula Wagner is in talks to leave Metro-Goldwyn-Mayer's United Artists label after falling out with the Hollywood studio over the financing and independence of the company.

Ms Wagner and Tom Cruise, her production partner, joined UA almost two years ago after the Hollywood star was fired by Paramount Pictures.

Harry Sloan, MGM's chairman, gave the pair an equity stake in UA and autonomy to "green light" their own movies. The aim of the deal was to revive MGM and the historic UA label by bringing in two of Hollywood's biggest names. The move was meant to prove to sceptical observers that Mr Sloan meant business with his plans to turn round MGM, which had fallen behind rival studios and scaled back its production business.

Ms Wagner and Mr Cruise were promised complete autonomy by MGM but the marriage has failed. UA executives hired by Ms Wagner have recently departed the company, apparently at the behest of MGM, which has caused friction.

Other senior executives have also been hired, which has caused a further deterioration in relations between Ms Wagner and Mr Sloan.

In addition, MGM has failed to raise financing to fund its own production slate. UA succeeded in raising $500m in a deal arranged by Merrill Lynch but although the money was to be used exclusively to fund UA movies there have been internal disagreements about whether the money can be spent on MGM films.

These tensions have stalled UA's own plans, said a person familiar with the situation. Ms Wagner declined to comment. However, the person familiar with the situation said she planned to return to full-time movie production.

MGM also declined to comment. The studio came close to securing its own production fund last year but the plans were hit by the onset of the credit crunch.

Since then the company, which is owned by Texas Pacific Group and Providence Equity Partners, has also held negotiations with Ryan Kavanaugh's Relativity Media group about a co-financing deal for several MGM films.

Mr Cruise and Ms Wagner will keep their equity stakes in UA. But Ms Wagner will leave her executive role after finishing post-production on *Valkyrie*, a second world war drama starring Mr Cruise.

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Job ref: FT-3984
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Location: South East

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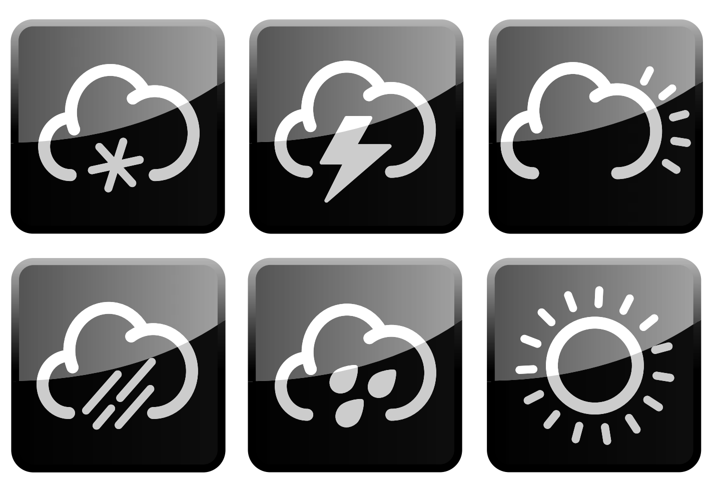

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Andrew Taylor

One of the fascinations of walking the teeming streets of the great city of London is to observe the plethora of languages and cultures you encounter.

For centuries, as Britain's financial and trading centre, it has attracted foreigners who want to live, work and invest here. But it has seldom been a one-way street, more of a revolving door, with British engineers, financiers and entrepreneurs just as likely to be lured abroad.

Capital and labour have never been more mobile than they are today, providing opportunities for recruitment companies and headhunters prepared to cross national boundaries.

A European survey, published today, of more than 13,000 executives earning the equivalent of at least £50,000 a year, reports that more than 13 per cent accepted positions abroad during the past year.

A third of those taking jobs overseas were managers or heads of department, and almost three quarters had at least five years experience according to Experteer, one of Europe's biggest recruitment websites for professionals, which conducted the study.

Representatives from the finance, professional services, and IT sectors were most likely to relocate. Of foreign executives who came to the UK, 56 per cent ended up in the capital.

Switzerland, however, was by far the biggest importer of executive talent, with more foreign professionals arriving to fill vacancies, than Swiss seeking work abroad. Other net gainers of executive expertise, says Experteer, were the Netherlands, Belgium and Spain.

At the other end of the spectrum: Germany had a net loss of 10 per cent, France 9 per cent and the UK 8 per cent.

However, the results suggesting that the UK is suffering an overall loss of talent to overseas rivals tell only part of the story. The UK's appeal as a country in which to do business and London's pre-eminence as a financial centre mean that the capital can lure highly qualified professionals from all over the world, not just from Europe.

Research conducted by the Organisation for Economic Co-operation and Development confirms that that the UK and Germany have the greatest numbers of highly skilled emigrants – 1.1m and 860,000 – leaving annually for other OECD countries.

But in the case of the UK, this is more than compensated for by large inflows of skilled workers from non-EU economies, particularly from Asia, it says.

Reasons for working abroad range from better job opportunities and higher pay to the chance to experience new cultures and boost CVs, say recruiters.

According to Jeffrey Joerres, chairman and chief executive of Manpower, the recruitment company: "More people are living and working away from their home countries than at any other point in history.

"These are not the one-way migrations of yesteryear. Talent goes where talent is needed and we are truly becoming a global borderless workforce."

Popular images of migrant workers are of the poor, the oppressed and the unskilled. Today they are just as likely to be young, well-educated, with university or vocational qualifications and female as often as male.

> Huge demographic changes will continue to fuel demand for foreign workers, as national populations age and stagnate

But what about the future? Economic migration may decrease in the short term, as local labour markets shrink in the wake of the credit crunch. But the long-term trend of labour mobility seems set to stay.

Huge demographic changes will continue to fuel demand for foreign workers, as national populations age and stagnate.

This creates potential problems for host governments struggling to reconcile the need for overseas labour with sentiment among local populations fearful of the impact on their jobs and wages.

Local authorities in Britain also have complained that they have insufficient funds to cope with the influx of foreign workers, who need homes, school places for their children and health and social services.

Manpower says the resulting emergence of a "new nationalism" with "the policy pendulum swinging towards preventing immigration rather than managing it strategically" is causing concern for employers facing increasing skill shortages.

The UK's response has been to introduce a new immigration points system. This has been designed to stem the inflow of low-skilled migrant workers from non-EU countries, while giving preference to entrepreneurs and skilled foreign professionals.

Immigration lawyers have criticised the new rules as unfair and excessively complex, an issue to which this column will return.

Recruiters of lower-skilled workers in industries such as agriculture and hospitality have warned of serious staffing shortages if they are unable to hire abroad. The prospect of Britain's favourite Asian restaurants running short of Bangladeshi chefs has already made headlines this year.

Ministers, however, argue that there will be sufficient workers from eastern and central European countries, which joined the EU in 2004, to make up any shortfalls, although this may not solve the shortage of Bangladeshi chefs.

Tougher penalties to encourage more unemployed people to work should also create more labour to fill jobs.

Manufacturers think that the failure of politicians and educationalists to encourage more youngsters in the UK to study science, engineering and vocational subjects means that skill shortages and, therefore, the need for foreign workers will persist.

Richard Lambert, director-general of the CBI, warned this week that Britons may be left simply "to pour the concrete", while skilled foreigners carry out the more complicated tasks of building the country's infrastructure.

But complaints about skill shortages are not unique to Britain. Even Germany is worried about a lack of young people to take over from the current crop of ageing engineers.

Widespread under-investment in vocational trades means that there is an almost universal shortage of carpenters, decorators, bricklayers and plumbers in developed countries.

Competition is such that skilled Slovak butchers, employed at Irish meat processing plants, have been "lured away by competitors in Norway," says Manpower.

According to the International Organisation for Migration, an inter-governmental agency, more than 190m people currently live outside their home country.

In world terms this is small, representing about one in every 35 people. But the number is growing steadily at the rate of 3 per cent a year and seems likely to go on increasing.

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Markets | Managed Funds Service

Struggle to raise offshore profile

FUND FOCUS

Asset managers face marketing problem

British IFAs prefer onshore funds

By Jim Robinson

Financial intermediaries in the UK are still largely avoiding offshore funds, with less than 10 per cent of client portfolios being invested in them, according to a study by HSBC Investments. And for many asset managers, this poses something of a problem.

An investment house such as Allianz Global Investors, for example, might wish to market a Luxembourg-domiciled Sicav fund – an open-ended collective investment fund – to UK retail investors but before it can generate any genuine interest among independent financial advisers, the company must first launch an onshore version of it.

Needless to say, having to launch an onshore version of every Sicav a company wants to market will do nothing to reverse the trend of fund proliferation in Europe, where more than 30,000 funds are registered, according to Lipper Feri. To make matters worse, for any company that wants to distribute a fund in more than one country, the practice is terribly inefficient.

It should come as little surprise, then, that Allianz Global Investors and many other managers are making

Richard Eats: 'We haven't been overwhelmed'

a concerted effort to raise the profile of offshore funds among IFAs in the UK. One chief method of doing this, they believe, will be to convince Fidelity Funds Network and Cofunds to raise the number of offshore funds on their platforms.

But that might be easier said than done. While Funds Network and Cofunds do include a handful of offshore funds on their platforms, both have said they see little reason to ramp up the offshore presence. According to Richard Eats, communications consultant at Cofunds, the main criterion for whether an offshore fund is included is IFA demand.

"To be honest, we haven't been overwhelmed," he says. "It's very much in our interest to put on whatever advisers want to buy, but we don't want to put on anything in which nobody really has any interest. That just clogs up the system. Like any business, we like demand."

Unfortunately for companies such as Allianz Global Investors, there is an element of the "chicken-and-egg" conundrum here. While there is little demand for offshore funds, platforms will be unlikely to add them. But if platforms do not add them, how will the average IFA know they exist?

Fund managers could try to convince the Investment Management Association to include offshore funds within its sector classifications and, more importantly, its performance tables.

According to Mark Dampier at Bristol-based IFA Hargreaves Lansdown, if an investment house wanted an offshore fund to get noticed, the best course of action would be to get the fund into an IMA sector. After all, he says, when financial journalists write stories on the best-performing funds over a given period, what do they tend to use? The domestic IMA statistics.

"I remember the Gartmore China fund, going about four years back, appeared in the rankings as the best-performing fund at the time, and within a few weeks we were seeing really big inflows," he said. "Yet the better performing fund over the period was actually a Barings offshore fund, but it didn't get anything because no one knew about it."

Jim Robinson is news editor at Investment Adviser

More fund reviews at: www.ft.com/fundfocus

HEDGE FUND INDICES

FTSE THE INDEX COMPANY

Aug 6	Indicative value	Day's chg %	Rolling 1 Mnth Rtn	Year to date
FTSE Hedge $ Index	4944.51	0.12	-3.32	-11.02
FTSE Directional	3042.74	0.18	-2.82	-9.28
FTSE Equity Hedge	2033.50	0.51	-2.61	-19.87
FTSE CTA/Managed Futures	2106.81	-0.48	-3.27	3.36
FTSE Global Macro	1988.27	0.30	-2.15	-2.59
FTSE Non-Directional	2926.61	-0.33	-1.74	-4.21
FTSE Equity Arbitrage	2114.41	-0.76	-3.10	-1.48
FTSE Fixed Income Relative Value	2021.18	-0.02	-0.87	-1.85
FTSE Convertible Arbitrage	1765.63	0.02	-0.51	-8.72
FTSE Event Driven	3128.94	0.48	-1.40	-9.70
FTSE Merger Arbitrage	2046.08	0.39	0.04	-9.99
FTSE Distressed & Opportunities	2152.68	0.54	-2.35	-9.07

Managed Funds Service

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Baron Managed Funds plc (IRL)						
Regulated						
Baron USA Large Cap Growth I			$9.742		–0.143	–
Baron USA Large Cap Growth II			$9.740		–0.143	–
Baron USA Large Cap Growth Fund Class R					.....	–
Baron USA Large Cap Growth Fund Class RR					.....	–
Baron USA Small Cap Growth I			$10.536		–0.135	–
Baron USA Small Cap Growth II			$10.525		–0.135	–
Baron USA Small Cap Growth Fund Class R					.....	–
Baron USA Small Cap Growth Fund Class RR					.....	–
Barmac Asset Management Ltd (UK)						
2 The Boulevard, City West One Office Park Leeds LS12 6NT						
Authorised Corporate Director – Capita Financial Managers						
Dealing: 0845 922 0044						
Authorised Inv Funds						
The Castleton Growth Fund ✠	F	5½	103.25xd		–0.40	1.01
Bedlam Funds Plc (IRL)						
20 Abchurch Lane, London, EC4N 7BB						
Dealing: 00 3531 434 5284 Enquiries: 00 4420 7648 4300						
www.ft.com/funds/bedlam						
FSA Recognised						
Bedlam Global A			£175.5800		.....	–
Bedlam Global B			£173.7100		.....	–
Bedlam Emerging Markets A			£189.5600		.....	–
Bedlam Emerging Markets B			£188.6400		.....	–
Bedlam Europe A			£142.0100		.....	–
Bedlam Europe B			£142.9800		.....	–
Bedlam Japan A			£81.5600		.....	–
Bedlam Japan B			£77.5000		.....	–
Bedlam UK A			£123.4300		.....	–
Bedlam UK B			£121.7100		.....	–
Bedlam 200		3	£79.89		.....	–
Berenberg Lux Invest S.A. (LUX)						
Regulated						
EastEur.S&M Caps B cap			€78.39		.....	–
EastEur.S&M Caps I dist			€82.19		.....	–
Euro.Sm.&Mid Cap B dist			€154.03		.....	–
Euro.Sm.&Mid Cap I dist			€157.21		.....	–
Euro.Sm.&Mid Cap T cap			€109.64		.....	–

BLACKROCK

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
BlackRock (1200)H (UK)						
33 King William St, EC4R 9AS 0800 445522						
funds.ft.com/funds/blackrock						
Authorised Inv Funds						
BLK UK Absolute Alpha Acc	F	5	116.7xd	122.7	+0.50	0.86
BLK Balanced Portfl Inc	F	5	123.9	131.3	–0.10	2.72
BLK Balanced Portfl Acc	F	5	196.2	207.9	–0.30	2.72
BLK Cash Inc	F	0	100.6xd	100.6	.....	5.08
BLK Cash Acc	F	0	231.3xd	231.3	.....	5.08
BLK Cont European Inc	F	5	827.1xd	871.7	–2.30	0.60
BLK Cont European Acc	F	5	936.9xd	987.4	–2.50	0.60
BLK European Dynamic Inc	F	5	171.0	180.2	–0.60	0.57
BLK European Dynamic Acc	F	5	172.9	182.2	–0.60	0.57
BLK Emerging Markets Inc	F	5	234.8	248.1	+0.60	0.00
BLK Emerging Markets Acc	F	5	247.7	261.6	+0.50	0.00
BLK Global Bond Inc	F	5	124.2	130.7	+2.40	3.41
BLK Global Bond Acc	F	5	240.8	253.2	+4.60	3.41
BLK Global Equity Inc	F	5	87.61xd	92.41	+0.22	0.00
BLK Global Equity Acc	F	5	88.05xd	92.88	+0.23	0.00
BLK Government Sec Inc	F	3	104.7	107.9	+0.50	3.50
BLK Government Sec Acc	F	3	341.8	352.3	+1.50	3.50
BLK Gold and General Inc	F	5	808.2xd	856.2	+21.70	0.00
BLK Gold and General Acc	F	5	851.4xd	902.0	+22.80	0.00
BLK Growth Portfolio Inc	F	5	111.3	117.8	–0.20	0.54
BLK Growth Portfolio Acc	F	5	121.4	128.5	–0.20	0.54
BLK High Income Bond Inc	F	3¼ C	87.03xd	90.89	+0.31	6.27
BLK High Income Bond Acc	F	3¼ C	172.3xd	179.8	+0.50	6.27
BLK Income Portfolio Inc	F	5 C	162.9xd	172.4	–0.80	3.70
BLK Income Portfolio Acc	F	5 C	288.7xd	305.5	–1.50	3.70
BLK Japan Inc	F	5	120.5xd	127.1	+0.50	0.00
BLK Japan Acc	F	5	123.8xd	130.5	+0.60	0.00
BLK Target Return A Inc	F	3¼	95.74	99.96	–0.14	0.00
BLK Target Return A Acc	F	3¼	99.70	104.0	–0.20	0.00
BLK UK Fund Inc	F	5	253.4	268.8	–1.70	1.07
BLK UK Fund Acc	F	5	309.8	328.6	–2.20	1.07
BLK UK Dynamic Inc	F	5	137.7	145.9	–0.90	0.73
BLK UK Dynamic Acc	F	5	147.1	156.0	–0.90	0.73
BLK UK Income Inc	F	5	292.8xd	310.4	–3.70	3.77
BLK UK Income Acc	F	5	727.3xd	771.3	–9.20	3.77
BLK UK Smaller Comp Inc	F	5	256.9	272.6	–1.50	0.00
BLK UK Smaller Comp Acc	F	5	321.9	341.5	–1.80	0.00
BLK UK Special Sit Inc	F	5	1171	1242	–18.00	0.56
BLK UK Special Sit Acc	F	5	1830	1942	–26.00	0.56
BLK US Dynamic Inc	F	5	408.7xd	430.1	+4.80	0.00
BLK US Dynamic Acc	F	5	437.0xd	459.9	+5.10	0.00
BLK US Opportunities Inc	F	5	338.6xd	356.4	+2.60	0.00
BLK US Opportunities Acc	F	5	342.9xd	360.8	+2.60	0.00
Institutional Funds						
BLK UK Equity	F	0	1113xd	1124	–6.00	2.83
BLK UK Equity Acc	F	0	3041xd	3070	–18.00	2.83
BLK Overseas Inc	F	0	95.06xd	95.41	+0.61	0.05
BLK Overseas Acc	F	0	96.01xd	96.36	+0.61	0.05
BlackRock (IOM)						
34/44 Circular Rd, Douglas IoM 01624 671128						
FSA Recognised						
BLK Offshore Bal Pfolio		5 C	164.4	174.3	–0.40	2.9
BLK Intl Bond		5 C	49.97	52.63	+0.16	5.5
BlackRock (LUX)						
B.P. 1058, L–1010 Luxembourg 0207 743 3300						
internet: //www.blackrockinternational.com						
FSA Recognised						
BlackRock Global Funds						
BGF Asian Dragon A GBP	F	5	£12.46		+0.14	–
BGF Cont Eur Flex ADS GBP		1½	£6.67		–0.01	–

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
CAAM Funds (LUX)						
5 Allee Scheffer L–2520 Luxembourg+ 44 (0)20 7074 9332						
www.caam–funds.com						
FSA Recognised						
Arbitrage VaR 2 (GBP)	C	4½	£116.90		.....	–
Emerging Europe	C	4½	€34.18		.....	–
Emerging Markets	C	4½	$29.59		.....	–
Euro Corporate Bond	C	5½	€12.88		.....	–
Global Bond	C	4½	$18.67		.....	–
Greater China	C	4½	$411.57		.....	–
Latin America Equities	C	3	$565.13		.....	–
United Kingdom	C	4½	£10.81		.....	–
US Opportunities	C		$11.98		.....	–
CAF Investment Services (UK)						
Kings Hill, West Malling, Kent 01732 520 165						
www.ft.com/funds/CAF						
Property & Other UK Unit Trusts						
CAF Bond Income Fd			58.89	59.07xd	+0.1100	5.07
CAF UK Equity Growth Fd			129.0	129.3xd	–2.5000	4.61
CAF UK Equitrack Inc Fd			56.68	56.68	–0.47	3.3
CAF UK Equitrack Acc Fd			62.57	62.57	–0.52	3.3
CB Asset Management (LUX)						
Regulated						
European Quality SICAV Acc			€66.33		.....	–
CB Asset Management						
Other International Funds						
European Quality			€151.20		.....	–

CCLA

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
CCLA Investment Management Ltd (UK)						
80 Cheapside, London EC2V 6DZ 0800 022 3505						
Property & Other UK Unit Trusts						
CBF Church of England Funds						
Investment Inc Aug 12			1080.55	1096.89	.....	3.83
Investment Acc Aug 12			1595.54	1619.66	.....	0.00
Global Equity Inc Aug 12			127.76	129.18	.....	4.64
Global Equity Acc Aug 12			130.48	131.92	.....	0.00
UK Equity Inc Aug 12			117.29	118.47	.....	3.94
UK Equity Acc Aug 12			123.86	125.10	.....	0.00
Fixed Interest Inc Aug 12			152.73	153.35	.....	5.74
Fixed Interest Acc Aug 12			320.55	321.83	.....	0.00
Property Fund Inc Jul 31			140.98	145.71	.....	7.45
Property Fund Acc Jul 31			156.02	161.25	.....	0.00
Deposit Fund: See Money Market Trust & Bank Accounts						
COIF Charity Funds‡ (UK)						
Investment Inc Aug 7			994.88	1005.88	.....	3.99
Investment Acc Aug 7			6940.53	7017.29	.....	0.00
Global Equity Inc Aug 7			123.22	124.58	.....	4.82
Global Equity Acc Aug 7			126.15	127.55	.....	0.00
Fixed Interest Inc Aug 7			123.25	123.75	.....	5.82
Fixed Interest Acc Aug 7			489.39	491.35	.....	0.00
Property Inc Jul 31			121.49	125.56	.....	0.00
Property Acc Jul 31			162.37	167.82	.....	0.00
Deposit Fund: See Money Market Trust & Bank Accounts						
Local Authorities Property Fd (LAMIT) (UK)						
Property Jun 30			302.42	317.47	.....	3.98
CG Portfolio Fund Plc (IRL)						
Northern Trust, George Court 54–62 Townsend Street, Dublin 2 Rep of Ireland 00 353 1 542 2000						
FSA Recognised						
Real Return Cls A		6 E	£130.54		.....	–
CG Portfolio Fund Ltd (CYM)						
Regulated						
NAV			£17270.85		.....	–
CI Asset Management						
Other International Funds						
CIB Money Market Fund (OSOUL Fund)			e£132.37		.....	–
Faisal & CIB Islamic Fund (AMAN)			e£105.99		.....	–
CIB Equity Fund–(ISTETHMAR)			e£118.88		.....	–
CIS Unit Managers Ltd (1200)F (UK)						
PO Box 105, Manchester M4 8BB 08457 464646						
Authorised Inv Funds						
Corporate Bd Inc Tst ✠		5	83.38xd	87.77	+0.24	5.60
Sustainable Leaders ✠		5	292.0	307.4	–2.90	1.30
European Growth ✠		5	88.66	93.33	–0.15	1.40
UK FTSE4Good Tracker			128.5		–1.60	1.90
UK Growth ✠		5	338.6xd	356.4	–1.40	1.70
UK Income With Growth ✠		5 C	186.3xd	196.1	–1.10	4.60
US Growth		5	78.76xd	82.90	+0.02	0.00
Pension Funds						
CIS Adventurous portfolio – Open			96.092		.....	–
CIS Adventurous portfolio – Select			99.173		.....	–
CIS Balanced portfolio – Open			98.757		.....	–
CIS Balanced portfolio – Select			100.621		.....	–
CIS Cautious portfolio – Open			98.872		.....	–
CIS Cautious portfolio – Select			100.952		.....	–
*Additional funds are available						
Please see www.cis.co.uk for details						
CACEIS Fastnet (Suisse) SA						
Tel: +41 22 360 94 00 www.caceis.ch						
Other International Funds						
Dynamic Ratchet Bond Fund–Japan			Y6664		.....	7.66
Cambridge Place Inv Mgt LLP (CYM)						
Regulated						
CPIM Structured Credit 20 A			$101.85		.....	–
CPIM Structured Credit 500 AM			$56.573442		.....	–
CPIM Structured Credit 1000 AQ1			$53.221208		.....	–
CPIM Structured Credit 1500 AS1			$55.252634		.....	–
CPIM Global Financials AM–1			$172.41		.....	–
Cannonball						
Other International Funds						
Cannonball Cls C			€1356.02		.....	–
Cannonball II Cls C			€1496.14		.....	–
Cannonball Plus Fd Cls C			€124.00		.....	–

Managed Funds Service

Init Notes Selling Buying + or
Chrge Price Price - Yield

Equitable Life (International)
Albert Hs, Sth Espl'de, St Peter Pt, Gsy 01481 716021

International Insurances
European .... £4.978 5.24 +0.013 –
Far Eastern .... £11.839 12.462 +0.013 –
Fund of Inv Tsts ..... £13.288 13.987 –0.073 –
Gilt & Fixed Interest ... £5.649 5.946 +0.012 –
High Income .... £12.214 12.856 –0.182 –
International Growth ..... £5.272 5.549 +0.016 –
Managed .... £7.302 7.686 –0.024 –
Money .... £4.765 5.015 – –
North American .... £5.185 5.668 +0.017 –
Pelican .... £8.103 8.529 –0.062 –
Property .... £5.87 6.179 – –
Smaller Companies ..... £2.754 2.898 –0.008 –
Special Situations ..... £5.047 5.312 –0.042 –
UK FTSE 100 .... £1.946 2.048 –0.016 –
UK FTSE All Share Index Tracking Fd £1.102 1.16 –0.01 –
Far Eastern Dollar ..... $2.012 2.117 –0.028 –
International Gwth Dollar $1.615 1.7 –0.015 –
North American Dollar ... $1.33 1.4 –0.014 –
Global Bond .... $2.435 2.563 +0.003 –
Global Equity .... $2.76 2.905 –0.032 –
European Dollar ...... $1.253 1.318 –0.015 –

Ermitage Group Funds
Other International Funds
Money Funds
Ermitage Money Market Fund Sterling .. £18.052637 +0.002504 5.20
Ermitage Money Market Fund US$ .. $15.630708 +0.000940 2.20
Ermitage Money Market Fund Euro .. €13.186888 +0.001579 4.23
Hedge Funds
Asset Selection A USD ... $20.67 –0.15 –
Asset Selection B GBP ... £23.02 –0.1 –
Asset Selection C EUR ... €19.07 –0.1 –
Asset Selection D USD ... $19.25 –0.14 –
Asset Selection E GBP ... £14.40 –0.07 –
Asset Selection F SEK ... SKr185.46 –1.02 –
Asset Selection G NOK ... NKr169.38 –0.66 –
Asset Selection H USD ... $15.04 –0.1 –
Asset Selection I GBP ... £11.27 –0.05 –
Asset Selection J EUR ... €15.95 –0.09 –
Asset Selection K SEK ... SKr146.69 –3.06 –
Asset Selection L NOK ... NKr160.74 –0.65 –
Asset Selection Leveraged SP A USD $16.34 – –
Asset Selection Leveraged SP B GBP £13.92 – –
Asset Selection Leveraged SP C EUR €13.28 – –
Diversified Strategies Leveraged SP C1 USD $97.57 +0.16 –
Diversified Strategies Leveraged SP B1 GBP £59.24 – –
Diversified Strategies Leveraged SP C1 EUR €96.08 +0.24 –
Ermitage Europe Multi Strategy Fund – Class A USD $103.93 +0.51 –
Ermitage European Multi Strategy Fund – Class B GBP £101.22 +0.53 –
Ermitage European Multi Strategy Fund – Class C EUR €103.67 +0.65 –
Ermitage European Multi Strategy Fund – Class D USD $102.46 +0.46 –
European Absolute Fd EUR ... €30.97 +0.47 –
European Absolute Fd A EUR . €120.77 +1.74 –
European Absolute Fd GBP . £23.07 +0.36 –
European Absolute Fd USD . $22.24 +0.31 –
Ermitage Event Driven Alpha Class ... $201.04 –2.44 –
Ermitage Event Driven Alpha Sterling Class £153.87 –1.48 –
Ermitage Event Driven Alpha Euro Class €128.77 –1.36 –
Ermitage Event Driven Alpha B Class $135.15 –1.7 –
Ermitage Event Driven Alpha C GBP £146.61 –1.45 –
Japan Absolute A EUR ... €15.63 –0.23 –
Japan Absolute A GBP ... £9.87 –0.14 –
Japan Absolute A USD ... $18.96 –0.3 –
Japan Absolute B EUR ... €19.32 –0.27 –
Japan Absolute B GBP ... £10.72 – –
Japan Absolute B JPY ... Y1647.93 – –
Japan Absolute B USD ... $19.44 – –
Nth American Absolute Fd $ $14.49 –0.04 –
Nth American Absolute Fd £ £16.18 –0.02 –
Nth American Absolute Fd EUR . €11.02 –0.02 –
Resources Fd A USD ... $18.83 – –
Resources Fd B GBP ... £11.53 – –
Resources Fd A EUR ... €16.65 – –
Resources Fd D USD ... $107.46 +0.61 –
Resources Fd E GBP ... £108.71 +0.86 –
Resources Fd F EUR ... €107.14 +0.73 –
Ermitage Selz Fund Euro . €159.53 –3.42 –
Ermitage Selz Fund US$. $226.05 –5.17 –
Managed Funds
Gbl Wealth Mgt Strategies Ltd A GBP £12.80 –0.08 –
Gbl Wealth Mgt Strategies Ltd B GBP £13.59 – –
Gbl Wealth Mgt Strategies Ltd C GBP £13.28 –0.1 –
Gbl Wealth Mgt Strategies Ltd D GBP £12.49 – –
Gbl Wealth Mgt Strategies Ltd E GBP £12.24 –0.11 –

Euronova Asset Management UK LLP (CYM)
Regulated
Smaller Cos Cls One Shares (Est) Jul 18 €19.02 – –
Smaller Cos Cls Two Shares (Est) Jul 18 . €14.61 – –
Smaller Cos Cls Three Shares (Est) Jul 18 €10.85 – –
Smaller Cos Cls Four Shares (Est) Jul 18 . €9.56 – –

Eurobank EFG
FMC-LUX

Eurobank EFG Fund Management Company (Lux) S.A. (LUX)
Regulated
Eurobank (EF(G)LF) BOND Total Return ... €0.9482 +0.0019 –
Eurobank (EF(G)LF) BOND Total Return ... €0.9924 +0.0020 –
Eurobank (EF(G)LF) BOND Corp Sec ... €1.0221 +0.0024 1.25
Eurobank (EF(G)LF) BOND Corp Sec ... €1.0299 +0.0024 1.43
Eurobank (EF(G)LF) BOND Global Emerg . €0.9543 +0.0017 –
Eurobank (EF(G)LF) BOND Global Emerg . €0.9649 +0.0017 –
Eurobank (EF(G)LF) BOND Savings Protect . €2.9474 –0.0036 –
Eurobank (EF(G)LF) EQUITY Euro Growth . €0.8803 –0.0010 –
Eurobank (EF(G)LF) EQUITY Euro Growth . €0.8791 –0.0010 –
Eurobank (EF(G)LF) EQUITY Euro Growth . €0.8361 +0.0017 –
Eurobank (EF(G)LF) EQUITY Euro Growth . €0.8290 –0.0016 –
Eurobank (EF(G)LF) EQUITY EMRG EUR . €0.9814 +0.0227 –
Eurobank (EF(G)LF) EQUITY EMRG EUR . €0.9449 +0.0218 –
Eurobank (EF(G)LF) EQUITY Val FTSE20 . €0.8224 +0.0052 –
Eurobank (EF(G)LF) EQUITY Val FTSE20 . €0.8307 +0.0052 –
Eurobank (EF(G)LF) EQUITY MidCapPS50 . €0.8769 –0.0046 –
Eurobank (EF(G)LF) EQUITY MidCapPS50 . €0.8242 –0.0043 –
Eurobank (EF(G)LF) EQUITY Inst Profiles €0.8257 +0.0027 –
Eurobank (EF(G)LF) EQUITY Dynamic Profiles €0.2446 +0.0004 –
Eurobank(EF(G)LF) EQTY BRS 30 . €0.5488 +0.0018 –
Eurobank(EF(G)LF) EQTY BRS 30 . €0.5538 +0.0018 –
Eurobank (EF(G)LF) BALANCED Global . €2.4060 –0.0058 –
Eurobank (EF(G)LF) BALANCED Global . €0.9088 –0.0014 –
Eurobank (EF(G)LF) BALANCED Global . €0.9228 –0.0014 –
Eurobank (EF(G)LF) BALANCED Global . €2.3584 +0.0167 –
Eurobank (EF(G)LF) MM Income Prod . €1.0727 +0.0001 1.52
Eurobank (EF(G)LF) Absolute Return . €1.0654 +0.0006 0.92
Eurobank (EF(G)LF) Absolute Return . €1.0598 +0.0006 0.92
Eurobank (EF(G)LF) Absolute Return II . €10.3687 +0.0130 3.82
Eurobank (EF(G)LF) Absolute Return II . €10.3823 +0.0130 3.82
Eurobank (EF(G)LF) SPECIAL PURPOSE Click €8.7029 –0.0059 –
Eurobank (EF(G)LF) SPECIAL PURPOSE Click €8.8434 –0.0057 –
Eurobank (EF(G)LF) SP Double Click . €8.7055 –0.0033 –
Eurobank (EF(G)LF) SP Double Click . €8.8821 –0.0030 –
Eurobank (EF(G)LF) SP All Weather . €9.0770 –0.0039 –
Eurobank (EF(G)LF) SP All Weather . €9.2236 –0.0006 –
Eurobank (EF(G)LF) SP All Weather Plus €9.0357 –0.0048 –
Eurobank (EF(G)LF) SP All Weather Plus €9.3371 +0.0053 1.02
Eurobank (EF(G)LF) SP Dual Formula . €6.7901 –0.0055 –
Eurobank (EF(G)LF) SP Silver Chips Prot . €8.1610 +0.0113 –
Eurobank (EF(G)LF) SP Blue Chips P II . €8.6408 +0.0349 –
Eurobank (EF(G)LF) SP IPHIG FORMULA €10.2596 –0.0169 2.60
Eurobank (EF(G)LF) SP IPHIG FORMULA €10.1967 –0.0123 1.97
Eurobank (EF(G)LF) FOF Prime Income . €0.9817 –0.0009 –
Eurobank (EF(G)LF) FOF Prime Income . €0.9827 +0.0009 –
Eurobank (EF(G)LF) FOF Equity Blend . €0.8448 –0.0007 –
Eurobank (EF(G)LF) FOF Equity Blend . €0.8484 –0.0006 –
Eurobank EF(G)LF) FOF BRIC . €0.7900 –0.0018 –
Eurobank EF(G)LF) FOF BRIC . €0.7968 –0.0018 –

EUROPEAN INVESTMENTS MANAGEMENT LTD

European Investments Management Ltd
Lenox Place, Fort Nassau Centre Marlborough Street, P.O. Box N-4875, Nassau
The Bahamas Tel: 001 242 393 8200
Other International Funds
European Investments Management Ltd Class A £115.02 – –
European Investments Management Ltd Class B £111.59 – –

F&C Investments

F&C Fund Mgmt Ltd (OEICS) (1200)F (UK)
Admin: PO Box 9040, Chelmsford, CM99 2XH
Enquiries: 0870 6016183 Dealing: 0870 601 6083
Authorised Inv Funds
F&C Asset Management Ltd(OEICS)
Share Class 1 – Retail
European .... 5 449.8 +0.1 2.1
Extra Income Bond ..... 5 42.82xd +0.08 7.6
FTSE All-Share Tkr Inc* 0 290.2 –2.6 3.7
FTSE 100 Tracker Acc* . 0 140.3 –1.2 2.9
High Income Acc ...... 5 56.32 –0.3 4.4
Corporate Bond .... 5 48.26 +0.17 5.7
Global Growth .... 5 102.6 +0.8 0.4
Japan Growth Acc ...... 5 63.84 +0.14 0.0
Managed Balance Acc ... 5 331.3 –0.7 1.2
Managed Growth Acc .... 5 206.9 –0.4 0.8
Maximum Income Bond .. 5 42.71xd +0.09 7.0
Multi-Manager Bal Acc . 5 171xd +0.6 3.4
Multi Mgr Dist Acc Cls 1 5 C 58.09xd +0.15 5.4
Multi Mgr Dist Inc Cls 1 . 5 C 47.92xd +0.12 5.6
Multi-Manager Gwth .... 5 221.9 +1.2 0.8
North American .... 5 167.9 +1.1 0.0
Pacific Growth Acc ..... 5 233.8 +1.1 0.4
Stewardship Gwth Acc . 5 674.2 –9.5 2.0
Stewardship Gwth Acc . 5 C 624.1 –8.8 2.2
Stewardship Income Acc 5 C 135.9 –1.4 4.6
Stewardship Income Inc 5 C 110.4 –1.1 4.7
Stewardship Intl Acc ... 5 208.9 +1.7 0.3
Strategic Bond Acc ..... 5 134.5xd +0.3 6.7
Strategic Bond Inc ..... 5 100.3xd +0.3 6.7
UK Equity .... 5 2023 –13 2.8
UK Equity Income Acc . 5 C 92.54 –0.5 4.1
UK Equity Income Inc . 5 C 75.26 –0.41 4.3
UK Growth & Income C 5 567.1 –5 3.9
UK Smaller Cos .... 5 287.2 –1.6 0.3
UK Smaller Cos Inc .... 5 814.2 –6.2 0.9
*The standard initial charge is reduced to nil under a long term special deal.
Prices are in Sterling

F&C Portfolios Fund SICAV (LUX)
2-8 avenue Charles de Gaulle, BP403 - L-2014 Luxembourg 00352 474 066 307
Regulated
F&C Asia Pac Dy A F ... 5 €11.85 –0.06 –
F&C Asia Pac Dy I ..... 5 E €11.69 –0.05 –
F&C Asia Pac Dy X F ... €11.97 –0.06 –
F&C Diversified Growth A Hedged F . 5 $183.77 –0.49 –
F&C Diversified Growth X F 0 €193.94 +0.46 –
F&C Emerging Mkts Bond A . €12.65 +0.01 –
F&C Emerging Mkts Bond B F 1 $13.25 +0.02 –
F&C Emerging Mkts Bond C Hdg F 5 €105.43 +0.18 –
F&C Enhanced Alpha UK IF 1 €85.58 –1.28 –
F&C Enhanced Alpha UK X F . €86.05 –1.29 –
F&C Euro Inflation Linked A F 5 €10.17 +0.02 –
F&C Euro Inflation Linked B F 5 €9.93 +0.03 –
F&C European Equity A F 0 €14.01xd –0.11 1.66
F&C European High Yield Bond A F 5 €12.56 +0.06 –
F&C European Small Cap A F 5 €12.03 –0.06 –
F&C Global Convertible Bond A F 5 €13.18 +0.07 –
F&C Gbl Climate Opportunities A EUR F €44.22 –0.21 –
F&C Gbl Climate Opportunities GBP F 5 £50.02 –0.20 –
F&C Gbl Climate Opportunities USD F 5 $65.84 –0.73 –
F&C Gbl Climate Opportunities I EUR F €44.32 –0.22 –
F&C Gbl Climate Opportunities I GBP F 5 £50.16 –0.21 –
F&C Gbl Climate Opportunities USD F 5 $66.01 –0.74 –
F&C Global Convertible Bond A F 5 €12.18 –0.01 –
F&C Gbl Convertible Bond B F 5 $12.31 –0.01 –
F&C Gbl Emerging Mkts Portfolio A F 5 $23.26 –0.16 –
F&C Gbl Emerging Mkts Portfolio B F 5 $22.97 –0.15 –
F&C Gbl Real Estate Secs A F €6.87 –0.02 –
F&C Global Equity A F 0 €9.56 –0.08 –
F&C CTAA Alpha A EUR F 5 €94.74 –0.12 –
F&C CTAA Alpha I EUR F 1 €85.57 –0.05 –
F&C CTAA Alpha I GBP F 1 £91.07 –0.08 –
F&C Japanese Equity A F 5 €20.23 –0.06 –
F&C US Smaller Cos F 5 $16.57 –0.09 –
F&C North American Equity A USD F 5 $22.73 –0.20 –
F&C Pacific Equity A F 5 €36.49 –0.03 –
F&C Stewardship International A F €8.23 –0.06 –
F&C Stewardship International I 5 E €8.84 –0.02 –
F&C US SmallComp A F 5 $82.01 –1.80 –
F&C US SmallComp C F 5 $8.95 –0.19 –

F&C Management Ltd (LUX)
Regulated
Indian Investment Co ... $19.58 –0.45 –
Russian Investment Co ... $67.71 +1.71 –

FF & P Unit Trust Mgmt Ltd (1700)F (UK)
Ely House 37 Dover St London W1S 4NJ 0131 525 9936
Authorised Inv Funds
Global Equities .... 0 £1.833xd 1.853 +0.032 2.29
Global Equities Fd II ..... 0 £1.309xd 1.324 +0.024 1.8
Core UK Equity Fd .... 0 £1.176xd 1.185 +0.022 3.98
UK 350 Equity Fd .... 0 £1.251xd 1.262 +0.062 3.68
Concentrated UK Equity Fd . 0 £1.629xd 1.654 –0.01 2.14
Small Cap UK Equity Fd .. 0 £1.436xd 1.498 +0.014 1.88
US Large Cap Equity Fd .. 0 £1.044xd 1.046 +0.03 1.53
US Mid Cap Value Equity Fund .. 0 £1.238xd 1.241 +0.041 1.52
US Small Cap Equity ..... 0 £1.308xd 1.319 +0.062 0.07
European Growth Equity Fd 0 £1.469xd 1.475 +0.025 1.81
European Equity Fd ...... 0 £1.342xd 1.348 +0.01 2.88
European Mid Cap Fund .. 0 £0.9595xd 0.9558 +0.0123 2.53
Japan Equity Fd .... 0 £0.9494xd 0.9547 +0.0177 1.36
All Asia Fd .... 0 £1.689xd 1.702 +0.036 1.61

FF & P Asset Mgmt (Guernsey) Ltd (GSY)
Regulated
Enhanced Euro Commodities Cell ... €11.74 – –
Enhanced GBP Commodities Cell ... £11.81 – –
Enhanced USD Commodities Cell ... $11.65 – –
Global Property Fund Ltd Series C £0.79383 – –
Global Property Fund Ltd Series C – USD $0.76270 – –
Alternative Strat PCC Ltd Diversified USD Cell ... £11.57 – –
Alternative Strat PCC Diversified GBP Cell ... £12.92 – –
Alternative Strat PCC Ltd Diversified USD Cell ... $12.62 – –
Alternative Strat Inc PCC Ltd Concent EUR Cell €9.55 – –
Alternative Strat Inc PCC Ltd Concent GBP Cell £9.71 – –
Alternative Strat Inc PCC Ltd Concent USD Cell $10.40 – –
World Equities Ltd USD ... $1.04671 1.05158 – –

FIM

FIM Management Limited (CYM)
Advised by FIM Advisers LLP
20 St James's Street, London, SW1A 1ES +44 207 389 8900
Regulated
FIM Event Driven USD (Final) ... $100.15 – –
FIM Event Driven EUR (Final) ... €99.85 – –
FIM Multi Strategy USD (Est) ... $1486.20 – –
FIM Multi Strategy EUR (Est) ... €1542.14 – –
FIM Multi Strategy GBP (Est) ... £971.40 – –
FIM Relative Value USD (Final) . $112.16 – –
FIM Relative Value EUR (Final) . €109.32 – –
Silver Shield USD (Final) ... $133.87 – –
Silver Shield EUR (Final) ... €130.08 – –

FIM Management (Guernsey) Limited (GSY)
Advised by FIM Advisers LLP
20 St James's Street, London, SW1A 1ES +44 207 389 8900
Regulated
FIM Long–Invest USD (Est) . $211.41 0.00 –
FIM Long–Invest EUR (Est) . €91.76 0.00 –
FIM Long–Invest CHF (Est) . SFr111.06 – –
FIM Long–Invest GBP (Est) . £102.93 – –
FIM Long–Invest Plus USD (Estimate) ... $111.37 – –
FIM Long–Invest Plus EUR (Estimate) ... €109.21 – –
FIM Long–Invest Plus CHF (Estimate) ... SFr96.78 – –

Fabien Pictet & Partners (CYM)
Regulated
FPP Silver Fox Ukraine Limited ... – – –
Emerging Hedge Fund I ... $144.5902 3.21
Emerging Market Fund Limited . $237.762501 – –
The Seven Seas Fund Limited ... €169.81 – –
Global Emerging Mkts Bd A . €160.739812 7.80
Global Emerging Mkts Bd B . €157.523410 5.95
Golden Asia Fund ... $128.92 – –
The Three Kingdoms Korea Inc A . $142.305986 – –
The Three Kingdom Korea Inc B . €141.371967 – –
Yellow Tiger Taiwan A ... $95.650996 – –
Yellow Tiger Taiwan B ... €94.293686 – –

Fairson Management Ltd (CYM)
Regulated
Krung Siam ... $1.219 – –

Fairway International Ltd
Other International Funds
The Stafford Fund Ltd. Euro Series (Final) ... €1980.11 – –
The Stafford Fund Ltd. USD ... $1102.48 – –

Family Investments (UK)
16/17 West Street, Brighton, East Sussex, BN1 2RL 01273 724570
Insurances
Balanced Global Managed
Sovereign 3 Series 4 ... 163.55 163.55 –0.41 0.00

Family Investment Mngmt Ltd (1200)F (UK)
16 West Street, Brighton BN1 2RL 01273 724570
Authorised Inv Funds
Family Child Tst ... 5 217.50 217.50 –1.30 2.47

Fauchier Partners Management Limited (GSY)
Regulated
Paragon Capital Appreciation Fund Limited
US Dollar Class Fd Jun 30 $276.4738 – –
Sterling Hedged Class Fd Jun 30 . £181.9849 – –
Euro Hedged Class ... €209.0613 – –
Institutional Sterling Class . £186.2551 – –
Institutional Euro Class ... €110.7569 – –

Federated
WORLD-CLASS INVESTMENT MANAGER

Federated International Funds Plc (u) (IRL)
Federated Investors (UK) Ltd, 4 Broadgate, London EC2M 2DA +44 207 818 5464
FSA Recognised
Federated High Income Advantage
USD Institutional Service Series ... $21.86 – –
EUR Institutional Series H ... €132.76 0.00 –
Federated Euro Govt Bond Fund
Euro Shares– Instl Series F . €110 0 –
Federated Short–Term US Treasury Securities
Institutional Serv Series* ... $1 1.333
Institutional Series H ... $1 1.782
Federated Short–Term US Govt Securities Fund
Institutional Serv Series* ... $1 1.712
Investment Series * ... $1 1.321
Investment Gth Series ... $168.3363 1.611
Institutional Series H ... $1 2.161
Federated Short–Term US Prime Fund
Institutional Service Series* ... $1 2.137
Institutional Series ... $1 2.386
Investment – Dividend Ser H . $1 1.839
Institutional Services – Dividend Ser H . $1 2.037
Institutional Shares Accumulating £ $106.13 2.386
Federated Short–Term Euro Fund
Institutional Series H ... €1.00 4.36
Institutional Service Series H . €1 4.11
Institutional Series Accumulating € . €116.74 4.36
Institutional Service Series Accumulating € €112.79 3.698
Federated Kaufmann Growth Fund
Class A Shares F ... 5½ E $9.2076 0
Class C Shares F ... E $9.143 0
Federated Market Opportunity Value Fund
Class A Shares F ... 5½ E $9.8716 2.75
Class C Shares F ... E $9.842 2.331
Federated Strategic Value Equity Fund
Class A Shares F ... 5½ E $8.2733 3.314
Class C Shares F ... E $8.248 2.83
* Annualised 7–Day Yield

Fidelity INTERNATIONAL

FIL Investment Services (UK) Limited (1200)F (UK)
130, Tonbridge Rd, Tonbridge TN11 9DZ
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181
Authorised Inv Funds
OEIC
Moneybuilder Global ... 0 163.0xd 163.0 +0.10 0.23
Wealthbuilder ... 3½ 61.28 63.41 +0.05 0.79
Cash Fund ... 0 100.00xd 100.00 – 5.44
Cash Account Units ... 0 181.35 181.35 +0.02 5.44
Gross Account Cash ... 0 123.70 123.70 +0.01 5.38
Moneybuilder Cash ISA 0 100.00 100.00 – 5.44
Fidelity Portfolio ... 3½ 206.5xd 213.6 +0.10 1.13
Investment Funds (OEIC)
Asian Aggressive Fund ... 3½ 81.56 +0.13 0.00
Emerging Europe, Middle East and Africa Fund A 3½ 94.98 +0.54 0.00
Global Conval Opportunities Fund A 3½ 91.26 +0.2 0.00
Income Funds
Moneybuilder Balanced Fd . 0 36.32xd –0.05 4.41
Moneybuilder Inc Fd ... 0 28.17xd +0.10 5.24
Moneybuilder Inc Gross Cls. 0 28.18xd +0.10 5.25
Extra Income Fd ... 3½ 21.35xd +0.05 6.35
Extra Income Gross Cls. 3½ 21.36xd +0.05 6.35
Sterling Bond ... 3½ 23.29xd +0.09 5.15
Sterling Bond Gross ... 3½ 23.30xd +0.09 5.15
Growth & Income Funds
Growth & Inc Fd ... 3½ C 273.5xd –1.2 3.92
Income Plus Fd ... 3½ C 199.4xd –1.2 4.75
Moneybuilder Gwth Fd ... 0 C 53.11xd –0.15 2.97
Moneybuilder Gwth CA .. 0 C 53.44xd –0.14 3.07
Growth Funds
American Fd ... 3½ 1415 +3 0.00
Amer Spec Sits Fd ... 3½ 502.5 +6 0.00
European Fd ... 3½ 1209 +11 0.43
European Opps Fd ... 3½ 266.4 +1.5 0.00
Global Property Fd Acc C 3½ 88.27xd –0.68 0.00
Global Special Sits ... 3½ 1651 +16 0.00
International Fd ... 3½ 96.24 +0.32 0.53
Japan Fd ... 3½ 212.5 +0.6 0.00
Japan Spec Sits Fd ... 3½ 96.76 +1.45 0.00
Managed Intl Fd ... 3½ 722.2 +3.2 0.00
Moneybuilder UK Index Fd 0 54.56 –0.51 3.20
Multi-Asset Strategic Fund 0 101.6 +0.4 0.00
Special Sits Fd ... 3½ 1619 –22 0.00
South E. Asia Fd ... 3½ 419.1 +2.6 0.20
UK Aggressive Fd ... 3½ 131.4 –0.9 0.00
UK Growth Fd ... 3½ 219.2xd +0.4 0.55
*Special Sits Fd was subject to a fund split on 16–Sep–06
FundsNetwork Portfolio Manager Funds
FNW Portfolio Manager Aggressive A Acc . 0 92.88 +0.26 0.00
FNW Portfolio Manager Growth A Acc . 0 93.13 +0.22 0.00
FNW Portfolio Manager Adventurous A Acc . 0 93.14 +0.01 0.00
FNW Portfolio Manager Balanced A Acc . 0 95.09 +0.05 0.00
FNW Portfolio Manager Balanced A Inc . 0 93.35 +0.01 0.00
FNW Portfolio Manager Cautious A Acc . 0 95.10 +0.16 0.00
FNW Portfolio Manager Cautious A Inc . 0 95.03 –0.03 0.00
FNW Portfolio Manager Defensive A Acc . 0 94.29 –0.09 0.00
FNW Portfolio Manager Defensive A Inc . 0 94.59 –0.09 0.00
FNW Portfolio Manager Defensive B Acc . 0 97.11 – 0.00
FNW Portfolio Manager Defensive B Inc . 0 99.22 – 0.00
MultiManager Funds
MultiManager Distribution . 3½ C 21.72xd +0.03 2.93
MultiManager Equity Income 3½ 23.29xd –0.08 1.18
MultiManager Growth ... 3½ 34.91 – 0.00
MultiManager Income ... 3½ 27.06xd +0.07 2.86
MultiManager Special Situations 3½ 24.45 –0.16 0.00
Target Funds
Wealthbuilder Target 2010 3½ 31.75xd +0.05 2.18
Wealthbuilder Target 2012 3½ 33.57xd +0.02 1.61
Wealthbuilder Target 2015 3½ 36.92xd +0.05 1.30
Wealthbuilder Target 2020 3½ 37.88 +0.08 0.79
UK Retirement Funds
Retirement Income Acc 3½ 96.43xd +0.24 1.01
Retirement Income Inc 3½ 93.36xd +0.24 1.01
Retirement Income Acc 3½ 95.66xd +0.24 1.01
Retirement 2010 Inc 3½ 95.39 +0.27 0.55
Retirement 2015 Acc 3½ 91.93 +0.12 0.40
Retirement 2015 Inc 3½ 91.93 +0.12 0.40
Retirement 2020 Acc 3½ 89.72 +0.10 0.00
Retirement 2030 Acc 3½ 90.51 +0.09 0.00
Retirement 2030 Inc 3½ 89.49 +0.09 0.00
Retirement 2040 Acc 3½ 90.05 +0.09 0.00
International Funds (OEIC)
America ... 0 172.6 +0.9 0.32
American Growth ... 5¼ 129.7 +0.2 0.56
Asia Pacific Opps ... 5¼ 59.99 +0.26 0.49
Global Real Estate Fund ... 5¼ 26.41xd +0.46 0.90
Emerging Asia ... 5¼ 88.58 +0.37 0.11
Emerging Markets ... 5¼ 220.8 +1.1 0.15
Europe ... 5¼ 275.5 –0.3 1.56
International Bond ... 5¼ 52.94 +0.13 3.00
UK Gilt Bond ... 3½ 80.14xd +0.45 4.79
Index Linked Bond Gross 3½ 184.2xd +0.3 2.24
Index Linked Bond Gross 3½ 184.3xd +0.7 2.27
Int Bond Gross ... 3½ 53.36 +0.15 3.00
Japan ... 5¼ 33.868xd +0.07 0.66
Japan Smaller Cos ... 5¼ 42.35xd +0.09 0.45
Pacific (Ex Japan) ... 5¼ 144.6 +0.3 0.69
Pan European ... 5¼ 166.1 +1.5 0.78
Select European Egts ... 0 186.8 +1.5 1.43
Select Global Equities ... 0 170.6 +0.5 1.36
South East Asia ... 0 175.0 +0.5 1.00

FIL Investment Services - Contd.
UK ... 0 196.5 –1.2 2.31
UK Corporate Bond ... 5¼ 97.70xd +0.42 6.06
UK Aggreg Bond Gr Accum 0 104.0xd +0.4 5.31
UK Aggregate Bond Inc 0 93.52xd +0.34 5.31
UK Corp Bond Gross ... 0 128.2xd +0.5 6.06
UK Gilt Gross ... 0 123.8xd +0.5 4.30
UK Multi Manager Plus 0 116.0 –1.0 2.09
UK Long Corp Bd ... 5¼ 99.97xd +0.39 5.86
UK Long Corp Bd Gross . 0 124.1xd +0.5 5.85
UK Multi Manager ... 140.6 –0.8 2.29
Global Focus ... 5¼ 144.6 +0.7 0.68
Sterling Core Plus Bond Inc 0 96.48xd +0.31 5.25
Sterling Core Plus Bond Gr Accum 0 105.8xd +0.4 5.25
*CAR – Net income reinvested
– COB 1st December 2000
The price of a Fund within the Fidelity Group Personal Pension Trust is equal to the price of the underlying OEIC/Unit Trust it holds.
Property & Other UK Unit Trusts
Mngd Pens P'folio ... 508.1 509.7xd –0.40 1.33

Fidelity Investment Mgmt (Ireland) Ltd (IRL)
Regulated
Fidelity Inst Cash Funds
Canadian Dollar Acc A ... C$14407.59 +1.20 3.00
Canadian Dollar Dist A ... C$1.00 – 3.00
Canadian Dollar Dist B ... C$1.00 – 2.76
Canadian Dollar Dist D ... C$1.00 – 2.95
Euro Acc A ... €13534.27 +1.73 4.61
Euro Acc B ... €10844.84 +1.32 4.36
Euro Acc D ... €10894.71 +1.38 4.56
Euro Dist A ... €1.00 – 4.61
Euro Dist B ... €1.00 – 4.36
Euro Dist D ... €1.00 – 4.56
Sterling Acc A ... £19550.37 +3.00 5.59
Sterling Acc B ... £11225.67 +1.64 5.34
Sterling Acc D ... £11277.60 +1.71 5.54
Sterling Dist A ... £1.00 – 5.59
Sterling Dist B ... £1.00 – 5.34
Sterling Dist D ... £1.00 – 5.54
United States Dollar Acc A* $16727.03 +1.22 2.64
United States Dollar Acc B* $11051.05 +0.74 2.39
United States Dollar Acc D* $11101.92 +0.80 2.59
United States Dollar Dist A* $1.00 – 2.64
United States Dollar Dist B* $1.00 – 2.39
United States Dollar Dist D* $1.00 – 2.59
Fidelity Institutional Ultra Short Term Bond Fund plc
Euro Cls A* ... €108.24 (z) –
Euro Cls B* ... €108.14 (z) –
* Price and yield as at previous business day

Findlay Park Funds Plc (IRL)
Shyne House, Upper Hatch Street, Dublin 2 Tel: 00 353 1603 6460
FSA Recognised
American Small Co USD Class ... $40.85 –0.43 –
American Small Co GBP Hedged ... £22.81 +0.03 –
Latin American Fund USD Class ... $12.75 –0.10 –

First State Global Umbrella Fund PLC (IRL)
Regulated
First State Asian Growth I Aug 13 ... $23.05 – –
Asian Growth I Dis ... $22.73 – –
First State Asian Equity Plus I $30.12 – –
First State China Growth I Aug 13 . $69.35 – –
China Growth I Dis ... $67.42 – –
First State Greater China Gwth I $44.13 – –
Greater China Growth I Dis . $43.02 – –
First State Asian Equity Plus I Dis Aug 13 $27.84 – –
First State Asia Innov & Tech I Aug 13 . $22.00 – –
First State Indian Sub I Aug 13 . $29.99 – –
Asian Bond Fd I ... $9.69 – –
First State Global Bond I Aug 13 . $15.69 – –
First State High Quality Bond I Aug 13 . $13.92 – –
First State Asian Quality Bd I Aug 13 $11.59 – –
First State Indian Subcont Fd II Dis $29.57 – –
First State Gbl Emg Mkts Leaders Cl I . $14.13 – –
First State Gbl Emg Mkts Leaders Cl III . $16.93 – –

Fitzwilliam Asset Mgmt (Guernsey) Ltd (GSY)
Regulated
Total Return Fund PCC Ltd
Fitzwilliam Balanced Dollar Jun 30 . $104.50 – –
Fitzwilliam Balanced Sterling Jun 30 £121.27 – –
Fitzwilliam Growth Dollar Jun 30 ... $153.69 – –
Fitzwilliam Growth Sterling Jun 30 . £171.71 – –
The TRF Commodity Plus Dollar Fund ... $141.56 – –
The TRF Commodity Plus Sterling Fund £139.67 – –

Fleming Family & Partners Cap Mgmt LLP
Other International Funds
FCM European Frontier EUR ... €124.71 – –
FCM European Frontier GBP ... $128.64 – –
FCM European Frontier GBP ... £99.29 – –

Foord Asset Mgt (Guernsey) Ltd (GSY)
Regulated
Foord International Trust ... $25.39 – –

Forsyth Diversity Fund Ltd (CYM)
Regulated
Forsyth Diversity Fd Ltd ... A$11.96 – –
Forsyth Diversity Fd Ltd ... £12.41 – –
Forsyth Diversity Fd Ltd ... €13.04 – –
Forsyth Diversity Fd Ltd ... Y1089 – –
Forsyth Diversity Fd Ltd ... SKr107.87 – –
Forsyth Diversity Fd Ltd ... $13.45 – –

Forsyth Alternative Income Fund Ltd (CYM)
Regulated
Alternative Income USD Cls O Susp ... $9.63 – –
Alternative Income EUR Cls O Susp ... €9.39 – –
Alternative Income JPY Cls O Susp ... Y892 – –
Alternative Income GBP Cls O Susp ... £9.83 – –
Alternative Income USD Cls R Susp ... $12.21 – –
Alternative Income EUR Cls R Susp ... €11.81 – –
Alternative Income JPY Cls R Susp ... Y1098 – –
Alternative Income GBP Cls R Susp ... £12.54 – –

Forsyth Leveraged Diversity Fund LTD (BMU)
Regulated
Forsyth Leveraged Diversity USD ... $14.48 – –
Forsyth Leveraged Diversity EUR ... €13.93 – –
Forsyth Leveraged Diversity GBP ... £14.79 – –
Forsyth Leveraged Diversity SEK ... SKr137.02 – –

Forsyth Funds Plc (IRL)
Regulated
Forsyth Global Balanced Fd Aug 11 . €10.34 – –
Forsyth Global Balanced Fd USD Aug 11 $15.49 – –
Forsyth Global Bond Fd Aug 11 ... $15.58 – –
Forsyth Thematic Fd Aug 11 ... £13.78 – –
Forsyth Global Thematic Fd USD Aug 11 $20.65 – –
Forsyth Global Emg Mkts Fd Aug 11 . €24.09 – –
Forsyth Global Emg Mkts Fd Aug 11 . $36.10 – –
Forsyth Global Energy Fd Aug 11 ... €11.03 – –
F.L. Gl Emg Mkt Debt USD Aug 11 $9.51 – –
F.L. Gl Emg Mkt Debt EUR Aug 11 €9.31 – –

Forsyth Global Commodity Fund (IRL)
Regulated
Forsyth Global Commodity USD ... $18.46 – –
Forsyth Global Commodity GBP ... £16.33 – –
Forsyth Global Commodity EUR ... €15.88 – –

Forsyth Global Property Fund (BMU)
Regulated
Forsyth Global Property USD ... $10.25 – –
Forsyth Global Property GBP ... £10.32 – –
Forsyth Global Property EUR ... €9.84 – –

Forsyth Indian Opportunities Fund Ltd (CYM)
Other International Funds
USD R Shares ... $12.53 (z) –
USD I Shares ... $12.85 (z) –

Forsyth Managed Strategies Fund (BMU)
Regulated
Forsyth Managed Balanced Fd ... $11.02 – –
Forsyth Managed Balanced Fd ... €11.36 – –
Forsyth Managed Balanced Fd ... £11.62 – –

Fortis Investments (LUX)
25 Bedford Street, London WC2E 9ES Tel: +44 207 655 9100 (Fax: +44 207 655 9200)
FSA Recognised
Fortis L Fd Bond Convertible Europe . 5 €95.47 – –
Fortis L Fd Bond Convertible World 5 €106.77 – –
Fortis L Fd Equity Best Selection Euro 5 €88.95 – –
Fortis L Fd Equity Best Selection Europe . 5 €76.38 – –
Fortis L Fd Equity Best Selection USA 5 $90.04 – –
Fortis L Fd Real Estate Europe . 5 €73.12 – –
Fortis L Fd Real Estate Small Cap Europe 5 €91.44 – –
Fortis L Fd Equity World Consumer Durables 5 $119.43 – –

Fortune Asset Management Ltd
Other International Funds
Fortune Explorer Fund ... €106.5 – –
Fortune Horizon Fund Class A $132.4 – –
Fortune Horizon Fund Class B $111.5 – –
MAP (Cayman) ... $102.3 – –
MWF ... $89.99 – –
Fortune Mayibentsha Fund ... $105.8 – –
Fortune Global Equities Fund ... $9.96 – –

Foyil Asset Management Ltd
Other International Funds
Focused Strategy ... $38.103 – –
Europe & Russia Focused . $90.139 – –

Franklin Advisors Inc (IRL)
Regulated
Floating Rate A Acc Shs . $11.09 – –
Floating Rate A Shs ... $8.98 – –
Floating Rate Fund B Shs . $8.98 – –
Floating Rate Fund B1 Shs $8.98 – –
Floating Rate Fund C Shs . $8.98 – –
Agency Share Class Z Shs . $8.97 – –

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Inv Mgt (1400)F (UK)
PO Box 23676, Edinburgh EH7 5WS 0207 073 8690
Freephone 0800 305 306 enquiries@franklintempleton.co.uk
Authorised Inv Funds
Franklin Templeton Funds (OEIC)
Class A
Frk Biotechnology A Acc 5 £0.6401 +0.0096 0.00
Frk Corporate Bond A Acc 3 £0.9821 +0.0031 6.00
Frk Corporate Bond A Inc 3 £0.9154 +0.0023 4.94
Frk Global REIT A Acc 5 £0.8601 –0.0254 4.49
Frk Global REIT A Inc 5 £0.7574 –0.0226 4.44
Frk Mutual Shares A Acc 5 £1.1863 –0.0069 0.67
Frk Mutual Shares A Inc 5 £1.1614 –0.0067 0.67
Frk US Opps A Acc 5 £1.0506 +0.0046 0.00
Tem Europe A Acc 5 £1.6346 –0.0089 1.43
Tem Europe A Inc 5 £1.5477 –0.0085 1.43
Tem Gbl Emg Mkts A Acc 5 £1.9918 +0.0211 1.25
Tem Gbl TotRet Bond A Acc 3 £1.0547 +0.0158 4.05
Tem Gbl TotRet Bond A Inc 3 £1.0522 +0.0157 4.05
Tem Growth A Acc 5 £1.0296 –0.0044 1.06
Tem Growth A Inc 5 £5.4387 –0.0435 1.41
Tem Strat Bond A Acc 3 £0.9692 –0.0017 1.28
Tem Strat Bond A Inc 3 £0.9925 +0.0047 5.00
Tem UK Equity A Acc 5 £0.5849 +0.0047 5.00
Tem UK Equity A Inc 5 £1.2861 –0.0452 3.44
Tem UK Equity A Inc 5 £1.1828 –0.0415 3.55

Franklin Templeton International Ireland Ltd (IRL)
Unit 2F, Block 71, The Plaza, Park West, Dublin 12, Ireland +353 1 6454740
Fax + 353 1 6454747
FSA Recognised
Ftk Eq–Jap Mid Cp Eqty E JPY . 5 Y955.84 – –
Franklin Templeton Emerging Market Debt Opportunities Fund Plc
Frk Templeton Emg Mkts Debt Opp CHF . SFr20.78 – –
Frk Templeton Emg Mkts Debt Opp GBP . £18.59 – –
Frk Templeton Emg Mkts Debt Opp USD . $37.20 – –
Franklin Templeton Investment Funds (u)
26 Bld Royal L–2449 Luxembourg 00 352 466667 212
www.franklintempleton.co.uk UK freephone 0 800 305 306
FSA Recognised
Class A Dis
Frk Gbl Fl Estate (Euro) A Dis . €10.13 +0.01 0.00
Frk Gbl Fl Estate (USD) A Dis $12.83 –0.06 –
Frk High Yield ... $6.79 +0.02 –
Frk Gbl Growth & Val ... $9.10 +0.05 –
Frk High Yield (Euro) ... €6.59 –0.02 –
Frk Income ... $18.22 –0.20 –
Frk Mutual Beacon ... $47.44 +0.42 –
Frk Mutual Euro ... $31.38 +0.03 –
Frk Mutual European ... €14.10 –0.12 –
Frk Mutual Gbl Disc ... €14.92 –0.06 –
Frk Mutual Gbl Disc ... $12.77 +0.05 –
Frk US Government ... $9.62 +0.02 –
Frk US Govt (Euro) ... €6.59 +0.03 –
Frk US Low Dur ... $9.47 – –
Frk US Ultra Short Bond ... $9.49 +0.02 –
Frk US Total Return ... $9.49 +0.04 –
Tem Asian Bond ... $11.15 –0.01 –
Tem Asian Growth ... $21.66 +0.24 –
Tem Asian Smaller Cos ... $11.43 –0.06 –
Tem BRIC ... $17.22 +0.03 –
Tem China ... $11.67 –0.04 –
Tem Eastern Europe ... €22.07 –0.37 –
Tem Emerging Markets ... $31.94 +0.04 –
Tem Emg Mkts Bd Opps ... $11.34 +0.01 –
Tem Euro Liquid Reserve ... €14.10 –0.01 –

Franklin Templeton Investment Funds - Contd.
Tem Euroland Bond ... €9.37 +0.01 –
Tem European ... €13.81 –0.02 –
Tem European ... $20.74 – –
Tem European Total Return €9.40 +0.02 –
Tem Euro Total Return ... €7.43 +0.08 –
Tem Europ Total Return . $14.05 +0.05 –
Tem Global ... $28.08 –0.08 –
Tem Global Balanced ... $19.26 –0.02 –
Tem Global Bond EUR ... €10.63 +0.05 –
Tem Global Bond ... $8.36 +0.06 –
Tem Global Bond (Euro) ... $15.84 +0.02 –
Tem Global Bond (Euro) ... €9.17 –0.02 –
Tem Global Equity Income . $10.89 –0.07 –
Tem Global (Euro) ... €12.17 –0.06 –
Tem Global Income ... $11.38 –0.02 –
Tem Global Smaller Cos . $30.07 – –
Tem Global Total Return $13.18 – –
Tem Global Total Return F . 6½ $6.98 +0.05 –
Tem Growth (Euro) ... €10.13 –0.05 –
Tem Japan ... $74.48 –0.54 –
Tem Latin America ... $39.49 –0.01 –
Tem USD Liquid Reserve . $9.77 – –
Tem US Value F ... 6½ $6.40 –0.08 –
Class A Acc
Frk Biotech Discovery ... $9.42 +0.02 –
Frk European Growth ... €7.47 – –
Frk European Small Mid Cap Gth €16.43 +0.06 –
Frk Gbl Fl Estate (Euro) A Acc €9.26 –0.07 –
Frk Gbl Fl Estate (USD) A Acc $9.53 –0.07 –
Frk Global Growth ... $10.99 –0.08 –
Frk Global Sml Mid Cap Gth . $18.06 +0.01 –
Frk High Yield ... $10.98 +0.03 –
Frk High Yield (Euro) ... €10.79 +0.04 –
Frk India ... $15.71 –0.30 –
Frk Income ... $19.38 –0.34 –
Frk Mutual Beacon EUR . €32.59 –0.34 –
Frk Mutual Beacon ... $48.58 –0.44 –
Frk Mutual European EUR €16.85 –0.06 –
Frk Mutual European ... $25.14 –0.06 –
Frk Mutual Gbl Disc ... €10.01 –0.04 –
Frk Mutual Gbl Disc ... $12.35 –0.03 –
Frk Technology ... $5.73 –0.02 –
Frk Tem Global Gth & Val . $18.76 –0.10 –
Frk Tem Japan ... €4.80 – –
Frk Tem Japan ... $7.17 +0.02 –
Frk Tem Japan ... Y782.92 –4.31 –
Frk US Equity EUR ... €10.24 –0.11 –
Frk US Equity ... $15.30 –0.15 –
Frk US Equity Euro Hedge €11.33 –0.11 –
Frk US Growth ... $12.05 –0.05 –
Frk US Opportunities ... $6.63 –0.03 –
Frk US Opportunities EUR . €10.87 –0.08 –
Frk US Total Return ... $11.45 +0.05 –
Frk US Sml Mid Cap Gth E . $10.54 –0.05 –
Tem Asian Bond ... $10.54 –0.08 –
Tem Asian Growth ... $15.36 –0.2 –
Tem Asian Growth ... $22.95 –0.28 –

Franklin Templeton Investment Funds - Contd.
Tem BRIC ... €14.95 –0.11 –
Tem BRIC ... $18.43 –0.12 –
Tem China ... $19.57 –0.23 –
Tem Eastern Europe ... €28.44 +0.16 –
Tem Eastern Europe ... $42.42 +0.29 –
Tem Emerging Markets . $32.78 –0.08 –
Tem Emg Mkts Bd ... $17.31 –0.03 –
Tem Emg Mkts Bd Opps . €9.49 +0.01 –
Tem Emg Mkts Bd Opps . $14.53 –0.01 –
Tem European Total Return €10.25 +0.04 –
Tem European ... $22.43 – –
Tem European Total Return $11.07 +0.02 –
Tem Global ... $29.99 –0.09 –
Tem Global Balanced EUR . €14.42 –0.04 –
Tem Global Balanced ... $21.51 –0.04 –
Tem Global Bond EUR ... €12.19 –0.01 –
Tem Global Bond (Euro) ... €11.02 –0.02 –
Tem Global Equity Income . $9.87 –0.08 –
Tem Global Equity Income . $11.71 –0.07 –
Tem Global (Euro) ... €10.67 –0.03 –
Tem Global Income ... $12.65 –0.02 –
Tem Global Smaller Cos . $31.08 –0.01 –
Tem Global Total Return . $16.34 +0.02 –
Tem Growth (Euro) ... €9.47 –0.04 –
Tem Japan ... $4.78 – –
Tem Korea ... $5.50 –0.04 –
Tem Latin America ... $79.17 –0.57 –
Tem Thailand ... $10.16 +0.01 –
Tem USD Liquid Reserve . $11.65 – –
Tem US Value ... $12.26 –0.23 –

Friends Provident (UK)
UK Hse, Castle St, Salisbury SP1 3SH 0870 6071352
www.friendsprovident.com
Friends Provident Life and Pension Customer Services
0870 6071352 9am to 5pm Mon – Fri
Insurances
Life Funds
Fixed Interest ... 455.1 479.1 +2.4 –
Monthly Distribution ... 112.1 118.0 +0.3 5.51
Multi Manager Distribution .. 105.5 111.1 +0.3 –
Property ... 386.9 407.3 +0.8 –
Stewardship ... 760.0 800.0 +3.6 –
Pension Funds (Accum Units)
Managed ... 819.5 862.6 –0.4 –
UK Equity ... 1053.3 1108.7 –4.5 –
Stewardship ... 1469.8 1547.2 –4.8 –
Cash ... 541.7 570.2 +0.1 4.3700
With Profit New Generation . 134.9 – –

Frontier Capital (Bermuda) Limited
Other International Funds
Commercial Property–GBP Class . £100.56 – –
Global Real Estate–GBP C Class £98.41 – –

Frontier Capital Management LLP (IRL)
Regulated
Multi Asset Conservative A GBP £113.60 – –
Multi Asset Moderate A GBP £109.93 – –
Multi Asset Plus A GBP ... £80.10 – –

Fukoku Japan Umbrella Fund (IRL)
Regulated
Fukoku Japan General ... Y10056 –205 –

Fundinvest (Guernsey) Limited (GSY)
Level 4, Town Mills, Trinity Square, St. Peter Port, Guernsey GY1 3YN
Regulated
The European Stafford Fund €119.4900 0.00 –
The Stafford Global Equity Fund €141.3253 0.00 –

GAM

GAM Limited (2300)F (UK)
12 St James's Place London SW1A 1NX 0800 919 927
Internet: gam.com
GAM Sterling Management Ltd
GAM Funds OEIC
GAM Composite Abs Rtn OEIC Acc 5 £100.55 –0.96 0.00
GAM Diversified Acc ... 5 84.04xd +0.56 4.74
GAM Global Diversified Inc ... 5 87.85 +0.59 4.74
GAM Global Diversified Acc . 5 1858.82 +12.14 1.11
GAM Global Diversified Inc . 5 2334.68 +15.25 1.11
GAM North American Growth Acc 5 1143.06 –7.59 0.00
GAM N American Gwth Acc 5 145.40 –9.46 0.00
GAM UK Diversified Acc . 5 729.57 +1.30 1.96
GAM UK Diversified Inc . 5 1000.53 +1.28 1.96
Unit Trust
GAM Portfolio Unit Trust Income Class 5 281.83 +1.00 0.39
GAM Portfolio Unit Trust Accumulation Class 5 291.86 +1.03 0.39
GAM MP Multi UK Inc. 5 135.05 +0.07 2.07
GAM MP Multi UK Acc. 5 135.04 +0.07 2.06

GAM Limited
Property & Other UK Unit Trusts
FSA Exempt Trust
GAM Exempt – UK Opportunity Fund Aug 11 £3.3606 +0.15 0.00

GAM Limited (IRL)
FSA Recognised
GAM Fund Management Ltd
George Court, 54-62 Townsend Street, Dublin 2 + 353 1 6093927
Internet: gam.com
GAM Star Fund Plc (u) (Daily Dealing)
GAM Star Asia–Pacific Eqty USD Acc F 5 SFr10.2331 +0.03 0.00
GAM Star Asia–Pacific Eqty EUR Acc F 5 €107.9498 +0.20 0.00
GAM Star Asia–Pacific Eqty GBP Acc F 5 £11.0756 +0.06 0.00
GAM Star Asia–Pacific Eqty USD Acc F 5 $2.3752xd +0.02 0.00
GAM Star Asian Eqty USD Acc F 5 £2.4351 +0.01 0.00
GAM Star Asian Eqty EUR Acc F 5 $12.7839 –0.03 0.00
GAM Star China Eqty USD Acc F 5 £2.2775 +0.01 0.00
GAM Star China Eqty USD Acc F 5 $12.9933 +0.03 0.00
GAM Star China Eqty USD Acc F 5 £10.9454 –0.07 0.00
GAM Star China Eqty USD Acc F 5 £2.1019 –0.10 0.00
GAM Star Composite Abs Rtn EUR Acc F 5 €10.9733 –0.03 0.00
GAM Star Composite Abs Rtn GBP Acc F 5 £1.9933 –0.03 0.00
GAM Star Composite Abs Rtn USD Acc F 5 SFr10.1353 –0.02 0.00
GAM Star Composite Abs Rtn USD Acc F 5 €18.2715xd –0.14 0.00
GAM Star Composite Abs Rtn GBP Acc F 5 €201.8945 –0.46 1.91
GAM Star Composite Abs Rtn USD Acc F 5 £1.4638 –0.19 0.00
GAM Star Composite Abs Rtn USD Acc F 5 £1.7174 +0.01 1.54
GAM Star European Eqty EUR Acc F 5 £13.6311 +0.08 1.88
GAM Star European Eqty GBP Acc F 5 £16.9197xd +0.01 1.82
GAM Star European Eqty USD Acc F 5 £12.4231xd –0.01 0.00
GAM Star Global Eqty GBP Acc F 5 £1.2817xd +0.02 0.00
GAM Star Japan Eqty USD Acc F 5 €9.6641 –0.01 0.00
GAM Star Japan Eqty GBP Acc F 5 £9.1797 +0.01 0.00
GAM Star Japan Eqty JPY Acc F 5 £11.4371 –0.07 0.00
GAM Star Japan Eqty USD Acc F 5 £1.2817xd +0.02 0.00
GAM Star Japan Eqty EUR Acc F 5 Y1137.16 –0.16 0.00
GAM Star Japan Eqty USD Acc F 5 £98.8799 –0.56 0.00
GAM Star Japan Eqty USD Acc F 5 £86.94 –0.01 0.00
GAM Star Japan Eqty EUR Acc F 5 €98.8798 –0.56 0.00
GAM Star Japan Eqty GBP Acc F 5 $83.9254 +0.74 0.00
GAM Star Japan Eqty USD Acc F 5 Y13.9681 +0.26 0.00
GAM Star Japan Eqty USD Acc F 5 Y13.7629 –0.34 0.00
GAM Star Japan Eqty JPY Acc F 5 Y820.23 –5.77 0.00

GAM Limited - Contd.
GAM Star UK Dynamic Eqty GBP Acc F 5 £1.3374xd +0.01 0.00
GAM Star UK Dynamic Eqty GBP Acc F 5 £1.4027 +0.01 0.00
GAM Star UK Dynamic Eqty EUR Acc F 5 €12.2278 –0.03 0.00
GAM Star UK Dynamic Eqty USD Acc F 5 $13.7123 –0.03 0.00
GAM Star US All Cap Eqty USD Acc F 5 $8.7402 –0.09 0.00
GAM Star US Small & Mid Cap Eqty USD Acc F 5 $7.8961xd –0.09 0.00
GAM Star Worldwide Eqty USD Inc F . 5 $2444.96xd –6.47 0.00
GAM Star Worldwide Eqty USD Acc F . 5 £1.0262 +0.01 0.00
GAM Star Worldwide Eqty EUR Acc F 5 $2669.16 –7.06 0.00
GAM Star Worldwide Eqty EUR Ordinary Class Acc F 5 €10.5549 –0.03 0.00

GAM Limited
Other International Funds
Offshore Funds
GAM Arbitrage Inc. USD Class $1388.86 –3.01 –
GAM Asia Equity Inc ... $642.95 –3.84 0.68
GAM Asia Eqty Hdg Inc USD Open $209.18 –3.12 –
GAM Asia Eqty Hdg Inc JPY Open . Y11384.94 –178.51 –
GAM CGFF ... $487.30 +2.98 –
GAM Capital Appreciation Equity Inc. $269.56 +6.33 –
GAM Capital Appreciation Equity Inc. ... €86.84 +4.41 0.00
GAM Composite Abs Rtn Access Acc €100.44 –0.96 0.00
GAM Composite Abs Rtn EUR Access $92.13 –1.00 0.00
GAM Composite Abs Rtn EUR OEIC ... €92.17 –1.00 0.00
GAM Composite Abs Rtn CHF Open . SFr205.15 –1.25 –
GAM Composite Abs Rtn EUR Open . €150.26 –0.85 –
GAM Composite Abs Rtn GBP Index . £103.33 –0.53 –
GAM Composite Abs Rtn GBP Open . £212.14 –1.16 –
GAM Composite Abs Rtn JPY Open . €146.01 –0.79 –
GAM Composite Abs Rtn USD Open . $902.03 –4.87 –
GAM Composite Abs Rtn SGD Open . S$110.27 –0.62 –
GAM Composite Abs Rtn USD Open . $138.70 –1.00 –
GAM Composite Gbl Bal EUR Open . €98.54 –0.24 –
GAM Composite Gbl Bal EUR Open . €120.23 +0.13 –
GAM Composite Gbl Equity CHF Open SFr108.56 +0.01 –
GAM Composite Gbl Eqty EUR Open . €107.55 –0.50 –
GAM Composite Gbl Eqty GBP Open . £130.31 +0.12 –
GAM Composite Gbl Eqty USD Open . $149.44 –1.98 –
GAM Composite Gbl Eqty JPY Open . €92.92 –0.33 –
GAM Composite Gbl Gwth EUR Open $145.24 –1.53 –
GAM Composite Gbl Gwth GBP Open £114.23 +0.10 –
GAM Cross Trading Inc USD Open . $441.90 +0.05 –
GAM Diversity Inc USD Open . $729.40 –1.49 –
GAM Diversity Inc GBP Open . £770.07 –1.52 –
GAM Diversity Inc EUR Open . €692.00 –1.28 –
GAM Diversity Inc CHF Open . SFr102.84 –0.21 –
GAM Diversity Inc NOK Open . NKr1069.39 –2.23 –
GAM Diversity Inc SGD Open Class . S$97.66 –0.21 –
GAM Diversity Inc CHF 2 SXL Class . SFr88.75 –0.53 –
GAM Diversity Inc EUR 2 SXL . €92.21 –0.54 –
GAM Diversity Inc USD 2 SXL . $101.76 –0.61 –
GAM Diversity Inc GBP 2 SXL . £88.80 –0.56 –
GAM Diversity II Inc USD Open . $224.88 –0.48 –
GAM Diversity II Inc EUR Open . €148.59 –0.28 –
GAM Diversity II Inc GBP Open . £160.59 –0.32 –
GAM Diversity II Inc CHF Open . SFr108.00 –0.24 –
GAM Diversity III Inc USD Open . $130.53 –0.28 –

GAM Limited - Contd.
GAM Diversity III Inc EUR Open ... €124.07 –0.24 –
GAM Diversity III Inc GBP Open ... £136.95 –0.27 –
GAM Euro Special Bd EUR Open ... €92.52 +0.35 –
GAM European Eqty Inc CHF Open ... SFr241.88 +0.44 –
GAM European Eqty Inc EUR Open ... €112.16 –4.21 –
GAM European Eqty Inc USD Open ... $113.15 –4.03 –
GAM Eqty Hedge Inc EUR Open ... $203.15 +3.13 –
GAM Eqty Hedge Inc USD Open ... €136.20 +1.98 –
GAM Eqty Hedge Inc GBP Open ... £153.98 +0.68 –
GAM Eqty Hedge Inc SGD Open ... $151.15 +0.57 –
GAM Frontier Opps Inc USD Open ... $118.31 –5.41 –
GAM Frontier Opps Inc CHF Open ... $116.30 –6.15 –
GAM GAMCO Equity ... $99.65 +16.40 –
GAM Global Diversified Inc ... $265.70 +6.87 0.37
GAM Gbl Emg Mkts Hedge USD Open $132.36 –2.42 –
GAM Gbl Emg Mkts Hedge EUR Open . €128.29 –2.48 –
GAM Gbl Emg Mkts Hedge GBP Open £150.15 –3.41 –
GAM Hedged Dynamic USD Open . $125.21 –3.23 –
GAM Hedged Dynamic EUR Open . £128.16 +0.44 –
GAM Interest Trend Inc ... $251.48 –2.19 –
GAM Interest Trend II Inc USD Open $98.69 –0.43 –
GAM Japan Equity Inc ... $1366.32 +1.18 –
GAM Japan Equity Inc. – YEN ... Y12514.80 –87.01 –
GAM Japan Hdg Hedge EUR Open . €115.16 +5.76 –
GAM Japan Hdg Hedge USD Open . $158.91 +3.75 –
GAM Japan Eqty Hdg JPY Open ... Y10734.50 +259.66 –
GAM Money Mkts CHF ... SFr100.12 – 1.73
GAM Money Mkts EUR ... €51.36 – 3.60
GAM Money Mkts GBP ... £100.53 – 4.44
GAM Money Markets Inc ... $100.20 +0.01 1.59
GAM Multi–Arbitrage EUR Open ... €127.96 +0.02 –
GAM Multi–Arbitrage GBP Open ... £133.06 +0.32 –
GAM Multi–Arbitrage CHF Open ... SFr104.61 +0.23 –
GAM Multi–Arbitrage GBP Open ... £160.29 +0.28 –
GAM Multi–Arbitrage USD Open ... $151.43 +0.32 –
GAM Multi–China USD Open ... $158.97 –0.28 –
GAM Money Mkts USD ... $112.84 +0.20 –
GAM Multi–Commodities Inc EUR Open . $117.38 –0.17 –
GAM Multi–Commodities Inc GBP Open . $118.33 –0.21 –
GAM Multi–Emg Mkts EUR Open ... €121.79 –0.22 –
GAM Multi–Emg Mkts GBP Open ... €98.84 –0.01 –
GAM Multi–Emg Mkts USD Open ... $95.96 –0.11 –
GAM Multi–Emg Mkts Inc USD Open . $626.81 –2.03 –
GAM Multi–Emg Mkts Inc GBP Open . $126.90 –0.45 –
GAM Multi–Emg Mkts Inc EUR Open . €114.14 –0.35 –
GAM Multi–Europe EUR Open ... €278.82 –1.09 –
GAM Multi–Europe LP GBP Open . €103.89 –0.23 –
GAM Multi–Europe USD Open ... $489.14 –1.95 –
GAM Multi–Europe EUR Open ... €113.56 –0.56 –
GAM Multi–Global GBP Open ... £107.16 –0.35 –
GAM Multi–Global Dollar Open ... $130.72 –0.27 –
GAM Multi–Global Open ... $119.79 –0.04 –
GAM Multi–Japan Inc. Dollar EUR Open £143.21 –0.10 –
GAM Multi–North American EUR Open . €103.48 +0.10 –
GAM Multi–North America USD Open $2491.63 –3.90 1.40
GAM Multi–Pacific EUR Open ... €231.48 –3.99 0.22
GAM Multi–Pacific GBP Open ... £91.86 +1.40 –
GAM Multi–Pacific JPY Open ... £84.65 –0.17 –
GAM Multi–Pacific Inc USD Open . $292.91 –1.23 –
GAM Multi–Pacific USD Open ... $92.44 –0.62 –
GAM Multi Real Estate Inc GBP Open $96.92 –0.36 –
GAM Multi Real Estate USD Open . $109.48 –0.55 –
GAM Multi Real Estate Inc CHF Open £1516.24 +39.78 0.22
GAM Asia–Pacific Eqty Inc ... $351.67 +0.64 1.30
GAM Pacific Inc ... $196.23 +0.13 –
GAM Premier Dyn USD Open ... $2491.63 –3.90 1.40
GAM Singapore/Malaysia Eqty Inc ... $202.01 –1.60 0.22
GAM Singapore Malaysia Inc ... $1271.34 +3.32 –
GAM Technology Inc USD Open ... $100.79 –0.01 –
GAM Trading II Inc EUR Open ... $131.80 +2.02 0.00
GAM Trading II Inc USD Open ... $922.57 +0.08 –
GAM Trading II Inc GBP Open ... $176.66 –0.90 –
GAM Trading II Inc SGD Open ... $346.94 +0.11 –
GAM Trading III Inc EUR Open ... £131.16 +0.03 –
GAM Trading III Inc USD Open ... $154.40 +0.02 –
GAM Trading III Inc GBP Open ... €168.49 +0.06 –
GAM Trading III Inc JPY Open ... €167.66 +0.06 –
GAM Trading III Inc CHF Op ... SFr131.83 +0.01 –
GAM Trading III Inc GBP Op ... £146.86 +0.10 –
GAM Trading IV Inc USD Open ... $157.82 +0.03 –
GAM Trading IV Inc EUR Op ... £128.31 +0.09 –
GAM Trading IV Inc GBP Op ... €138.93 +0.03 –
GAM Trading IV Inc JPY Op ... €117.89 +0.02 –
GAM Trading IV Inc CHF Op ... SFr129.96 +0.04 –
GAM Trading Inc EUR Open ... $146.41 +0.15 –
GAM Trading Inc GBP Open ... €129.69 +0.04 –
GAM Trading Inc JPY Open ... $146.00 +0.19 –
GAM Trading Inc CHF Open ... SFr141.48 +0.02 –
GAM Trading Inc EUR Op ... $247.94 +0.10 –
GAM Universal USD ... £8.6720 +0.05 –
GAM Universal Inc GBP Open ... $2470.79 +0.12 –
GAMut Investments Inc ... $6733.52 +16.51 1.74
GAMut Investments Inc. Class ... $102.11 +0.37 –
GAM Investments Inc USD Class ... $199.09 –0.17 –

GBC Asset Management
Other International Funds
GBC Euro Class A Dis Inc* ... C$15.00 – –
Approx Stig Equity ... €7.44 – –

GLC Ltd
Other International Funds
GLC Diversified USD ... $62.4755 – –

glg

GLG Partners Asset Mgmt Ltd (UK)
GLG Partners Investment Ltd, 1 Curzon Street ... 1 Curzon Street ... ... Dublin 1
FSA Recognised
Regulated by Central Bank of Ireland
GLG Investments Plc
Balanced A ... £210.00 – –
Balanced C ... £132.54 – –
Balanced B ... £142.86 – –
Balanced D ... £118.07 – –
Balanced E ... £111.95 – –
Balanced F ... £106.72 – –
Balanced G ... £92.56 – –
Balanced H ... £107.98 – –
Capital Appreciation A ... £90.01 – –
Capital Appreciation B ... £272.51 – –
Capital Appreciation C ... £159.03 – –
Capital Appreciation D ... £177.74 – –
Capital Appreciation E ... £145.04 – –
Capital Appreciation F ... £116.60 – –
Capital Appreciation G ... £116.00 – –
Capital Appreciation H ... £111.20 – –
Capital Appreciation I ... £121.06 – –
Capital Appreciation J ... £101.72 – –
Environment Class A ... £111.65 – –
Environment Class B ... £87.17 – –
Environment Class C ... £76.32 – –
Environment Class D ... £213.09 – –
Environment Class F ... £84.35 – –
Environment Class G ... £130.01 – –
Environment Class H ... £144.31 – –
Environment Class I ... £82.77 – –
Environment Class J ... £98.01 – –
Environment Class K ... £113.64 – –
Environment Class L ... £106.55 – –
Environment Class M ... £89.06 – –
Environment Class N ... £81.17 – –
Environment Class O ... £88.33 – –
Environment Class P ... £191.82 – –
Environment Class Q ... £170.63 – –
Environment Class R ... £175.55 – –

GLG Partners Asset Mgmt Ltd - Contd.
Global Conv UCITS D ... £182.26 – –
Global Conv UCITS E ... £164.33 – –
Global Conv UCITS F ... £155.47 – –
Global Conv UCITS I ... £123.51 – –
Global Conv UCITS J ... £127.27 – –
Global Conv UCITS K ... £119.31 – –
Global Conv UCITS L ... £119.06 – –
Global Conv UCITS M ... £114.34 – –
Global Conv UCITS N ... £113.31 – –
Global Conv UCITS O ... £94.55 – –
Global Conv UCITS R ... £96.12 – –
Global Conv UCITS S ... £94.46 – –
Global Conv UCITS T ... £130.82 – –
North American Eqty L ... £109.72 – –
North American Eqty M ... £101.88 – –
North American Eqty N ... £171.28 – –
North American Eqty R ... £93.47 – –
North American Eqty S ... £94.24 – –
Performance A ... £322.35 – –
Performance C ... £172.43 – –
Performance D ... £214.97 – –
Performance E ... £158.95 – –
Performance F ... £154.41 – –
Performance G ... £141.52 – –
Performance J ... £147.31 – –
Performance M ... £137.89 – –
Performance Q ... £128.97 – –
Performance R ... £133.64 – –
Performance S ... £83.73 – –
UK Select Equity K ... £94.70 – –
UK Select Equity M ... £106.32 – –
UK Select Equity S ... £97.51 – –
GLG Investments III Plc
Capital Appreciation Dist A . £181.18 – –
Capital Appreciation Dist B . £144.32 – –
Capital Appreciation Dist D . £112.52 – –
Capital Appreciation Dist E . £108.22 – –
Performance Dist A ... £210.78 – –
Performance Dist B ... £133.64 – –
Performance Dist D ... £130.23 – –
Performance Dist E ... £90.24 – –
Ucits Dist Class A ... £116.14 – –
Ucits Dist Class F ... £113.94 – –
UK Select Equity Dist A . £102.03 – –
GLG Investments V Plc
GLG Alpha Capture Fund Class B . €81.66 – –
GLG Investments VI PLC
Euro Equity UCITS III C ... €82.39 – –
Euro Equity UCITS III A ... $86.22 – –
Euro Equity UCITS III B ... $90.95 – –
GLG Investments VII Plc
Performance Institutional GBP Class Unhedged £90.62 – –
Performance Institutional GBP Class Hedged . £85.93 – –
GLG Performance Institutional Fund SEK . SKr885.46 – –

GLG Partners Asset Mgmt Ltd (IRL)
Regulated
By Central Bank of Ireland
GLG Global Convertible Fund Plc
Global Convertible A ... $257.01 – –
Global Convertible B ... €129.73 – –
Global Convertible C ... $120.12 – –
Global Convertible D ... €164.48 – –
Global Convertible F ... €126.85 – –
GLG Global Opportunity Fund
Global Opportunity A ... $182.93 – –
Global Opportunity B ... £130.72 – –
Global Opportunity C ... £115.56 – –
Global Opportunity D ... £177.24 – –
Global Opportunity E ... €158.51 – –
Global Opportunity F ... £135.92 – –
Global Opportunity W ... $102.44 – –
Global Opportunity Y ... £99.82 – –
Global Opportunity Z ... $530.62 – –

GLG Partners (Cayman) Ltd (CYM)
Regulated
By Cayman Islands Monetary Authority
GLG Alpha Select Fund
GLG Alpha Select Class C ... €156.76 – –
GLG Alpha Select Class A ... $159.30 – –
GLG Alpha Select Class B ... £127.06 – –
GLG Alpha Select Class D ... £126.04 – –
GLG Alpha Select Class E ... £132.25 – –
GLG Alpha Select F GBP Acc NAV . £115.89 – –
GLG Consumer Fund
Consumer A Restricted ... $125.27 – –
Consumer A Unrestricted ... $167.44 – –
Consumer C Restricted ... €118.71 – –
Consumer D Unrestricted ... €120.02 – –
GLG Utilities Fund
Utilities A Restricted ... $117.17 – –
Utilities A Unrestricted ... $117.30 – –
Utilities B Restricted ... £112.95 – –
Utilities B Unrestricted ... £113.34 – –
Utilities D Restricted ... €115.41 – –
GLG Credit Fund
Credit A ... $127.53 – –
Credit A ... $122.92 – –
Credit G ... £108.27 – –
Credit H ... $102.79 – –
Credit H ... €105.10 – –
Credit J ... €97.26 – –
Credit K ... $94.95 – –
Credit L ... €84.66 – –
Credit M ... $89.94 – –
Credit O ... €74.47 – –
GLG Emerging Currency And Fixed Income Fund
Emerging Currency And Fixed Income A Restricted . $137.88 – –
Emerging Currency And Fixed Income A Unrestricted $137.87 – –
Emerging Currency And Fixed Income B Restricted . £138.36 – –
Emerging Currency And Fixed Income B Unrestricted £137.68 – –
Emerging Currency And Fixed Income C Restricted . €141.56 – –
Emerging Currency And Fixed Income C Unrestricted €141.06 – –
Emerging Currency And Fixed Income D Restricted . – – –
Emerging Currency And Fixed Income D Unrestricted – – –
Emerging Currency And Fixed Income E Restricted . $110.17 – –
Emerging Currency And Fixed Income E Unrestricted $116.47 – –
Emerging Currency And Fixed Income F Restricted . €105.04 – –
Emerging Currency And Fixed Income F Unrestricted €106.29 – –
Emerging Currency And Fixed Income G Restricted . – – –
Emerging Currency And Fixed Income G Unrestricted $105.25 – –
Emerging Currency And Fixed Income H Restricted . – – –
Emerging Currency And Fixed Income H Unrestricted Y10500.6 – –
GLG Emerging Equity Fund
Emerging Equity A Restricted ... $131.20 – –
Emerging Equity A Unrestricted ... $131.90 – –
Emerging Equity B Restricted ... £131.92 – –
Emerging Equity B Unrestricted ... £132.10 – –
Emerging Equity C Restricted ... £134.37 – –
Emerging Equity C Unrestricted ... £134.52 – –
Emerging Equity D Restricted ... – – –
Emerging Equity D Unrestricted ... – – –
Emerging Equity E Restricted ... $101.17 – –
Emerging Equity E Unrestricted ... $111.18 – –
Emerging Equity F Restricted ... – – –
Emerging Equity F Unrestricted ... – – –
GLG Emerging Markets Fund
Emerging Markets Class A Restricted ... $276.16 – –
Emerging Markets Class A Unrestricted $276.12 – –
Emerging Markets Class B Restricted ... $218.94 – –
Emerging Markets Class B Unrestricted $217.85 – –
Emerging Markets Class C Restricted . $268.79 – –
Emerging Markets Class C Unrestricted $268.93 – –
Emerging Markets Class D Restricted . $268.11 – –
Emerging Markets Class D Unrestricted $266.49 – –
Emerging Markets Class E Restricted . $208.71 – –
Emerging Markets Class E Unrestricted $152.61 – –
Emerging Markets Class F Restricted . $157.71 – –
Emerging Markets Class F Unrestricted $88.93 – –
Emerging Markets Class G Restricted . $89.17 – –
Emerging Markets Class G Unrestricted $267.63 – –
Emerging Markets Class H Restricted . $209.31 – –
Emerging Markets Class H Unrestricted $208.11 – –
Emerging Markets Class I Restricted . $199.93 – –
Emerging Markets Class I Unrestricted $202.68 – –
Emerging Markets Class J Restricted . $206.39 – –
Emerging Markets Class J Unrestricted $208.48 – –
GLG Emerging Markets Special Situations Fund
Emerging Markets Spec Sits A Restricted . $139.70 – –
Emerging Markets Spec Sits A Unrestricted $138.52 – –
Emerging Markets Spec Sits B Restricted . £138.40 – –
Emerging Markets Spec Sits B Unrestricted £138.23 – –
Emerging Markets Spec Sits C Restricted . €138.35 – –
Emerging Markets Spec Sits C Unrestricted €138.56 – –
Emerging Markets Spec Sits D Restricted . £138.35 – –
Emerging Markets Spec Sits D Unrestricted £136.17 – –
Emerging Markets Spec Sits E Restricted . $136.96 – –
Emerging Markets Spec Sits E Unrestricted $136.97 – –
Emerging Markets Spec Sits F Restricted . £137.58 – –
Emerging Markets Spec Sits F Unrestricted £141.72 – –
Emerging Markets Spec Sits G Restricted . $141.24 – –
GLG Esprit Fund
Esprit A ... $125.49 – –
Esprit B ... €101.46 – –
Esprit D ... €119.62 – –
Esprit E ... $100.02 – –
GLG European Long–Short Fund
Euro Long Short A Restricted . $255.43 – –
Euro Long Short A Unrestricted $254.49 – –
Euro Long Short B Restricted . €255.47 – –
Euro Long Short B Unrestricted €233.54 – –
Euro Long Short C Restricted . €235.07 – –
Euro Long Short C Unrestricted £249.98 – –
Euro Long Short D Restricted . €222.17 – –
Euro Long Short D Unrestricted €229.57 – –
Euro Long Short E Restricted . £184.62 – –
Euro Long Short E Unrestricted £196.61 – –
Euro Long Short F Restricted . €195.83 – –
Euro Long Short F Unrestricted €196.10 – –
Euro Long Short G Restricted . £190.12 – –
Euro Long Short G Unrestricted £190.21 – –
Euro Long Short H Restricted . €178.82 – –
Euro Long Short H Unrestricted €178.62 – –
Euro Long Short I Restricted . €159.59 – –
Euro Long Short I Unrestricted £141.24 – –
GLG European Long–Short Fund Plc
European Long Short Fund A . €180.83 – –
European Long Short Fund B . €184.23 – –
European Long Short Fund C . €186.56 – –
European Long Short Fund D . €184.88 – –
European Long Short Fund E . €175.67 – –
European Long Short Fund F . €143.75 – –
European Long Short Fund G . €142.13 – –
European Long Short Fund H . €155.27 – –
European Long Short Fund I . €151.79 – –
European Long Short Fund J . €145.54 – –
European Long Short Fund K . €146.88 – –
European Long Short Fund L . €145.61 – –
European Long Short Fund M . €191.26 – –
GLG Event Driven Fund
GLG Event Driven A Restricted ... $81.97 – –
GLG Event Driven A Unrestricted . $81.56 – –
GLG Event Driven C Restricted . €80.03 – –
GLG Event Driven C Unrestricted . €81.10 – –
GLG Financials Fund
Financials A Restricted ... $177.77 – –
Financials A Unrestricted ... $177.44 – –
Financials B Restricted ... £123.73 – –
Financials B Unrestricted ... £128.00 – –
Financials C Restricted ... €113.71 – –
Financials C Unrestricted ... €113.71 – –
Financials E Restricted ... £107.50 – –
Financials E Unrestricted ... £116.25 – –
Financials I Restricted ... €107.93 – –
Financials I Unrestricted ... €136.64 – –
GLG Global Aggressive Fund
Global Aggressive ... $219.66 – –
GLG Global Mining Fund
Global Mining Class A Restricted ... $117.27 – –
Global Mining Class B Restricted ... $109.37 – –
Global Mining Class C Restricted ... €109.37 – –
Global Mining Class D Restricted ... £118.13 – –
GLG Japan Long-Short Fund
Japan Long Short A ... $95.74 – –
Japan Long Short C ... $83.03 – –
Japan Long Short D ... $92.61 – –
Japan Long Short F ... Y7465.24 – –
Japan Long Short G ... Y7987.82 – –
GLG Loan Fund
GLG Loan Fund Class A ... $94.80 – –
GLG Loan Fund Class B ... €92.34 – –
GLG Loan Fund Class C ... £97.22 – –
GLG Loan Fund Class D ... €96.53 – –
GLG Loan Fund Class E ... €96.16 – –
GLG Loan Fund Class F ... £97.09 – –

GLG Partners - Contd.
GLG Market Neutral
Market Neutral A Restricted ... $323.56 – –
Market Neutral A Unrestricted . $323.18 – –
Market Neutral B Restricted ... $212.33 – –
Market Neutral B Unrestricted . $212.28 – –
Market Neutral C Restricted ... $298.97 – –
Market Neutral C Unrestricted . $298.92 – –
Market Neutral E Restricted ... €309.37 – –
Market Neutral E Unrestricted . €309.28 – –
Market Neutral F Restricted ... €273.88 – –
Market Neutral F Unrestricted . €276.39 – –
Market Neutral G Unrestricted . Y18733.00 – –
Market Neutral J Restricted ... $179.01 – –
Market Neutral J Unrestricted . $178.93 – –
Market Neutral K Restricted ... $171.28 – –
Market Neutral K Unrestricted . $171.24 – –
Market Neutral L Restricted ... $172.03 – –
Market Neutral L Unrestricted . $171.92 – –
Market Neutral M Restricted ... €154.50 – –
Market Neutral M Unrestricted . €154.20 – –
Market Neutral P Restricted ... Y10310.00 – –
Market Neutral Q Restricted ... $94.54 – –
Market Neutral Q Unrestricted . $94.72 – –
Market Neutral R Restricted ... €94.96 – –
Market Neutral R Unrestricted . €95.20 – –
Market Neutral S Restricted ... €89.70 – –
Market Neutral S Unrestricted . €93.93 – –
Market Neutral T Restricted ... €93.88 – –
Market Neutral T Unrestricted . €94.35 – –
Market Neutral V Restricted ... €94.08 – –
Market Neutral V Unrestricted . €92.84 – –
Market Neutral W Restricted ... $560.50 – –
Market Neutral Z Restricted ... $560.68 – –
GLG North American Opportunity Fund
GLG North American Opportunity A Restricted . $159.28 – –
GLG North American Opportunity A Unrestricted $167.55 – –
GLG North American Opportunity B Restricted . $154.31 – –
GLG North American Opportunity B Unrestricted $161.42 – –
GLG North American Opportunity C Restricted . $148.90 – –
GLG North American Opportunity C Unrestricted $156.72 – –
GLG North American Opportunity D Restricted . $125.10 – –
GLG North American Opportunity D Unrestricted $131.65 – –
GLG North American Opportunity I Restricted . £144.91 – –
GLG North American Opportunity I Unrestricted £152.46 – –
GLG North American Opportunity J Restricted . £129.25 – –
GLG North American Opportunity J Unrestricted £135.07 – –
GLG North American Opportunity K Restricted . $159.08 – –
GLG Technology Fund
Technology A Restricted ... $160.74 – –
Technology A Unrestricted ... $164.17 – –
Technology D Restricted ... €181.16 – –
Technology D Unrestricted ... €184.40 – –
Technology G Restricted ... $155.66 – –
Technology G Unrestricted ... $159.15 – –
Technology H Restricted ... $109.40 – –
Technology H Unrestricted ... $107.93 – –
Technology I Restricted ... $152.35 – –
Technology I Unrestricted ... $155.44 – –
GLG International Small Cap Fund
GLG International Small Cap Class A . $89.65 – –
GLG Multi-Manager Investments
GLG MMI Enhanced Fund
Enhanced Fund Cls A Unrestricted $166.68 +0.01 –
Enhanced Fund Cls B Unrestricted £160.07 +0.19 –
Enhanced Fund Cls C Unrestricted €174.72 +0.33 –
GLG MMI Diversified Fund
Diversified Fund Cls A Unrestricted $148.82 +0.21 –
Diversified Fund Cls B Unrestricted £146.17 +0.43 –
Diversified Fund Cls C Unrestricted €153.00 +0.63 –
GLG MMI Japanese Opportunity Fund
Japanese Opportunity Fund Cls A ... Y9350.03 –275.85 –
Japanese Opportunity Fund Cls D ... $108.10 –3.01 –
Japanese Opportunity Fund Cls E ... €91.34 –2.36 –

GLG Partners LP (LUX)
Regulated
GLG Multi Strategy Fund Sicav
Multi Strategy A ... $147.29 – –
Multi Strategy B ... €141.45 – –
Multi Strategy C ... £153.67 – –
Multi Strategy F ... Y10043.00 – –
Multi Strategy U ... $1305.46 – –
Multi Strategy V ... $146.97 – –
Multi Strategy W ... €140.40 – –
Multi Strategy Y ... £156.86 – –

GYS Investment Management Ltd (GSY)
Regulated
Taurus Emerging Fund Ltd ... $152.7118 +5.39 0.00

Gartmore

Gartmore Fund Managers (1200)F (UK)
Gartmore House, 8 Fenchurch Place, London EC3M 4PB
funds.ft.com/funds/gartmore/fundmanagers
Dealings: 0870 6016103 Inv Serv: Freephone 0800289336
Authorised Inv Funds
Retail Class
Cash Fund ... 0 228.59xd +0.03 5.10
Cautious Managed Acc 5 C 155.31xd –0.41 3.88
Cautious Managed Inc . 5 C 126.12xd –0.33 4.07
China Opps ... 5 477.84 –0.51 0.16
Corporate Bond Acc . 3½ C 87.01xd +0.22 7.00
Corporate Bond Inc . 3½ C 47.04xd +0.12 7.40
Emerging Mkts Opps ... 5 134.12 +0.69 0.16
European Focus ... 5 127.03 +0.86 0.95
European Gwth ... 5 300.20xd +1.55 0.92
Euro Sel Opps ... 5 759.26 +5.31 0.96
Euro Sel Opps ... 5 729.27 +1.10 0.00
Europe Focus ... 5 135.14xd +0.25 9.10
High Yield Corporate Bd Acc . 3½ C 135.14xd +0.25 9.10
High Yld Corporate Bd Inc 3½ C 74.78xd +0.14 9.10
Japan Opps ... 5 108.65xd +1.05 0.00
Pacific Opps ... 5 306.97 –1.28 1.66
Safeguard ... 5 137.99 –0.33 1.49
Safeguard (Fixer Price) . 5¼ 136.24 – –
UK & Irish Smlr Cos ... 5 296.32 –0.33 0.00
UK Long Dated Gilt ... 3½ 309.20xd –0.05 3.30
UK Equity Income Acc . 5 C 298.59 –3.41 4.63
UK Equity Income Inc . 5 C 207.59 –2.38 4.90
UK Focus ... 5 146.48 –3.25 2.06
UK Index ... 5 C 119.67xd –1.38 1.95
UK Index Inc ... 0 285.83 –2.57 2.96
UK Index Fd Acc ... 0 322.73 –2.91 2.87
UK Tracker ... 0 159.56 –1.28 2.40
US Growth ... 5 366.06 +0.21 0.00
US Opportunities ... 5 198.45 +0.56 0.00
US Smaller Cos ... 5 319.27 +0.23 0.00
MultiManager Range
Active Active Acc NAV . 5 137.42 +0.58 0.31
Active Inc NAV ... 5 103.17 +0.43 0.97
Balanced Acc ... 5 122.65 +0.51 1.00
Cautious Inc ... 5 C 108.02xd +0.24 2.92
Cautious Acc ... 5 C 121.03xd +0.27 2.83
Global High Alpha ... 5 134.61 +0.90 0.36
High Alpha ... 5 135.33 +0.85 0.36
Gartmore Sicav (LUX)
http://funds.ft.com/funds/gartmore/Sicav
Regulated
Asia Pacific A ... €7.4289 –0.1353 –
Continental Euro A ... €5.2932 –0.0639 –
Continental Euro Smaller Cos A I €6.2302 –0.0803 –
Emerging Markets A ... €9.9087 –0.1045 –
Euro Money Fund A ... €5.1587 +0.0003 3.4
Euroloc A ... €5.8867 –0.0674 –
Global Bond D2 ... $5.5050 +0.0241 1.69
Global Focus A ... €6.5316 –0.0433 –
Japanese A ... €2.3136 –0.0070 –
Latin American A ... €14.6403 –0.2366 –
Pan European A ... €3.8381 –0.0681 –
Pan Europ Smaller Cos A . €4.7200 –0.0685 –
Sterling Corporate Bond S2 . £1.8198 +0.0035 5.89
Sterling Money S2 ... £2.0077 +0.0001 4.5
United Kingdom S1 ... £2.2529 –0.0414 –
US Dollar Money D2 ... $5.1305 – 1.8
US Opportunities A ... €5.0077 –0.0545 –
US Smaller Companies A . €4.6767 –0.0583 –

Generali International Limited
PO Box 613, Generali House, Hirzel Street, St Peter Port, Guernsey, GY1 4PA 01481 714108
Other International Funds
US Dollar Global Managed $3.86 4.16 –
Sterling Global Managed £3.01 3.24 –
Euro Global Managed ... €1.89 2.05 –
Global Bond USD ... $2.98 3.21 –

Genesis Fund Managers Ltd
Other International Funds
Emerging Mkts NAV Jul 31 . $72.73 – –
Malaysia Maju NAV Jul 31 $55.61 – –

Global

Global Investment House
Sharq, Global Tower, Intersection of Shuhada St. and Khalid Ibn Al-Waleed Str.
P.O. Box 28807, Safat, 13149 Kuwait.
Phone: (965) 295 1000 Fax: (965) 295 1005 www.globalinv.net
Other International Funds
Global GCC Large Cap ... $147.360 – –
Global GCC Islamic ... $122.693 – –
Global EPADI ... $140.437 – –
Global Emerging Fund ... KD984.098 – –
Global Local Fund ... KD3581.00 – –
Global High Liquid Fund ... KD2168.244 – –
Durra Islamic Fund ... KD2921.999 – –
Global Increasable Guaranteed Fund KD1396.304 – –
Delmon Fund ... BD205.475 – –

Global Strategic Advisers Limited
Other International Funds
Algorithmic Advisory Limited
Algorithmic Global Fund Limited ... €102.800 – –

Goldman Sachs Asset Management

Goldman Sachs Asset Management (LUX)
40, Avenue JF Kennedy, L–1855 Kirchberg, Luxembourg 0044 20 7774 6366
FSA Recognised
Asia Base Dist ... $18.27 –0.31 –
Asia Base Snap ... $13.66 –0.23 –
BRIC's Base Acc ... $16.09 +0.04 –
BRIC's Base Dist ... $16.08 +0.03 –
BRIC's Base Inc ... $16.09 +0.04 –
BRIC's E Acc ... €12.85 +0.12 –
BRIC's Base Acc EUR Hedged . €14.52 +0.02 –
BRIC's Base Acc (USD Hedged) €11.03 +0.11 –
Common Enhanced Base Dist . £11.12 +0.01 –
Common Enhanced Dist ... $11.30 –0.16 –
Common Enhanced Acc Dist . €11.11 –0.15 –
Euro Fixed Inc Base Acc . €9.88 +0.02 –
Euro Fixed Inc Base Dist . €9.68 +0.02 –
Euro Fixed Inc Base Dist € €9.68 +0.01 –
Euro Fixed Inc Plus A Dist € €9.53 +0.01 –
Europe Base Dist ... €10.38 –0.02 –
Europe Base Acc ... €14.76 –0.01 –
Europe A Acc F ... €7.29 +0.04 –
Europe CORE Equity Base Dist . €15.86 +0.01 –
Europe CORE Equity Base Acc . €10.93 +0.01 –
Europe CORE Equity Base Snap . €16.94 +0.01 –
Europe CORE Flex Eq A Dist F 4 €8.78 –0.1 –
Europe CORE Flex Eq A Acc F 4 €7.47 +0.01 –
Europe Small Cap Base Dist . €13.36 –0.4 –
Europe Small Cap Base Acc . €14.45 –0.21 –
Europe Small Cap A Dist . €17.13 +0.1 –
Europe Small Cap Base Acc . €13.41 +0.11 –
Global Credit Base Dist . €12.06 +0.11 –
Global Credit Hedged Base Dist . €10.25 +0.06 –
Global Credit Hedged Base Acc . €11.95 +0.06 –
Global Credit Hedged Acc Dist . €10.69 +0.06 –
Global Currency Plus Dist . $11.92 +0.02 –
Global Equity Base Dist ... $26.82 +0.02 –
Global Equity Base Acc ... $25.76 –0.08 –

Goldman Sachs Asset Management - Contd.
Global Equity Base Acc ... $11.22 –0.03 –
Global Financial Services Base Dist . $15.39 –0.12 –
Global Financial Services Base Acc . $9.77 –0.07 –
Global Fixed Inc Base Dist . $15.52 –0.02 –
Global Fixed Inc Base Dist . €9.97 – –
Global Fixed Inc Hedged Base Acc . €10.31 –0.01 –
Global Fixed Inc Hedged E Acc F . €10.23 – –
Global Fixed Inc Base Acc . $11.67 –0.02 –
Global Fixed Inc + A Dist . €9.95 +0.01 –
Global Fixed Inc + Base Acc . €9.96 +0.01 –
Global High Yield Base Acc . €10.23 +0.01 –
Global High Yield EUR Hedged . €7.36 +0.01 –
Global High Yield Base Dist . $7.99 +0.01 –
Global High Yield Base Acc . $10.76 +0.02 –
Global High Yield ID Dist F 0 $9.57 +0.02 –
Global PCP Equity Base Dist . $10.97 –0.04 –
Global PCP Equity Base Acc . €8.74 +0.02 –
Global Prop.Sec.Ptf A Acc F €7.36 +0.03 –
Global Prop.Sec.Ptf Base Dist F 5½ $7.19 +0.03 –
Global Prop.Sec.Ptf Base Acc H $7.4 +0.02 –
Global Prop.Sec.Ptf E Acc F 5½ €6.53 +0.06 –
Global Small Cap Core Eq Base Dist F $7.39 +0.02 –
Global Small Cap Core Eq A Dist F 4 $7.46 –0.05 –
Global Small Cap Core Eq E Acc F 4 €6.7 – –
Global Technology Base Dist . SFr15.01 +0.15 –
Global Technology Base Acc . £3.18 +0.04 –
Global Technology Base Dist . $8.7 +0.03 –
Global Technology Base Acc . $13.3 +0.05 –
GMS Alpha + Europe Eq Base Acc F 5½ €7.46 +0.02 –
GMS Alpha + Europe Eq Base Acc F 5½ €7.37 –0.02 –
GMS Alpha World Equity Base Dist . $10.48 – –
Japan Base Dist ... Y1045 –11 –
Japan Base Acc ... Y9045.25 –99.03 –
Japan Base Dist ... $14.52 –0.14 –
Japan CORE Equity A Dist . $8.58 –0.04 –
Japan CORE Equity Base Dist . Y7894.65 –142.13 –
Japan CORE Equity Base Acc . Y7882.72 –141.92 –
Japan CORE Equity E Acc . €6.78 –0.08 –
Japan CORE Flex Ptf Base Acc F 5½ Y6841.87 –89.34 –
Japan CORE Flex Ptf Base Dist F 5½ Y6835.89 –89.27 –
Japan CORE Flex Ptf E Acc F 5½ €6.53 –0.04 –
Japan CORE Flex Ptf Base Dist F . Y6912.78 –90.09 –
Japan CORE Flex Ptf I Acc F . Y6937.2 –90.4 –
Japan Small Cap Base Dist Aug 12 . Y1562 –27 –
Japan Small Cap Base Acc . Y6041.28 –106 –
Sterling Broad Fixed Inc Base Acc . £10.08 +0.05 –
Sterling Broad Fixed Inc + A Dist . £9.28 +0.06 –
Sterling Broad Fixed Inc + Base Acc . £9.57 +0.06 –
Sterling Broad Fixed Inc + Base Dis . £6.43 +0.04 –
UK CORE Equity A Dist ... £10.04 –0.09 –
UK CORE Equity Base Dist . £6.38 –0.01 –
UK CORE Equity E Acc ... €8.31 –0.03 –
US Blend Equity Base Acc . $12.11 –0.03 –
US Blend Equity Base Dist . $12.12 +0.03 –
US Blend Equity A Dist ... $11.97 +0.03 –
US Blend Equity E Acc ... €9.62 +0.09 –
US CORE Base Acc ... $17.8 +0.05 –
US CORE Base Acc Snap ... $10.19 +0.03 –
US CORE Base Dist Close . $10.01 –0.1 –
US CORE Base Close ... $10.03 –0.11 –
US CORE Flex Eq A Dist F 4 $8.16 +0.04 –
US CORE Flex Eq Base Close F 5½ $8.81 –0.07 –
US CORE Flex Eq Base Dist F 5½ $8.81 –0.08 –
US CORE Flex Eq Base Acc Close F 5½ $8.89 +0.05 –
US CORE Flex Eq E Acc F 4 €6.96 +0.08 –
US Fixed Inc Base Dist ... $10.28 –0.04 –
US Fixed Inc Base Acc ... $10.45 –0.04 –
US Growth Equity Base Dist . $9.38 +0.04 –
US Growth Equity Base Acc . $11.68 +0.05 –
US Growth Opps Base Dist . $13.22 +0.15 –
US Growth Opps Base Acc . $12.18 +0.14 –
US Growth Opps Base Acc . $2.07 – –
US MBS Base Dist ... $2.21 – –
US MBS Base Acc ... $11.06 –0.04 –
US Premier Equity Base Acc . $10.76 –0.01 –
US Premier Equity Base Dist . $10.76 –0.01 –
US Premier Equity A Dist . $10.63 – –
US Premier Equity E Acc F 4 €8.63 +0.05 –
US Small Cap CORE Base Dist Close $9.61 –0.08 –
US Small Cap CORE Base Dist Snap $9.83 +0.05 –
US Small Cap CORE Base Acc Snap $9.73 –0.09 –
US Small Cap CORE Base Acc Close . $9.83 +0.06 –
US Small Cap CORE A Acc Close . $7.58 –0.02 –
US Small Cap CORE E Acc Snap . $7.67 +0.09 –
US Value Equity Base Acc . $10.49 –0.01 –
US Value Equity Base Acc . $10.42 +0.02 –
US Value Equity A Dist ... £10.36 –0.01 –
US Value Equity E Acc ... €8.43 +0.04 –

Goldman Sachs (IRL)
Regulated
Euro Core Liquidity (Inst) ... €9.70 410
Euro Core Liq (Inst) Acc . €11702.30 –
Euro Core Liquidity (Admin) . €9.70 385
Euro Core Liq (Admin) Acc . €11516.68 –
Euro Core Liquidity (Pref) . €9.59 400
Euro Core Liquidity (Pref) Acc . €11630.02 –
Euro Liquid Reserves (Inst) . €1.00 452.5
Euro Liquid Reserves (Inst) Acc . €11983.98 452.5
Euro Liquid Reserves (Admin) . €1.00 427.6
Euro Liquid Reserves (Admin) Acc €11792.31 427.6
Euro Liquid Reserves (Preferred) . €1.00 442.5
Euro Liquid Reserves (Class C) ... €112.37 417.6
Euro Liquid Reserves (Preferred) Acc €11906.80 442.5
Euro Liquid Reserves M+ ... €1.00 457.5
USD Enhanced Cash (Inst) . $8.82 312.5
USD Enhanced Cash Acc ... $11032.89 –
USD Enhanced Cash (Admin) . $8.84 287.5
USD Enhanced (Admin) Acc . $10855.08 –
USD Enhanced (Pref) ... $8.67 302.5
USD Enhanced (Pref) Acc . $10961.56 –
USD Liquid Reserves (Inst) . $1.00 237.1
USD Liquid Reserves (Inst) Acc $12041.31 237.1
USD Liquid Reserves (Admin) . $1.00 212.2
USD Liquid Reserves (Admin) Acc $11848.56 212.2
USD Liquid Reserves (Pref) . $1.00 227.1
USD Liquid Reserves (Pref) Acc . $11963.95 227.1
Global Dollar Plus Acc ... $15.39 +0.0143 –
Global Curr Dollar Plus Acc . $11.19 +0.0103 –
Global Curr $ Plus Ven Acc . Y0.96 +0.0008 –
Global Curr $ Plus Yen Dist . Y0.96 +0.0008 –
Global Curr $ Plus Yen Qtl Acc . Y0.98 +0.0009 –
Global Curr $ Plus Yen Qtl Dist . Y0.97 +0.0008 –
Global Curr Plus Euro Acc . €14.84 +0.0164 –
Global Curr Plus Euro Dist . €10.95 +0.0122 –
USD Money Market ... $0.01 (z) 0.00
Stlg Liquid Reserves (Inst) . £1.00 538.6
Stlg Liquid Reserves (Inst) Acc £13370.09 532.4
Sterling Liquid Reserves (Admin) . £1.00 507.5
Stlg Liquid Reserves (Admin) Acc £13156.15 507.5
Sterling Liquid Reserves (Pref) . £1.00 522.5
Stlg Liquid Reserves (Pref) Acc £13284.18 522.5
Yen Liquid Reserves ... Y1.00 0.00
Yen Liquid Res (Inst) Acc . Y1002.13 0.00
Yen Liquid Reserves (Admin) . Y1.00 0.00
USD Liquid Res Cap ... $1.00 222.2
Yen Liquid Res Fd Acc ... Y10002.13 0.30871
Yen Liquid Res Fd Dist ... Y10000.00 53.56941

Griffin Umbrella Fund Plc
Regulated
Eastern European ... €635.83 – –
European Opportunities . €171.33 – –
Ottoman ... €105.03 – –

Griffin International Umbrella Fund (CYM)
Regulated
Eastern European Value Aug 7 . €361.23 – –
European Hedge Fund ... €124.17 – –

Gryphon Fund Management Ltd
Other International Funds
Gryphon Bond Fd Ltd Jun 30 $11515.1742 – –
Pacific Performance Ltd . $124.62 – –

Guardian (UK)
Guardian Road, Lytham St. Annes, Lancashire FY8 4JZ 01253 733 151
Insurances
Property Bond ... 2004.81 2088.34 – –
Choices Wth–Pfts Lg–tm 285.10 300.10 – –
Choices Wth–Pfts St–tm 246.20 259.10 – –
Choices Money ... 417.05 439 – –
Choices Equity ... 461.03 485.3 – –
Freedom Wth Pfts Long–Tm 199.40 209.80 – –
Freedom With Pfts Short–Tm 182.70 192.40 – –
Freedom Managed ... 249.16 262.28 – –
Freedom Equity ... 265.12 279.07 – –
Corp Pens Managed ... 147.22 147.22 – –
Corp Pens Equity ... 173.41 173.41 – –
Corp Pens Fixed Interest . 195.66 195.66 – –
Corp Pens Index Linked . 233.27 233.27 – –
Corp Pens Deposit ... 173.41 173.41 – –
Corp Pens Protector ... 208.08 208.08 – –
Corp Pens UK Index Tracker 130.51 130.51 – –
Guardian Linked Life Assurance Ltd
Do. Accum ... 1240.33 1305.61 – –
Do. Accum ... 2138.72 2251.28 – –
Fixed Interest Acc ... 1180.19 1242.31 – –
International Acc ... 926.05 974.79 – –
North American Acc ... 425.5 446.84 – –
Pacific Acc ... 234.68 247.03 – –
European Acc ... 265.86 279.86 – –
Property Acc ... 596.1 627.48 – –
Index–Linked Acc ... 462.38 486.71 – –
Deposit Acc ... 460.65 474.37 – –
Guardian Pensions Management Ltd
Pens. Managed Acc ... 1575.23 1658.14 – –
Pens. Equity Acc ... 2322.07 2444.28 – –

Guardian New Europe Emerging Cities Fund
Other International Funds
Class A ... €1.53 – –
Class B ... €1.78 – –
Class Z ... €1.22 – –

HFS Assurance Ltd
PO Box 179, IOMA House, Hope Street, Douglas, Isle of Man, IM99 1PU 01624 681343
International Insurances
Holiday Property Bond Ser 1 Jun 30 . £0.719 – –
Holiday Property Bond Ser 2 Jun 30 £0.750 – –

HSBC Fd Administration (Jersey) Ltd (JER)
HSBC House, St. Helier, Jersey JE1 1HS 01534 606520
Regulated
Intl Sterling Income ... 0 £0.9484 0.9485 +0.0024 4.86

HSBC Global Asset Management (LUX)
40, avenue Monterey L–2163 Luxembourg
Dealing: 00 352 2547011 Fax: 00 352 47011500
FSA Recognised
HSBC Global Investment Funds
Equity Funds
Asia ex Japan Equity A Dist* ... $41.43 – –
Asia ex Japan Equity A Cap* F 5½ $43.954 – –
Asia ex Japan High Div A Cap F . $15.391 – –
Asia ex Japan High Div A Dis F . $13.953 – –
Asia ex Japan Freestyle A ... $15.604 – –
Asia Pacific Freestyle A ... $12.794 – –
Asian Equity A Cap ... $36.717 – –
Brazil Equity A Dis F ... $36.564 – –
BRIC Freestyle M1 ... $24.527 – –
BRIC Freestyle M1C ... $23.584 – –
Chinese Equity A Dis ... $68.108 – –
Chinese Equity A Cap F 5½ $69.31 – –
Euroland Equity A Cap* F 5½ €28.301 – –
Euroland Equity A Dist F . €26.441 – –
Euroland Growth M1C F 5½ €15.892 – –
Europe ex UK Equity A Cap F 5½ €31.748 – –
European Equity A Cap* F . €19.943 – –
European Equity High Dividend A Cap F €19.417 – –
European Emerging Mkts Equity A Dis* €18.43 – –
Hong Kong Equity A Cap* F 5½ $102.173 – –
Hong Kong Equity A Dis F . $105.679 – –
Indian Equity A Cap* F 5½ $166.213 – –
Singapore Equity A Cap F 5½ $35.225 – –
Thai Equity A ... $19.693 – –
Turkey Equity A F ... €16.437 – –
Korean Equity A Dis F ... $22.674 – –
US Equity A Cap F ... 5½ $21.57 – –
US Equity A Cap F ... 5½ $9.435 – –
Opportunities Funds
Asia ex Japan Equity Sm Cos A Cap F 5½ $24.834 – –
Asia ex Japan Equity Sm Cos A Dis $24.125 – –
Brazil Equity A Cap F ... $72.172 – –
Global Equity A Cap* F 5½ $24.279 – –
Bond and Reserve Funds
Euro Bond Fund A Cap F ... €9.374 – –
Euro High Yield Bond A Cap F 5½ €16.016 – –
Global Emerging Mkts Bond A Dis ... $20.945 – –
Global Emerging Mkts Bond A Cap* F 5½ $13.456 – –
Global Emerging Mkts Local Debt A Cap $14.767 – –
Global High Income Bond A Cap $12.432 – –
US Dollar Bond A Cap* F ... $17.139 – –
US Dollar Reserve D Dis ... $8.362 – –
HSBC Amanah Funds
HSBC Amanah Equity ... $9.449 – –
Global Equity ... $3.441 – –
A sales charge of up to 5.54% may be applied to these prices
*Euro prices are also available for these funds

Holbis Capital Management (UK) Limited (LUX)
40, avenue Monterey L–2163 +352 40 46 46 244
Regulated
Holbis Funds – HSBC New Frontiers Fund $95.24 –3.31 –

Managed Funds Service

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Halifax Life Ltd (UK)						
PO Box 285, York YO1 1YB 01904 611110						
Insurances						
Life Funds						
Foundation			48.89	51.46	–0.31	–
Balanced			44.93	47.29	–0.28	–
Opportunity			50.0	52.63	–0.41	–
Deposit			36.53	38.45	+0.01	–
Ethical			203.0	213.6	+0.2	–
European			430.7	453.3	+0.5	–
Far Eastern			919.7	968.1	+1.0	–
Fd of Inv Trusts			989.4	1041.4	–6.8	–
Gilt & Fixed Int			432.9	455.6	+1.9	–
High Income			938.8	988.2	–14.5	–
Index–Linked Gilt			204.0	214.7	+1.1	–
Intl Growth			443.6	466.9	+0.7	–
Japanese			68.2	71.7	+0.4	–
Managed			530.2	558.1	–1.5	–
Money			303.6	319.5	.....	–
North American			458.8	482.9	+1.1	–
Pelican			668.2	703.3	–5.3	–
Property			428.2	450.7	.....	–
Smaller Cos			275.9	290.4	–0.6	–
Special Sits			435.6	458.5	–3.9	–
UK FTSE All Share			115.8	121.8	–1.2	–
UK FTSE 100			192.7	202.8	–1.7	–
Ethical			118.7		+0.2	–
European			136.0		+0.2	–
Far Eastern			161.1		+0.1	–
Fd of Inv Trusts			162.6		–0.9	–
Gilt & Fixed Int			116.9		+0.2	–
High Income			134.3		–2.0	–
Index–Linked Gilt			140.1		+0.2	–
Intl Growth			118.0		+0.2	–
Japanese			92.8		+0.6	–
Managed			122.8		–0.5	–
Money			116.7		.....	–
North American			86.1		+0.2	–
Pelican			123.4		–1.0	–
Property			138.5		.....	–
Smaller Cos			151.8		–0.4	–
Special Sits			128.5		–0.9	–
UK FTSE All Share			122.7		–1.2	–
UK FTSE 100			118.6		–1.0	–
Independently Mgd European			168.0		+1.0	–
Independently Mgd Far Eastern			185.2		+1.8	–
Independently Mgd Gilt & Fxd Int			107.1		+0.2	–
Independently Mgd Intl Gwth			147.0		+0.9	–
Independently Mgd North Amer			115.3		–0.4	–
Independently Mgd Opps			167.4		–0.3	–
Independently Mgd Smllr Cos			151.7		–0.8	–
Independently Mgd UK Eqty Income			139.8		–0.4	–
Independently Mgd UK Gwth			130.7		–1.7	–
Independently Mgd UK Idx			144.3		–1.3	–
Mananged Income			463.1		–1.8	–
Cautious Managed Life			109.7		–0.6	–
Pension Funds						
Foundation Ser 2			43.08	45.34	–0.15	–
Balanced Ser 2			40.69	42.83	–0.13	–
Opportunity Ser 2			43.48	45.76	–0.19	–
Deposit Ser 2			39.92	42.02	.....	–
Ethical			213.8	223.8	+0.5	–
European			495.3	518.6	+1.3	–
Far Eastern			1174.8	1230.1	+1.2	–
Fd of Inv Trusts			1334.6	1397.4	–7.3	–
Gilt & Fxd Int			564.8	591.4	+1.1	–
High Income			1252.6	1311.6	–18.6	–
Idx–Linked Gilt			243.7	255.1	+0.5	–
Intl Growth			529.9	554.8	+1.6	–
Japanese			57.3	60.0	+0.4	–
Managed			709.9	743.3	–2.0	–
Money			476.3	498.7	.....	–
North American			544.1	569.7	+1.7	–
Pelican			821.8	860.5	–6.3	–
Property			600.8	629.1	.....	–
Smaller Cos			295.2	309.1	–0.8	–
Special Sits			509.6	533.6	–4.2	–
UK FTSE All Share			110.2	115.3	–1.1	–
UK FTSE 100 Pens			194.1	203.2	–1.6	–
Independently Mgd European			181.7	190.2	+1.1	–
Independently Mgd Far Eastern			207.3	217.0	+2.0	–
Independently Mgd Gilt & Fxd Int			111.3	116.5	+0.3	–
Independently Mgd Intl Gwth			155.8	163.1	+1.1	–
Independently Mgd Nth American			119.2	124.8	–0.3	–
Independently Mgd Opps			178.1	186.4	–0.6	–
Independently Mgd Smllr Cos			171.2	179.2	–1.0	–
Independently Mgd UK Eqty Income			145.6	152.4	–0.4	–
Independently Mgd UK Gwth			135.9	142.3	–1.8	–
Independently Mgd UK Index			151.6	158.7	–1.3	–
Ethical			83.2		+0.2	–
European			110.1		+0.3	–
Far Eastern			131.8		+0.1	–
Fund of Inv Trusts			138.7		–0.7	–
Gilt & Fixed Int			145.2		+0.3	–
High Inc			159.8		–2.3	–
Index–Linked Gilt			165.9		+0.3	–
Intl Growth			104.0		+0.3	–
Japanese			59.8		+0.3	–
Managed			116.6		–0.4	–
Money			137.2		.....	–
North American			95.3		+0.3	–
Pelican			111.1		–0.8	–
Property			164.9		.....	–
Smaller Cos			80.3		–0.2	–
Special Sits			119.1		–0.9	–
UK FTSE All Share			108.4		–1.0	–
UK FTSE 100			104.4		–0.9	–
Independently Mgd European			182.6		+1.2	–
Independently Mgd Far Eastern			204.9		+1.9	–
Independently Mgd Gilt & Fxd Int			114.1		+0.3	–
Independently Mgd Intl Growth			156.4		+1.0	–
Independently Mgd North Amer			120.0		–0.3	–
Independently Managed Opps			178.8		–0.5	–
Independently Mgd Smlr Cos			172.2		–0.9	–
Independently Mgd UK Equity Inc			147.6		–0.4	–
Independently Mgd UK Growth			137.4		–1.8	–
Independently Mgd UK Index			153.9		–1.3	–
Money Stakeholder			111.6		.....	–
Property Stakeholder			97.7		.....	–
Ethical Stakeholder			118.3		+0.2	–
European Stakeholder			124.6		+0.3	–
Far Eastern Stakeholder			117.3		+0.1	–
Gilt & Fixed Int Sholder			113.7		+0.3	–
Sholder Fund of Inv Trusts			123.7		–0.7	–
High Income Sholder			115.2		–1.6	–
Index–Linked Gilt Sholder			130.6		+0.2	–
International Growth Sholder Pens			116.8		+0.4	–
Japanese Stakeholder			105.7		+0.6	–
Managed Stakeholder			109.9		–0.3	–
North American Sholder			98.5		+0.3	–
Pelican Sholder			110.3		–0.8	–
Smaller Cos Stakeholder			107.7		–0.2	–
Special Situations Sholder			111.6		–0.8	–
UK FTSE 100 Sholder			110.3		–0.9	–
UK FTSE All–Share Sholder			111.4		–1.0	–
Ind Mgd European Sholder			133.2		+0.9	–
Ind Mgd Far Eastern Sholder			149.8		+1.3	–
Ind Mgd Gilt & Fixed Sholder			105.1		+0.3	–
Ind Mgd Intl Growth Sholder			118.4		+0.8	–
Ind Mgd North American Sholder			101.4		–0.2	–
Ind Mgd Opportunities Sholder			135.1		–0.3	–
Ind Mgd Smaller Cos Sholder			106.8		–0.6	–
Ind Mgd UK Equity Inc Sholder			110.6		–0.3	–
Ind Mgd UK Growth Sholder			103.2		–1.3	–
Ind Mgd UK Index Sholder			119.7		–1.0	–
Hamilton Capital Limited						
Other International Funds						
Hamilton Global Growth Fund Jun 30			$249.5734		.....	–
Secure Growth Balanced Jun 30			$19.8016		.....	–
Hamilton Lane Private Equity Fund PLC (IRL)						
Regulated						
NAV			$400.08		.....	–
Hamon Investment Group						
Other International Funds						
Asian iTech			$5.41		.....	–
Asian Market Leaders – USD			$25.54		.....	–
Asian Market Leaders – GBP			£13.71		.....	–
Greater China – USD			$7.21		.....	–
Greater China – GBP			£3.95		.....	–
Oriental Long Short			$157.9088		.....	–
Selected Asian P'folio			$44.61	44.62	.....	–
Hamton Asset Management Ltd						
Other International Funds						
Bond 004 NAV Aug 8			€428.80		.....	–
Jubilee NAV Aug 8			€102.66		.....	–
U.S Hedge NAV Aug 8			$102.19		.....	–
U.S. Hedge 2 NAV Aug 8			$119.97		.....	–
Global Value NAV Aug 8			€97.16		.....	–
European Equities Aug 8			€85.97		.....	–
Danish Equities NAV Aug 8			DKr134.10		.....	–
Diversified Funds NAV Jul 3			€99.05		.....	–
Fund of Funds NAV Jul 28			$124.20		.....	–

Harewood Solutions

Part of BNP PARIBAS

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Harewood Structured Investment PCC Limited (GSY)						
Anson Place, Mill Court, La Charruteries, St Peter Port, Guernsey GY1 1FJ 0207 595 8056						
www.harewoodsolutions.com 0207 595 8056						
FSA Recognised						
Absolute Progression H	5	E	106.75		(z)	–
Agrinvest H	5	E	109.88		(z)	–
Energy Base Metals SG H	5	E	325.27		(z)	–
Energy Base Metals (2) H	5	E	157.49		(z)	–
Energy Base Metals (3) H	2	E	96.25		(z)	–
Enhanced Global Asset Allocation H	2½	E	126.68		(z)	–
Enhance Property Recovery H	3	E	85.98		(z)	–
Euro High Income Class A Hedged H	1	E	71.60		(z)	–
Euro High Income Class B Unhedged H	1	E	c73.16		(z)	–
European Shield H	5	E	102.61		(z)	–
FTSE Summit H	5	E	123.17		(z)	–
Hedge Elite H	1½	E	90.21		(z)	–
UK High Income H	2½	E	93.42		(z)	–
US High Income Class A Hedged H	1	E	93.33		(z)	–
US High Income Class B Unhedged H	1	E	c92.67		(z)	–
Hargreaves Lansdown Fd Mgrs (1100)F (UK)						
PO Box 55736, 50 Bank Street, Canary Wharf London E14 1BT						
Enquiries 0117 9009000						
Authorised Inv Funds						
Hargreaves Lansdown Funds						
Unit Trust						
Multi–Manager Spec Sits Tst ♦	0		153.25	161.31	+0.82	0.06
Multi–Manager Inc & Gwth Pfolio Acc ♦	3⅞		89.33	94.03	+0.69	3.83
Multi–Manager Inc & Gwth Pfolio Inc ♦	3⅞		74.68	78.61	+0.58	3.83
Multi–Manager Bal Mgd Tst ♦	1⅛		118.94	125.2	+0.53	1.17
Multi–Manager Cautious Mgd Tst Inc ♦	3⅞		88.34	92.98	+0.3	3.86
Multi–Manager Cautious Mgd Tst Acc ♦	3⅞		93.71	98.64	+0.31	3.86
Haussmann Hldgs NV Curacao						
Other International Funds						
Haussman Jul 31			$2244.35		.....	7.41
Haussmann Holdings NV Cls C			€1975.52		.....	6.73

Henderson Global Investors

www.henderson.com for our UK OEIC
Investor enquiries: 0800 832 832

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Henderson Global Investors (LUX)						
23 Avenue de la Porte Neuve, L–2085 Luxembourg 0800 299 803 (UK), +352 2696 2050 (other)						
Fax: 00 352 2696 9748						
FSA Recognised						
Henderson Horizon Fund						
Abst Rtn Fixed Income A2 Acc			€21.48		.....	–
American Equity A2 Acc F	5		$13.03		.....	–
Asia–Pacific Property Equities A2 Acc			$11.59		.....	–
Asian Dividend Income A2 USD Acc F	5	CE	$12.81		.....	–
China A2 Acc F	5		$7.88		.....	–
Continental European Equity A2 Acc	5		€25.88		.....	0.00
Global Financials A2 Acc	5		€7.92		.....	–
Global Financials A1 Dis	5		€7.92		.....	–
Global Financials I2 Acc.			€7.96		.....	–
Global Financials I1 Dis			€7.96		.....	–
Global Financials X Acc			€7.92		.....	–
Global Opportunities A2 Acc F	5		$14.38		.....	–
Global Property Equities A2 Acc F	5	E	$13.21		.....	–
Global Technology A2 Acc	5		$27.79		.....	–
Japanese Equity A2 Acc			$10.10		.....	–
Japanese Smaller Cos A2 Acc			$18.63		.....	–
Pacific Equity A2 Acc			$67.09		.....	–
Pan Europe Alpha Plus A2 EUR Acc F	5	CE	€8.30		.....	–
Pan European Bond A2 Acc F	5		€11.83		.....	–
Pan European Equity A2 Acc F	5		€15.02		.....	–
Pan European Equity Dividend A2 Acc F	5		€12.90		.....	–
Pan European Property Equities A2 Acc			€22.27		.....	–
Pan Euro Property Eq Alpha Plus A2 Acc	5		€7.41		.....	–
Pan Euro Property Eq Alpha Plus A1 Dis	5		€7.41		.....	–
Pan Euro Property Eq Alpha Plus I2 Acc			€7.39		.....	–
Pan Euro Property Eq Alpha Plus I1 Dis			€7.39		.....	–
Pan Euro Property Eq Alpha Plus X Acc			€7.43		.....	–
Pan European Smaller Cos A2 Acc	5		€17.35		.....	–
Strategic Yield A2 Acc			€11.08		.....	–

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Henderson Global Investors (Ire) Ltd (IRL)						
Regulated						
Liquid Assets Sterling Inst			£1.00		.....	5.57
Institutional Z Class			£1.00		.....	5.72
Heritage Investment Fund Ltd						
Other International Funds						
GBP Absolute Return Jul 31			£158.44		.....	–
USD Absolute Return Jul 31			$142.01		.....	–
EUR Absolute Return Jul 31			€102.00		.....	–
GBP Managed Jul 31			£150.18		.....	–
Heritam Sicav						
Other International Funds						
Eastern European Heritage EUR			€249.49		.....	–
GTAA R			€81.64		.....	–
GTAA R			$109.78		.....	–
USA Growth			$118.81		.....	–
USA Value			$114.68		.....	–
Hermes Property Unit Trust (UK)						
Property & Other UK Unit Trusts						
Property Jun 24			£5.265	5.631	.....	4.048
Hermitage Capital Management Ltd						
Other International Funds						
The Hermitage Fund Jul 18.			$1615.16	1622.69	.....	–
IKANO Funds (LUX)						
Regulated						
Global Equity			€8.0251		.....	–
European Equity			€10.4383		.....	–
US Equity			€6.8855		.....	–
US Growth			$9.7755		.....	–
ILEX Asset Management (UK) LLP (CYM)						
Regulated						
ILEX Credit EUR Cls			€150.00		.....	–
ILEX Credit USD Cls			$146.27		.....	–
ILEX European Leveraged Loan A EUR Acc NAV.			€104.80		.....	–
ILEX Eur Lev Loan – USD A			$102.05		.....	–

ING REAL ESTATE INVESTMENT MANAGEMENT

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
ING Real Estate Inv Mgmt (UK Fds) Ltd (UK)						
Property & Other UK Unit Trusts						
ING Lionbrook A Dec 31			£1779	1904	.....	4.0
ING Lionbrook B Dec 31			£1779	1904	.....	4.0
ING Lionbrook C Dec 31			£1779	1904	.....	4.0
Osiris Prop Fund Jul 31			£1266.26		.....	–
ING Real Estate Investment Mgmt (Guernsey) Ltd (GSY)						
Property & Other UK Unit Trusts						
ING Central London Jun 30			£980.78		.....	–
ING Lionbrook (Gue) Jun 30			£2056		.....	–
ING Britannica Jun 30			£1123.33		.....	–
ING UK Prop Income Jun 30			£1.1280		.....	–
io Alternative Strategies Plc (IRL)						
Regulated						
io Low Volatility USD I			$132.77		.....	–
io Low Volatility GBP I			£140.80		.....	–
io Low Volatility GBP II			£146.53		.....	–
io Low Volatility GBP III			£104.83		.....	–
Io Low Volatility Eur III			€99.40		.....	–
io Defensive Equity USD I			$147.68		.....	–
io Defensive Equity GBP I			£155.58		.....	–
io Defensive Equity GBP II.			£157.80		.....	–
io Defensive Equity GBP III			£107.02		.....	–
io Defensive Equity EUR I			€130.08		.....	–
Io Defensive Equity Eur III			€96.16		.....	–
Select Opportunities GBP I			£118.60		.....	–
Select Opportunities GBP II			£120.57		.....	–
Select Opportunities GBP III.			£104.38		.....	–
Select Opportunities USD I			$118.58		.....	–
Io Select Opportunities Eur III.			€95.65		.....	–
IT Asset Management						
Other International Funds						
IT Funds Technology Global UK Dist			£390.99		+2.01	0.12
iimia Plc (UK)						
2 The Boulevard, City West One Office Park, Leeds LS12 6NT 08456 081456						
Authorised Inv Funds						
Authorised Corporate Director – Capita Financial Managers						
CF iimia Accelerated Fund						
iimia Accelerated A ✠	5		186.16		–0.04	0.00
iimia Accelerated B ✠	5		190.73		–0.04	0.00
CF iimia OEIC						
CF iimia Growth Inc ✠	5		119.14xd		–0.05	0.00
CF iimia Gwth & Inc Inc ✠	5		118.34xd		–0.04	2.48
CF iimia Gwth & Inc Acc ✠	5		128.62xd		–0.04	2.42
CF iimia Income Inc ✠	5		107.15xd		–0.05	5.15
Impax Asset Management Ltd (IRL)						
6–8 Sackville Street, London W1S 3DG 020 7434 1122						
FSA Recognised						
Environ Mkts (Ire) Sterling A H			£1.715		.....	–
Environ Mkts (Ire) Sterling B H			£1.684		.....	–
Environ Mkts (Ire) Euro A H			€1.503		.....	–
Environ Mkts (Ire) Euro B H			€1.201		.....	–
Environ Mkts (Ire) US Dollar A H			$1.705		.....	–
Environ Mkts (Ire) US Dollar B H			$1.544		.....	–
INDIA VALUE INVESTMENTS LIMITED (INVIL)						
www.invil.mu						
Other International Funds						
NAV Aug 12			£4.52		.....	–
Ingenious Asset Management Ltd (IRL)						
15 Golden Square, London, EIF 9JG + 44 20 7319 4000						
FSA Recognised						
UK Equity Retail Acc			£160.19		–1.96	–
UK Equity Instl Acc	5		£86.95		–1.06	–
Ingenious Asset Management Ltd (CYM)						
Regulated						
Fund of Hedge Funds GBP Jun 30			£128.87		.....	–
Fund of Hedge Funds USD Jun 30			$100.54		.....	–

Insinger de Beaufort

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Insinger de Beaufort Asset Mgmt						
Other International Funds						
Absolute Return Directional Managers A			$138.03		.....	–
IdB Equity Income Fund			€43.13		(z)	–
IdB Global Convertible Fund			€44.90		(z)	–
IdB Multi – Manager Balanced C			€91.25		.....	–
IdB Real Estate Equity Fund			€99.32		(z)	–
Intrinsic Value Investors (IVI) LLP (IRL)						
1 Hat & Mitre Court, 88 St John Street, London EC1M 4EL +44 (0)20 7566 1210						
FSA Recognised						
IVI European Fund EUR	0	E	€9.39		–0.010000	–
IVI European Fund GBP	0	E	£10.55		+0.020000	–

Invesco Perpetual

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
INVESCO Fund Managers Ltd (1200)F (UK)						
30 Finsbury Square, London,EC2A 1AG						
Dealing : 0800 085 8571						
Investor Services: 0800 085 8677						
Broker Services: 0800 028 2121						
Administration Enquiries : 0800 085 8677						
www.invescoperpetual.co.uk						
Authorised Inv Funds						
Invesco Perpetual Funds						
European Equity Income Acc	5				.....	–
European Equity Income Inc	5				.....	–
Asian Acc	5		247.11		+1.39	0.23
Asian Inc	5		234.81		+1.32	0.23
Childrens Acc	5		214.8		–3.28	1.85
Corporate Bd Acc (Gross)	5		121.57		+0.4	5.48
Corporate Bd Inc (Gross)	5		74.51		+0.24	5.49
Corporate Bond Acc	5		116.19		+0.37	5.49
Corporate Bond Inc	5		74.28		+0.24	5.49
Distribution Acc	5	C	65.2		+0.17	7.5
Distribution Acc (Gross)	5	C	68.34		+0.18	7.49
Distribution Inc	5	C	54.07		+0.14	7.51
Distribution Inc (Gross)	5	C	54.11		+0.15	7.48
Emerging Countries Acc	5		175.09		+1.16	0.65
Emerging Countries Inc	5		166.58		+1.09	0.65
Emerging European Acc	5		45.54		+0.79	1.54
Emerging European Inc	5		45.54		+0.78	1.54
European Equity Acc	5		535.32		+0.61	0.93
European Equity Inc	5		515.56		+0.58	0.94
European High Income Acc	5		47.95		+0.44	5.86
European High Income Inc	5		47.34		+0.44	5.86
European High Yield Acc	5		56.95		+0.22	8.43
European High Yield Inc	5		32.35		+0.13	8.41
European High Yld Acc(Gross)	5		60.73		+0.25	8.41
European High Yld Inc(Gross)	5		32.35		+0.13	8.41
European Smlr Cos Acc	5		129.7		–0.1	0.15
Global ex UK Core Equity Index	5		92.31		+0.26	1.22
Global (ex UK) Enhanced Index Acc	5		104.27		+0.33	0.89
Global Balanced Index	5		95.16		–0.21	2.78
Global Bd Acc (Gross)	5		86.74		+1.19	3.87
Global Bd Inc (Gross)	5		62.91		+0.86	3.87
Global Bond Acc	5		84.04		+1.14	3.86
Global Bond Inc	5		62.76		+0.86	3.86
Global Dynamic Theme Acc	5		51.19		+0.33	0.02
Global Smaller Cos Acc	5		785.6		+1.46	0.55
Global Smaller Cos Inc	5		769.26		+1.44	0.55
High Income Acc	5	C	421.96		+0.45	3.71
High Income Inc	5	C	303.83		+0.32	3.81
Hong Kong & China Acc	5		237.29		–0.65	0.13
Income & Growth Acc	5	C	533.98		–5.77	4.42
Income & Growth Inc	5	C	307.29		–3.32	4.57
Income Acc	5	C	1642.17		+1.19	3.66
Income Inc	5	C	1212.92		+0.88	3.76
International Equity Acc	5		265.39		+0.42	0.56
International Equity Inc	5		256.84		+0.41	0.56
Intl Growth Acc	5		368.42		+0.61	0.82
Japan Acc	5		188.59		+2.31	0.09
Japanese Smlr Cos Acc	5		40.85		+0.36	0
Latin America Acc	5		124.8		+0.33	0.5
Latin America Inc	5		114		+0.31	0.5
Money Acc	0		85.24		+0.02	5.23
Money Acc (Gross)	0		88.97		+0.02	5.24
Monthly Income Plus Acc	5	C	171.94		+0.51	8.53
Monthly Income Plus Acc (Gross)	5		183.2		+0.56	8.52
Monthly Income Plus Inc	5	C	94.14		+0.28	8.52
Monthly Income Plus Inc (Gross)	5		94.28		+0.29	8.52
Pacific Acc	5		523.56		+4.26	0.09
Pacific Inc	5		499.73		+4.06	0.09
UK Aggressive Acc	5		95.71		–0.62	1.37
UK Aggressive Inc	5		90.8		–0.59	1.39
UK Enhanced Index Acc	5		233.9		–1.71	3.79
UK Opportunities Acc ♣	5		119.11		–1.77	2.32
UK Opportunities Inc	5		107.39		–1.6	2.36
UK Growth Acc	5		292.98		–5.06	1.71
UK Growth Inc	5		217.4		–3.75	1.73
UK Focus Acc	5		71.92		–1.35	2.27
UK Focus Inc	5		66.87		–1.26	2.33
UK Smaller Cos Equity Acc	5		392.89		–4.24	1.03
UK Smaller Cos Equity Inc	5		320.8		–3.62	1.04
UK Smaller Cos Gwth Inc	5		78.12		–0.25	0
UK Smllr Cos Gwth Acc	5		78.1		–0.26	0
UK Strategic Income Acc	5		88.09		–0.29	3.47
UK Strategic Income Inc	5		85.81		–0.28	3.47
US Aggressive Acc	5		89.99		(z)	0
US Equity Acc	5		292.29		+1.76	0
US Equity Benchmark Plus Acc	5		45.15		.....	–
US Equity Benchmark Plus Inc	5		45.15		.....	0
US Smaller Cos Acc	5		173.12		(z)	0
US Smaller Cos Inc	5		171.47		(z)	0
World Growth Pflio Acc	5		96.78		–0.01	1.05
World Growth Pflio Inc	5		87.19		.....	1.06
World Income Acc	5	C	94.54		–0.01	2.88
World Income Inc	5	C	73.27		–0.01	2.93
Invesco Perpetual Funds (No Trail)						
European Equity Income (No Trail) Acc	5				.....	–
European Equity Income (No Trail) Inc	5				.....	–
Asian (No Trail) Acc	5		99.82		+0.56	0.73
Asian (No Trail) Inc	5		99.51		+0.56	0.73
Corporate Bond (No Trail) Acc	5		101.92		+0.33	5.72
Corporate Bond (No Trail) Inc	5		98.18		+0.31	5.73
Distribution (No Trail) Acc	5		96.47		+0.26	7.5
Distribution (No Trail) Inc	5		91.06		+0.24	7.49
Emerging European (No Trail) Acc	5		91.38		+1.56	2.06
Emerging European (No Trail) Inc	5		91.38		+1.56	2.06
European Equity (No Trail) Acc	5		91.02		+0.1	1.41
European Equity (No Trail) Inc	5		90.75		+0.1	1.42
European High Income (No Trail) Acc	5		96.02		+0.89	5.86
European High Income (No Trail) Inc	5		94.8		+0.87	5.86
High Income (No Trail) Acc	5		86.99		+0.1	3.71
High Income (No Trail) Inc	5		83.47		+0.09	3.82
Income (No Trail) Acc	5		86.94		+0.06	3.65
Income (No Trail) Inc	5		84.48		+0.06	3.75
Monthly Income Plus (No Trail) Acc	5		95.7		+0.29	8.53
Monthly Income Plus (No Trail) Inc	5		89.44		+0.27	8.52
UK Aggressive (No Trail) Acc	5		75.94		–0.49	1.85
UK Aggressive (No Trail) Inc	5		75.3		–0.48	1.87
UK Growth (No Trail) Acc	5		74.73		–1.29	2.18
UK Growth (No Trail) Inc	5		73.88		–1.27	2.2
UK Strategic Income (No Trail) Acc	5		337.61		–1.09	3.48
UK Strategic Income (No Trail) Inc	5		328.88		–1.06	3.48
US Equity Benchmark Plus (No Trail) Acc	5		90.81		.....	0
US Equity Benchmark Plus (No Trail) Inc	5		90.81		.....	0

Invesco

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Invesco (LUX)						
Dublin 00 353 1 439 8100 Hong Kong 00852 3191 8282						
FSA Recognised						
Invesco Management SA						
Invesco Asia Opportunities Equity A			$80.76		–0.96	0.00
Invesco Asia Pacific Real Est Sec Fd A Dist	5¼		$9.77		.....	–
Invesco Asia Consumer Demand Fund A income	5¼		$8.85		–0.12	–
Invesco Asia Infrastructure (A)			$13.65		–0.17	0.89
Invesco Absolute Return Bond Fund A			€2.7068		.....	1.94
Invesco Absolute Return Bond II Fund A			€9.93		.....	2.66
Invesco Capital Shield 90 (EUR) A			€11.8		–0.01	–
Invesco Capital Shield 90 (USD) A			$11.43		–0.01	–
Invesco Pan European High Income Fund A			€9.16		+0.02	6.54
Invesco Emerging Local Currencies Debt A Inc.			$11.3079		+0.05	–
Invesco Emerging Europe Equity Fund A			$13.57		+0.07	–
Invesco Energy A			$31.16		–0.02	–
Invesco Euro Bond Fund (A)		C	€9.9446		.....	3.15
Invesco Euro Corporate Bond Fund (A)			€10.33		+0.02	4.22
Invesco Euro Inflation Linked Bond A			€13.8191		+0.03	1.18
Invesco Euro Reserve A			€312.81		+0.04	3.65
Invesco European Bond A			€4.326		.....	4.07
Invesco European Growth Equity A			€13.7		–0.13	–
Invesco Global Absolute Return Fund A Class	5¼		€10.13		–0.03	–
Invesco Global Bond A Inc			$5.0332		+0.02	3
Invesco Global Flexible (EUR) A Acc			€9.25		–0.06	–
Invesco Global Growth Equity A Inc			$9.06		–0.05	–
Invesco Global Leisure A			$18.39		–0.21	–
Invesco Global Structured Equity A			$36.48		–0.29	–
Invesco Greater China Equity A			$29.07		–0.45	–
Invesco India Equity A			$37.66		–0.61	–
Invesco Nippon Select Equity A			Y313		–7.00	–
Invesco Nippon Small/Mid Cap Equity A			Y724		–11.00	–
Invesco Pan European 130/30 Equity Fund A EUR	5¼		€5.5		.....	–
Invesco Pan European Equity A EUR Cap NAV			€10.73		–0.10	–
Invesco Pan European Small Cap Equity A			€13.33		–0.10	–
Invesco Pan European Structured Equity A			€7.99		–0.03	–
Invesco UK Investment Grade Bond A			£0.8254		.....	–
Invesco US 130/30 Equity Fund A dist	5¼		$9.74		–0.13	–
Invesco US Growth Equity A			$4.04		–0.02	–
Invesco US Structured Equity A			$14.69		–0.15	–
Invesco USD Reserve A			$85.93		+0.01	1.6
Invesco Asset Mgmt Ireland Ltd (IRL)						
Regulated						
Alpha Portfolios Plc						
Invesco Asia Alpha			$21.11		–0.19	0.00
Invesco Japan Alpha			$20.75		–0.36	–
Invesco Asset Mgmt Ireland Ltd (IRL)						
Dublin 00 353 1 439 8100 Hong Kong 00 852 2842 7200						
FSA Recognised						
Invesco US Equity A			$14.03		–0.17	–
Invesco Asian Equity A			$4.69		–0.04	–
Invesco ASEAN Equity A			$75.19		–0.03	0.00
Invesco Bond A			$25.31		+0.15	2.48
Invesco Continental Eurp Small Cap Eqty A			$114.18		–0.37	0.00
Invesco Emerging Markets Equity A			$35.08		–0.20	0.00
Invesco Emerging Markets Bond A			$19.84		.....	6.83
Invesco Continental European Equity A			€5.65		–0.03	–
Invesco Gilt A			£12.09		+0.01	4.68
Invesco Global Small Cap Equity A NAV			$74.49		–0.42	0.00
Invesco Global High Income A NAV			$11.63		.....	6.93
Invesco Gbl R/Est Secs A GBP F F	5¼		£5.93		–0.12	–
Invesco Global Health Care A			$71.07		–0.13	0.00
Invesco Global Select Equity A			$11.16		–0.19	–
Invesco Japanese Small/Mid Cap Equity A.			$19.63		–0.09	0.00
Invesco Jap Eqty Core A			$1.43		.....	–
Invesco Japanese Equity A.			$21.36		–0.18	0.00
Invesco Korean Equity A			$18.41		–0.27	0.00
Invesco PRC Equity A			$39.37		–0.64	0.00
Invesco Pacific Equity A.			$33.85		–0.21	0.00
Invesco Global Technology A			$10.35		–0.03	0.00
Invesco Global Telecom A			$16.19		–0.10	0.00
Invesco UK Eqty A			£5.13		–0.04	–
Invesco Global Distributors Ltd (IRL)						
Dublin 00 353 1 439 8100 Hong kong 00 852 2842 7200						
FSA Recognised						
Invesco Stlg Bd A F			£2.3894		.....	7.2
Invesco Stlg Bd A QD F			£2.0669		.....	7.2
Invesco Sterling Rerserve F			£1.6443		.....	4.99
Invesco Sterling Reserve A Dist F	5¼		£1.6443		.....	4.99

Investec Asset Management

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield
Investec Fd Mgrs (1200)F (UK)						
2 Gresham Street, London, EC2V 7QP						
Broker Support 020 7597 1900 Dealing 020 7597 2300						
www.investecassetmanagement.com						
Authorised Inv Funds						
OEIC Series i,ii,iii, & iv						
American Acc	4½		137.99		(z)	0.0
American B Acc	4½		139.29		(z)	0.0
Asia ex Japan A Acc	4½		216.42		(z)	0.63
Asia ex Japan B Acc	4½		2164.62		(z)	0.83
Balanced Managed A Inc.	4½		91.67		(z)	1.2
Balanced Managed B Acc	4½		94.24		(z)	2.21
Capital Accumulator A Acc	4½		143.81		(z)	0.0
Cautious Mgd Inc	4½		172.87		(z)	2.84
Cautious Mgd Acc	4½		239.16		(z)	2.79
European Acc	4½		282.21		(z)	0.62
Emerging Market Debt A acc Net	4½		120.73		(z)	7.66
Emerging Market Debt A Acc Gross	4½		120.77		(z)	7.66
Emerging Market Debt A Inc Net	4½		111.8		(z)	7.68
Emerging Market Debt A Inc Gross	4½		112.17		(z)	7.66
Global Bond A Inc	4½		68.96		(z)	3.56
Global Bond A Gross Inc	1		69.16		(z)	3.56
Global Equity A Acc	4½		66.57		(z)	0.0
Global Energy A Acc.	4½		218.74		(z)	0.02
Global Extension A Acc	4½		88.81		(z)	0.62
Global ex UK Equity A Acc	4½		96.24		(z)	0.0
Global Free Enterprise Acc	4½		350.64		(z)	0.08
Global Gold A Acc NAV	4½		112.1		(z)	0.0
Global Dynamic A Acc	4½		60.66		(z)	0.0
Japan Fund A Acc NAV	4½		63.92		(z)	0.0
Managed Distribution Inc	4½		72.05		(z)	3.87
Managed Distribution Acc	4½		195.59		(z)	3.87
Managed Growth A	4½		109.81		(z)	0.0
Monthly High Income Inc.	4½		70.67		(z)	7.84
Monthly High Income Acc	4½		130.37		(z)	7.81
Pan–European Equity A Acc	4½		599.66		(z)	0.4
Stlg Bond Inc	3½		114.69		(z)	4.69
Stlg Bond Acc	3½		179.33		(z)	4.69
Target Return A Net	4½		105.37		(z)	4.02
UK Alpha Acc A	4½		1040.64		(z)	0.91
UK Blue Chip Acc	4½		477.68		(z)	1.66
UK Smaller Cos Acc	4½		1199.29		(z)	0.12
UK Smaller Cos Inc	4½		1125.86		(z)	0.12
UK Special Situations Inc.	4½		265.12		(z)	3.13
UK Special Situations Acc	4½		541.38		(z)	3.1
UK Special Situations B Inc	4½		269.05		(z)	3.42
UK Special Situations B Acc	4½		552.13		(z)	3.34
Investec Asset Management Ireland Ltd (IRL)						
JP Morgan Admin Svs Ire Ltd, JP Morgan Hse, IFSC Dub 1 00 353 1 612 3363						
FSA Recognised						
Investec Liquidity Funds Plc						
Euro Cash Plus A			€11.0496		.....	–
Sterling Cash Plus A			£12.2961		.....	–
US Dollar Cash Plus A					.....	–
Euro Cash Plus I			€11.8003		.....	–
Sterling Cash Plus I	0		£13.0833		.....	–
US Dollar Cash Plus I	0		$11.8089		.....	–
Euro Liquidity A			€11.4836		.....	–
Sterling Liquidity A			£12.6716		.....	–
US Dollar Liquidity A			$11.7604		.....	–
Euro Liquidity I	0		€1		.....	4.30259
Sterling Liquidity I	0		£1		.....	5.44963
US Dollar Liquidity I	0		$1		.....	2.52923
Investec Global Strategy Fund (LUX)						
49 Avenue JF Kennedy						
L–1855 Luxembourg Enquiries 020 7597 1800						
FSA Recognised						
Investec Global Strategy Fund						
American Equity A Inc	5		$78.19	78.19	–0.8	0.0
Asian Equity A Inc	5		$22.45	22.45	–0.58	0.0
Continental European Equity A Inc	5		$393.52	393.52	–7.65	1.0389
Emerging Markets Debt A Acc Gross	5		$20.99	20.99	–0.11	8.8034
Emerging Markets Debt A Inc Gross	5		$20.1	20.1	–0.11	8.5361
EAFE A Inc	5		$16.7	16.7	–0.27	1.0553
Euro Money A Inc	0		€26.1989	26.1989	+0.0031	4.0582
Euro Money A Acc	0		€67.3691	67.3691	+0.0082	4.0994
European Bond A Inc	5		€23.22	23.22	+0.06	4.3554
Global Strategic Managed A Inc.	5		$39.43	39.43	–0.23	0.345
Global Strategic Managed A Acc	5		$89.0	89.0	–0.52	0.3438
Global Bond A Inc	5		$39.05	39.05	+0.03	4.0949
Global Bond A Acc	5		$77.98	77.98	+0.04	4.1573
Global Dynamic A Inc	5		$95.06	95.06	–0.7	0.0
Global Dynamic A Acc	5		$95.69	95.69	–0.71	0.0
Global Dynamic Resources A Acc Gross	5		$9.31	9.31	–0.006	0.0
Global Dynamic Resources A Inc Gross	5		$9.306	9.306	–0.006	0.0
Global Energy A Inc	5		$354.67	354.67	–2.56	0.0
Global Equity A Inc	5		$222.8	222.8	–2.47	0.1159
Global Equity A Acc	5		$223.93	223.93	–2.47	0.1159
Global Gold A Inc	5		$59.25	59.25	–0.43	0.0
Global Growth A Inc	5		$31.3	31.3	–0.21	0.0
Global Growth I Inc	5		$22.78	22.78	–0.15	0.3087
Global Growth Z Inc	3		$22.17	22.17	–0.15	0.1442
Global Strategic Income A Inc	5		$20.21	20.21	+0.02	9.5146
Global Strategic Income A Acc	5		$19.97	19.97	+0.02	9.7395
Global Strategic Equity A Inc	5		$88.1	88.1	–1.09	0.0738
Global Strategic Equity A Acc	5		$16.07	16.07	–0.2	0.0759
High Income Bond (Euro) A Inc	5		€18.85	18.85	+0.04	9.026
High Income Bond (Sterling) A Inc	5		£17.07	17.07	+0.03	9.1421
High Income Bond (Sterling) A Acc	5		£47.79	47.79	+0.08	9.4604
High Income Bond (US Dollar) A Inc	5		$34.91	34.91	+0.03	9.0904
Japan Equity A Inc	5		$19.59	19.59	–0.36	0.0
Managed Currency A Acc.	5		£6.23	6.23	+0.003	4.5256
Managed Currency A Inc	5		$37.09	37.09	–0.1	3.0273
Managed Currency A Acc.	5		$134.63	134.63	–0.39	3.0501
Pan European Equity A Inc	5		€60.21	60.21	–0.88	0.7642
Pan European Equity A Acc.	5		€60.64	60.64	–0.88	0.7726
Sterling Bond A Inc	5		£11.22	11.22	+0.03	6.1856
Sterling Money A Inc	0		£10.0155	10.0155	+0.0012	4.8557
Sterling Money A Acc	0		£54.9689	54.9689	+0.0065	4.9147
UK Equity A Inc	5		£52.5	52.5	–0.54	1.1672
US Dollar Bond A Inc	5		$28.79	28.79	+0.1	2.7253
US Dollar Money A Inc	0		$20.0807	20.0807	+0.0018	1.8073
US Dollar Money A Acc	0		$64.7014	64.7014	+0.0058	1.8154
Investec Asset Mgmt (Guernsey) Ltd (GSY)						
Regulated						
Investec Expert Investment Funds PCC Limited						
Global Commodities and Resources Fund A Acc Gross			$25.512	26.854	–0.319	0.0
Investec Professional Funds PCC Ltd						
Absolute Return Series 1 NAV Jul 25			$30.94	32.568	.....	–
Absolute Return Series 2 NAV (Final) Jul 25			$13.79		.....	–
Trio Fund A			$28.89	30.63	.....	–
Investec Premier Funds PCC Ltd						
Investec Africa Fund A			$30.041	31.622	.....	0.0
Investec Pan Africa Fund A	5		$34.325	36.131	.....	0.0
Investec International Funds (IRL)						
Regulated						
Global Managed B			$1.8306	1.9269	(z)	–
InvestmentPlus Plc (IRL)						
Regulated						
PolicyPlus Endowmt Gwth A Jun 30			£12.01		.....	0.00
Invista Real Estate Investment Mgmt (CI) Ltd (GSY)						
Regulated						
Invista Property Portfolio Fund						
Invista Property Portfolio A			£1.276	1.316xd	.....	3.02
Invista Property Portfolio B			£1.276	1.316xd	.....	3.21
Invista Property Portfolio D			€0.987	1.018xd	.....	–
JF Asset Management Limited						
Other International Funds						
Asia Pacific Funds						
JF ASEAN(z)			$73.21	77.26	.....	–
JF Asian Total Return Bond			$10.67	11.00	.....	–
JF Australia			$27.29	28.81	.....	–
JF Eastern(z)			$224.34	236.75	.....	–
JF Eastern Smaller Cos			$98.33	103.77	.....	–
JF India			$176.09	185.82	.....	–
JF Indonesia			$14.33	15.12	.....	–
JF Japan (Yen)(z)			Y16456	17366	.....	–
JF Japan OTC			Y1000	1056	.....	–
JF Japan Smaller Cos (Yen)			Y36266	38271	.....	–
JF Japan Technology			Y47836	50480	.....	–
JF Korea			$39.80	42.00	.....	–
JF Malaysia			$35.36	37.32	.....	–
JF Pacific Securities(z)			$185.67	195.93	.....	–
JF Pacific Smaller Cos			$21.65	22.85	.....	–
JF Pacific Technology			$32.40	34.19	.....	–
JF Philippine			$38.00	40.10	.....	–
JF Thailand			$48.75	51.44	.....	–

Managed Funds Service

Managed Funds Service

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield
Oceanic Asset Management (1000)F (UK)						
2 The Boulevard, City West One Office Park, Leeds LS12 6NT 08456 061460						
Authorised Inv Funds						
CF Australian Natural Resources GBP		4	122.27		-3.51	0.00
CF Australian Natural Resources AUD		4	A$2.5932		-0.06	0.00
CF Global Resources EUR Acc		5	€1.1157xd		-0.01	0.00
CF Global Resources GBP Acc		5	88.52xd		-0.71	0.00

Managed Funds Service

Zulauf Europe LDC

Other International Funds

Europe Fd USD Aug 1	$314.355	.....	–
Europe Fd EUR Aug 1	€147.831	.....	–

Money Market Trusts and Bank Accounts

	Gross	Net	Gross AER	Int Cr
AMC Bank Ltd High Interest Cheque Account				
AMC, Charlton Place, Charlton Road, Andover SP10 1RE 01264 334747				
£5.000+	3.55	2.84	3.598	Qtr
CAF Bank Ltd				
PO Box 289 Kings Hill, West Malling, Kent ME19 4JQ 08700 605507				
Caf Gold Balances Under £2 Million .	4.85		4.94	Qtr
Caf Gold Balances Over £2 Million	4.95		5.04	Qtr
Cafcash High Interest Cheque Acc				
Cafcash Balances from £1–250k .	4.10		4.16	Qtr
Cafcash Balances from £250,001 – £1M ..	4.35		4.42	Qtr
Cafcash Balances > £1M .	4.60		4.68	Qtr
CCLA Investment Management Ltd				
80 Cheapside, London EC2V 6DZ 0800 022 3505				
CBF Church of England Deposit Fund	5.50		5.61	3Mths
COIF Charities Deposit Fund	5.50		5.61	3Mths
Close Brothers Limited – Crystal Account				
10 Crown Place, London EC2A 4FT 020 7655 3407				
7 Days Notice Deposit – £5,000+				
Base Rate Less 0.5%	4.5	3.6	4.55	6Mthly

Money Market Rates available on request

Guide to Data

The fund prices quoted on these pages are supplied by the operator of the relevant fund. Details of funds published on these pages, including prices, are for the purpose of information only and should only be used as a guide. The Financial Times Limited makes no representation as to their accuracy or completeness and they should not be relied upon when making an investment decision.

The sale of interests in the funds listed on these pages may, in certain jurisdictions, be restricted by law and the funds will not necessarily be available to persons in all jurisdictions in which the publication circulates. Persons in any doubt should take appropriate professional advice. Data collated by **Interactive Data (Europe) Limited**. Telephone **+ 44 (0)207 417 1200**. For other queries contact **reader.enquiries@ft.com**.

The fund prices published in this edition along with additional information are also available on the Financial Times website, **www.ft.com/funds**. The funds published on these pages are grouped together by fund management company and shown in alphabetical sequence. Within each group funds are displayed in the following order: **Authorised Investment Funds & OEICs (authorised in the UK by the Financial Services Authority), Property & Other UK Unit Trusts, FSA Recognised funds, Regulated funds, International Insurance Funds, Other International Funds**.

Prices are in pence unless otherwise indicated. The change, if shown, is the change on the previously quoted figure (not all funds update prices daily). Those designated $ with no prefix refer to US dollars. Yield percentage figures (in Tuesday to Saturday papers) allow for buying expenses. For FT fund ratings see Monday's FTfm, where available, or **www.ft.com**. Prices of certain older insurance linked plans might be subject to capital gains tax on sales. **Free fund information and prospectuses available for funds with the ♣ symbol.** To order call +44 (0)20 8391 6019, open 24 hours, including weekends or visit the internet www.ftannualreports.com. Information mailed next business day, subject to availability.

Guide to pricing of Authorised Investment Funds (compiled with the assistance of the IMA. The Investment Management Association, 65 Kingsway, London WC2B 6TD. Tel: +44 (0)20 7831 0898.)

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Share Classes: Separate classes of share are denoted by a letter or number after the name of the fund. Different share classes are issued to reflect a different currency, charging structure or type of holder.

Initial Charge: Charges made by manager/operator to the buyer. Used to defray marketing and administrative costs, including commission paid to intermediaries. For dual priced unit trusts this charge is included in the buying price of units. See also "Single Price".

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same. Manager's/operator's initial charges are shown separately.

Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: ✠ 0001 to 1100 hours; ♦ 1101 to 1400 hours; ▲ 1401 to 1700 hours; **#** 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation.

Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. (Z) Previous day's prices shown. Susp = Suspended. Charges for this advertising service are based on the number of lines published and the classification of the fund. Please contact **data@ft.com or call +44 (0)20 7873 3132** for further information.

American Stocks

Stock	Price	Chng	52 week High	52 week Low	Yld	P/e	Vol '000s
UtdHlthcre ✢	31.61	+.13	58.99	22.16	0.1	10.8	1905
UtdTech ✢	66.1xd	−.41	82.07	59.70	1.9	14.3	1331
ValeroE ✢	34.79xd	+1.01	74.25	30.99	1.8	8	2402
VarianMedS	63.32	−.16	63.90	37.82	....	29.1	473
Verizon ✢	34.35	−.47	45.86	33.60	4.9	15.2	2968
VF Cp	77.12	−.43	87.89	63.79	3	13.9	339
ViacomA	29.36	+.14	44.83	28.02	....	11.5	19
ViacomB ✢	29.17	+.18	44.79	27.69	....	11.3	1428

MARKET SUMMARY

Market Data provided by REUTERS

AMERICA

ACTIVE STOCKS

Wednesday 4pm Close	Stocks traded m's	Close price	Day's Change
Sirius Satellte	72.3	1.38	+ .01
NVIDIA	52.4	12.26	+ 1.19
Microsoft	49.8	27.91	− .21
Intel	46.2	24.12	− .40
Appl Material-T	38.4	19.33	+ .86
Cisco Systems	35.2	24.31	− .19
Apple	30.0	179.30	+ 2.57
Oracle Corp	25.7	23.01	+ .11
Merrill Lynch	23.1	25.60	+ .72
Level 3 Communi	19.5	3.18	− .21

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
NVIDIA	12.26	+ 1.19	+ 10.75
Foster Wheeler	50.26	+ 3.96	+ 8.55
Peabody Energy	58.85	+ 4.52	+ 8.32
Consol Energy	65.26	+ 4.68	+ 7.73
Downs			
Liz Claiborne	13.18	− 1.73	− 11.6
Regions Finan	8.36	− 0.7	− 7.73
General Motors	10.26	− 0.84	− 7.57
Wachovia	14.81	− 1.19	− 7.44

Based on the constituents of the S&P 500 and the Nasdaq 100 index.

LONDON

ACTIVE STOCKS

Wednesday	Stocks traded m's	Close price	Day's Change
Royal Bank Scot	163.1	229.75	− 15.75
Vodafone	140.5	139.90	− 2.45
Barclays	92.4	351.50	− 27.00
HBOS	74.6	307.00	− 24.00
DSG Intl	57.6	54.50	− 10.25
BP	53.5	524.50	− 10.50
Lloyds TSB Gp	52.7	308.50	− 20.50
HSBC	49.7	853.75	− 15.25
BT Group	43.6	179.80	− 3.50
Kingfisher	34.2	124.60	− 13.80

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Protherics	38.25	+ 7	+ 22.4
Emblaze	26.5	+ 3	+ 12.77
Euromoney Instit	385.5	+ 35.5	+ 10.14
Aquarius Plat	450	+ 39.5	+ 9.62
Downs			
Savills	211.75	− 40.5	− 16.06
DSG Intl	54.5	− 10.25	− 15.83
Barratt Dev	135.5	− 24.5	− 15.31
JD Wetherspoon	246.75	− 42.25	− 14.62

Based on the constituents of the FTSE All-Share index.

EURO MARKETS

ACTIVE STOCKS

Wednesday	Turnover Euro/m's	Close price	Day's Change
E.ON	709.2	38.64	+ .13
Deutsche Bank	677.9	60.01	− 3.52
BSCH	556.1	12.02	− .44
ING Groep NV	513.3	22.73	− .26
UniCredito Ital	435.2	3.78	− .13
BNP Paribas	421.1	59.80	− 3.05
Daimler	412.6	41.34	− 2.03
Total SA	408.9	47.60	− .77
Allianz	399.1	109.48	− 4.24
Sciet Genrle	393.0	63.97	− 4.06

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Fortum Oyj	26.01	+ 0.8	+ 3.17
Fresenius	55.29	+ 1.49	+ 2.77
Continental AG	73.17	+ 1.57	+ 2.19
UCB SA	27.2	+ 0.56	+ 2.12
Downs			
Ryanair Hldgs	2.67	− 0.24	− 8.25
Natixis	6.14	− 0.5	− 7.53
Commerzbank	20.54	− 1.52	− 6.89
Michelin	45.64	− 3.33	− 6.8

Based on the constituents of the FTSEurofirst 300 Eurozone index.

TOKYO

ACTIVE STOCKS

Wednesday	Stocks traded m's	Close price	Day's Change
Nippon Steel	80.5	519	+ 3
Mitsub UFJ FG	66.5	841	− 37
Sumitomo Metal	63.4	447	− 6
Mitsubishi Heavy	31.8	531	− 18
GS Yuasa	21.9	525	+ 10
Showa Denko	20.7	277	+ 10
Softbank	20.3	1958	− 72
Mitsui OSK Lines	19.6	1235	+ 20
Nippon Sheet Gls	17.0	483	− 0
Kobe Steel	16.6	265	+ 1

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
IHI	203	+ 9	+ 4.64
Showa Denko	277	+ 10	+ 3.75
Mitsubishi Matls	398	+ 8	+ 2.05
NYK Line	860	+ 17	+ 2.02
Downs			
Tokai Carbon	1074	− 116	− 9.75
Clarion	161	− 13	− 7.47
Chiyoda	903	− 61	− 6.33
Kumagai Gumi	76	− 5	− 6.17

Based on the constituents of the Nikkei 225 index.

MAJOR MARKET VOLUMES

	Aug 13	Aug 12	5 day average
NYSE	418	270	552
Nasdaq	2066	2108	2245
UK	3515	3493	3088
France	209	247	217
Germany	249	196	210
Japan	1931	2035	2084

Volumes are rounded to nearest million.

MAJOR INDICES-HIGHS & LOWS

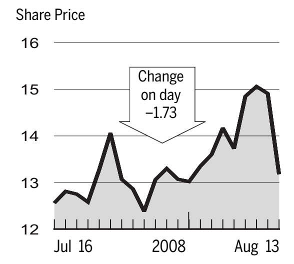
Aug 13	Open	Close	Day's high	Day's low
DJ Ind	11632.81	11532.96	11633.78	11453.34
Nasdaq Cmp	2424.32	2428.62	2443.44	2404.03
S&P 500	1288.64	1285.83	1294.03	1274.86
FTSE E300	1207.75	1179.64	1207.75	1178.73
FTSE 100	5534.50	5448.60	5534.50	5437.10
FTSE All Sh	2820.17	2776.20	2820.17	2770.72
CAC 40	4492.28	4402.97	4500.00	4397.62
XETRA DAX	6562.97	6422.19	6566.62	6417.33
Nikkei 225	13205.64	13023.05	13205.64	12953.34
Hang Seng	21270.86	21293.32	21665.75	21223.38
SMI	7258.34	7193.50	7280.44	7170.78
AEX	414.92	410.33	417.42	410.32

NYSE RISES AND FALLS

	Aug 13	Aug 12	Aug 11
Issues Traded	3221	3218	3214
Rises	1353	1061	1955
Falls	1777	2062	1158
Unchanged	91	95	101
New Highs	29	34	71
New Lows	73	55	49

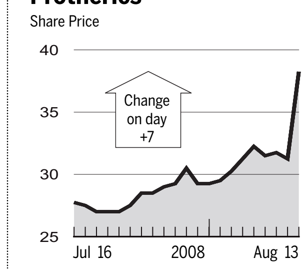
Liz Claiborne

Share Price



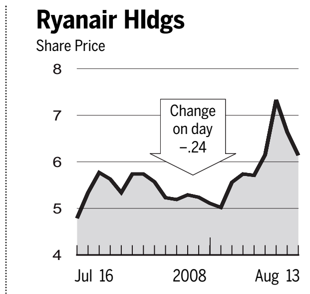
Protherics

Share Price



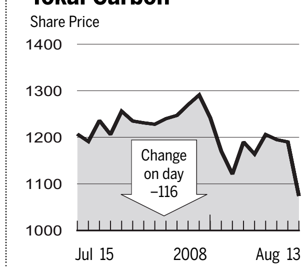
Ryanair Hldgs

Share Price



Tokai Carbon

Share Price



Other International Stocks

Market Data provided by REUTERS

Market Data

WORLD EQUITY MARKETS AT A GLANCE

www.ft.com/worldindicies

Country	Index	Aug 13	Aug 12
Argentina	Merval	1742.93	1696.60
Australia	S&P/All Ordinaries	4995.9	5090.3
	S&P/ASX 200 Res	5312.0	5375.5
	S&P/ASX 200	4951.6	5053.6
Austria	ATX	3515.45	3598.07
Belgium	BEL 20	3043.62	3117.14
	BEL Mid	3358.02	3412.11
Brazil	Bovespa	54573.18	54502.97
Canada	S&P/TSX Met & Min	703.17	660.73
	S&P/TSX 60	799.79	788.57
	S&P/TSX Comp	13377.22	13167.00
Chile	IGPA Gen ♥	13833.71	13951.40
China	Shanghai A	2567.67	2578.99
	Shanghai B	161.97	164.37
	Shanghai Comp	2446.30	2457.20
	Shenzhen A	730.97	727.90
	Shenzhen B	386.94	387.10
	FTSE/Xinhua A200	6837.72	6850.22
	FTSE/Xinhua B35	5825.99	5864.68
Colombia	CSE Index	8925.97	8833.36
Croatia	CROBEX	3633.80	3627.64
Cyprus	CSE M&P Gen	2766.50	2873.09
Czech Republic	PX	1448.3	1446.5
Denmark	OMX Copenhagen 20	408.02	416.12
Egypt	CASE 30	7850.02	8252.81
Estonia	OMX Tallinn	532.39	534.81
Finland	OMX Helsinki General	8375.30	8577.27
France	CAC 40	4402.97	4518.48
	SBF 120	3184.93	3268.83
Germany	M-DAX	8346.43	8482.52
	XETRA Dax	6422.19	6585.87
	TecDAX	768.78	778.98
Greece	Athens Gen	3287.93	3345.18
	FTSE/ASE 20	1790.00	1831.19
Hong Kong	Hang Seng	21293.32	21640.89
	HS China Enterprise	11111.37	11445.55
	HSCC Red Chip	4192.43	4239.82
Hungary	Bux	20260.25	20755.38
India	BSE Sens	15093.12	15212.13
	S&P CNX 500	3637.70	3656.10
Indonesia	Jakarta Comp	2063.52	2057.58
Ireland	ISEQ Overall	4401.01	4570.72
Israel	Tel Aviv 100	917.39	928.53
Italy	S&P MIB	28758.0	29380.0
	MIDEX	26286.0	26924.0
	Mibtel General	22081.0	22512.0
Japan	Nikkei 225	13023.05	13303.60
	Topix	1246.48	1271.42
	S&P Topix 150	1116.78	1139.19
	2nd Section	2617.55	2641.31
Jordan	Amman SE	9696.22	9702.27
Kenya	NSE 20	4565.86	4588.27
Latvia	OMX Riga	498.47	503.84
Lithuania	OMX Vilnius	401.99	405.16
Luxembourg	Lux General	1779.98	1769.78
Malaysia	KLSE Comp.	1112.53	1118.78
Mexico	IPC	26877.07	26636.55
Morocco	MASI	14079.92	14151.84
Netherlands	AEX	410.33	415.56
	AEX All Share	633.02	642.31
New Zealand	NZSX 50	3345.24	3353.63
Nigeria	SE All Share	48734.18	49318.32
Norway	Oslo All Share	462.48	470.42
Pakistan	KSE 100	9902.35	9963.58
Peru	Lima Gen	12096.13	11897.94
Philippines	Manila Comp	2721.94	2755.86
Poland	Wig	41049.76	41457.96
Portugal	PSI General	2829.55	2862.95
	PSI 20	8506.49	8639.92
Romania	BET Index	6048.60	6223.14
Russia	RTS	1776.06	1803.82
	MICEX Index	1424.44	1449.34
Singapore	Straits Times	2811.79	2816.82
Slovakia	Sax	448.99	448.99
Slovenia	SBI 20	7671.48	7678.46
South Africa	FTSE/JSE All Share	27035.65	26922.36
	FTSE/JSE Top 40	25009.48	24872.68
	FTSE/JSE Res 20	55377.02	54157.38
South Korea	KOSPI	1562.72	1577.12
	KOSPI 200	200.26	202.12
Spain	Madrid SE	1259.44	1291.02
	IBEX 35	11695.4	11996.1
Sri Lanka	CSE All Share	2451.23	2447.18
Sweden	OMX Stockholm 30	868.81	894.00
	OMX Stockholm AS	280.27	287.22
Switzerland	SMI Index	7193.50	7301.84
Taiwan	WeightedPr	7292.34	7293.80
Thailand	Bangkok SET	701.60	(c)
Turkey	IMKB Nat 100	41253.85	41461.84
UK	FTSE 100	5448.6	5534.5
	FT30	2233.1	2318.1
	FTSE All Share	2776.20	2820.17
	FTSE techMARK 100	1533.26	1534.95
	FTSE4Good UK	4563.46	4654.99
USA	DJ Industrial	11532.96	11642.47
	DJ Composite	4138.19	4150.95
	DJ Transport	5070.31	5076.75
	DJ Utilities	469.90	465.48
	S&P 500	1285.83	1289.59
	FTSE NASDAQ 500	6274.74	6287.87
	NASDAQ Cmp	2428.62	2430.61
	NASDAQ 100	1942.02	1941.07
	Russell 2000	747.69	744.94
	NYSE Comp.	8375.39	8398.71
	Wilshire 5000	13145.52	13163.60
Venezuela	IBC	39158.05	39113.69
Vietnam	VNI	464.01	459.89
CROSS-BORDER	DJ Stoxx 50 €	2887.69	2955.31
	DJ Euro Stx 50 €	3354.75	3436.85
	DJ Global Titans $	199.25 ♥	200.91
	FTSE Multinatls $	(u)	1170.13
	FTSE Global 100 $	1046.54	1056.62
	FTSE4Good Glob $	4898.71 ♥	4991.51
	FTSE E300 €	1179.64	1208.89
	FTSEurofirst 80 €	4303.10	4407.06
	FTSEurofirst 100 €	3761.23	3860.18
	FTSE Latibex Top €	4905.6	4912.8
	FTSE Gold Min $	2371.41	2255.81
	FTSE All World $	220.63	223.27
	FTSE World $	387.09	391.67
	MSCI All World $	1335.51	1357.05
	MSCI ACWI Fr $	(u) ♥	341.34
	MSCI Europe €	1232.28	1257.70
	MSCI Pacific $	2219.94 ♥	2249.58
	S&P Global 1200 $	1498.33	1515.46
	S&P Europe 350 €	1170.38 ♥	1201.35
	S&P Euro €	1349.35	1383.22

(c) Closed. (u) Unavailable. † Correction. ♥ Subject to official recalculation. For more Index coverage please see www.ft.com/worldindices.

FTSE GLOBAL EQUITY INDEX SERIES

www.ft.com/equities

Aug 13 Countries & regions	No of stocks	US $ index	Day %	Mth %	YTD %	Total retn	YTD %	Gross Div Yield
FTSE Global All-Cap	**7891**	**370.34**	**-1.1**	**-0.7**	**-16.2**	**419.42**	**-14.6**	**2.8**
FTSE Global Large Cap	1264	343.47	-1.2	-0.9	-16.5	392.40	-14.9	3.0
FTSE Global Mid Cap	1649	440.34	-1	-0.2	-15.4	489.85	-14.0	2.4
FTSE Global Small Cap	4978	451.97	-0.4	0.4	-14.9	497.80	-13.8	2.1
FTSE All-World (Large/Mid Cap)	2913	220.63	-1.2	-0.8	-16.3	261.92	-14.7	2.9
FTSE World (Large/Mid Cap)	2446	387.09	-1.2	-0.6	-15.8	616.70	-14.2	2.9
FTSE Global All Cap ex UK	7455	373.58	-0.9	-0.5	-15.7	419.97	-14.2	2.7
FTSE Global All Cap ex USA	5602	442.04	-1.8	-4.1	-19.6	513.78	-17.8	3.4
FTSE Global All Cap ex JAPAN	6607	374.66	-1.1	-0.2	-16.4	426.65	-14.8	2.9
FTSE Global All Cap ex Eurobloc	7073	359.97	-0.8	-0.5	-15.0	404.11	-13.7	2.5
FTSE All-World Developed	1997	343.64	-1.2	-0.1	-15.7	390.17	-14.1	2.9
FTSE Developed All-Cap	6053	353.68	-1.1	0.0	-15.4	400.00	-13.9	2.8
FTSE Developed Large Cap	854	325.86	-1.3	-0.2	-16.0	372.02	-14.3	3.0
FTSE Developed Europe Large Cap	229	375.60	-2.8	-1.7	-20.7	452.65	-18.2	4.3
FTSE Developed Europe Mid Cap	282	474.80	-2.9	-1.9	-19.7	553.05	-17.6	3.4
FTSE Dev Europe Small Cap	1052	553.06	-2.4	-1.4	-19.5	637.98	-17.6	3.2
FTSE All-World Developed Europe	511	244.28	-2.8	-1.7	-20.6	310.30	-18.1	4.2
FTSE North America Large Cap	306	292.33	-0.2	2.9	-12.2	325.24	-11.0	2.2
FTSE North America Mid Cap	415	401.06	0	3.1	-10.3	434.47	-9.4	1.7
FTSE North America Small Cap	1810	412.74	0.7	3.5	-8.0	443.55	-7.3	1.5
FTSE All-World North America	721	192.32	-0.2	3.0	-11.9	220.79	-10.7	2.2
FTSE All-World Dev ex North Am	1276	234.00	-2.3	-3.4	-19.7	288.61	-17.6	3.7
FTSE Japan Large Cap	170	318.58	-1	-5.5	-13.3	340.33	-12.5	1.8
FTSE Japan Mid Cap	296	352.29	-0.8	-4.4	-13.1	374.59	-12.3	1.7
FTSE JAPAN Small Cap	818	357.01	-0.8	-5.3	-13.6	384.57	-12.7	1.9
FTSE Japan (Large/Mid Cap)	466	124.64	-1	-5.3	-13.3	150.49	-12.4	1.8
FTSE Asia Pacific Large Cap ex Japan	412	523.12	-1.6	-5.2	-24.1	623.03	-22.6	3.3
FTSE Asia Pacific Mid Cap ex Japan	448	585.97	-1	-6.1	-28.3	688.86	-26.8	3.6
FTSE Asia Pacific Small Cap ex Japan	1120	505.58	-1.1	-8.1	-33.4	588.77	-32.2	3.4
FTSE All-World Asia Pacific Ex Japan	860	401.48	-1.5	-5.3	-24.7	509.92	-23.2	3.3
FTSE All Emerging All-Cap	1838	680.61	-0.8	-5.5	-21.8	789.47	-20.4	2.8
FTSE All Emerging Large Cap	410	689.38	-0.8	-6.3	-20.4	800.44	-19.0	2.7
FTSE All Emerging Mid Cap	506	680.57	-0.8	-2.7	-22.2	794.57	-20.6	3.2
FTSE All Emerging Small Cap	922	606.97	-0.5	-3.7	-31.5	694.06	-30.3	2.6
FTSE All-World All Emerging Europe	63	676.12	-2	-11.7	-20.6	791.69	-19.6	2.4
FTSE Latin Americas All-Cap	206	1257.76	0.5	-9.4	-10.8	1490.55	-9.4	2.7
FTSE Middle East Africa All-Cap	207	616.66	-0.9	-5.0	-18.4	733.02	-16.6	3.7
FTSE UK All Cap	436	338.53	-3.5	-2.0	-20.8	410.81	-18.6	4.2
FTSE USA All Cap	2289	311.78	-0.2	4.1	-11.3	343.72	-10.2	2.1
FTSE Europe All Cap	1683	415.49	-2.7	-2.2	-20.5	494.85	-18.1	4.0
FTSE Eurobloc All Cap	818	442.86	-2.6	-1.8	-22.0	528.43	-19.5	4.2
FTSE All-World Sector Indices								
Oil & Gas	**133**	**490.46**	**0.9**	**-11.2**	**-12.7**	**600.11**	**-11.5**	**2.4**
Oil & Gas Producers	103	442.39	0.6	-11.7	-14.1	544.66	-12.8	2.6
Oil Equipment & Services	30	522.39	3	-8.2	-3.0	618.70	-2.4	0.9

Countries & regions	No of stocks	US $ index	Day %	Mth %	YTD %	Total retn	YTD %	Gross Div Yield
Basic Materials	**270**	**555.09**	**0.9**	**-13.9**	**-14.2**	**674.11**	**-12.9**	**2.4**
Chemicals	106	468.55	0.6	-6.5	-9.4	570.56	-7.6	2.5
Forestry & Paper	19	222.21	-2.1	8.7	-23.4	285.79	-21.2	4.4
Industrial Metals	96	804.32	1.2	-16.6	-14.5	978.20	-13.1	2.8
Mining	49	1124.69	1	-20.5	-17.9	1351.82	-17.3	1.7
Industrials	**509**	**236.10**	**-1.4**	**0.5**	**-17.5**	**275.13**	**-16.1**	**2.6**
Construction & Materials	114	423.26	-1.9	-0.6	-27.0	513.02	-25.2	3.5
Aerospace & Defence	25	306.90	-1.2	8.1	-13.4	355.93	-12.4	2.0
General Industrials	56	178.19	-1.2	2.2	-19.0	214.13	-17.6	3.3
Electronic & Electrical Equipment	74	221.24	-1.5	1.1	-19.7	248.18	-18.7	1.6
Industrial Engineering	92	491.92	-2.1	-4.8	-19.1	574.95	-17.7	2.4
Industrial Transportation	88	385.65	-0.4	0.4	-8.7	448.12	-7.2	2.6
Support Services	60	188.08	-1.5	-1.0	-10.2	211.31	-9.1	2.1
Consumer Goods	**360**	**266.35**	**-1.1**	**4.6**	**-12.8**	**313.67**	**-11.2**	**2.5**
Automobiles & Parts	76	249.37	-2	3.2	-19.1	295.16	-17.5	2.7
Beverages	41	299.49	-0.6	6.1	-9.9	355.18	-8.6	2.6
Food Producers	88	369.80	-0.3	4.2	-10.0	446.45	-8.4	2.6
Household Goods	47	262.50	-1.4	9.4	-11.7	306.36	-10.0	2.5
Leisure Goods	30	238.16	-1.1	-1.3	-16.9	268.48	-15.9	1.7
Personal Goods	64	330.78	-2.1	7.5	-11.3	384.19	-10.0	2.2
Tobacco	14	627.22	-1	3.3	-8.6	885.36	-6.4	2.7
Health Care	**143**	**235.72**	**-0.4**	**4.5**	**-4.7**	**274.68**	**-3.0**	**2.2**
Health Care Equipment & Services	59	324.92	-0.2	9.2	-9.3	343.59	-8.9	0.6
Pharmaceuticals & Biotechnology	84	180.61	-0.4	3.0	-2.9	211.92	-0.8	2.7
Consumer Services	**362**	**201.88**	**-2.2**	**6.4**	**-12.6**	**225.76**	**-11.4**	**2.2**
Food & Drug Retailers	43	203.17	-2.5	2.4	-14.7	230.74	-13.5	2.0
General Retailers	114	249.81	-2.6	8.2	-7.8	276.09	-6.7	1.9
Media	98	139.44	-1.1	7.5	-14.0	155.60	-12.7	2.3
Travel & Leisure	107	208.94	-2.6	5.4	-16.4	236.02	-15.1	2.5
Telecommunications	**118**	**158.27**	**-1.5**	**-5.2**	**-22.8**	**196.70**	**-20.6**	**4.3**
Fixed Line Telecommuniations	69	144.15	-1.3	-4.8	-21.3	184.50	-18.6	5.1
Mobile Telecommunications	49	153.68	-1.7	-5.7	-24.8	186.01	-23.5	3.2
Utilities	**149**	**321.81**	**0**	**-5.8**	**-14.6**	**429.63**	**-12.5**	**3.4**
Electricity	100	338.95	0.2	-5.2	-13.0	454.81	-11.1	3.3
Gas, Water & Multiutilities	49	362.10	-0.3	-6.6	-16.7	483.44	-14.4	3.5
Financials	**664**	**210.69**	**-3.3**	**2.4**	**-25.5**	**263.67**	**-23.4**	**4.5**
Banks	266	227.74	-4	4.1	-25.0	298.65	-22.4	5.5
Nonlife Insurance	70	166.85	-2.4	-1.1	-24.5	192.35	-22.8	3.3
Life Insurance	40	207.42	-2.9	2.4	-23.3	256.20	-21.6	3.9
Real Estate	136	330.69	-2.8	-0.2	-21.2	435.45	-19.3	3.9
General Financial	144	170.75	-2.3	1.1	-32.0	195.03	-30.8	2.8
Equity Investment Instruments	8	262.94	-1.7	1.5	-18.9	336.18	-16.2	6.3
Technology	**205**	**103.23**	**-0.5**	**6.1**	**-10.5**	**109.72**	**-9.7**	**1.3**
Software & Computer Services	67	148.55	-0.3	4.5	-10.0	156.10	-9.5	0.9
Technology Hardware & Equipment	138	88.41	-0.6	7.0	-10.9	94.54	-9.8	1.5

The FTSE Global Equity Index Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World Index Series (large/mid cap) - please see www.ftse.com/geis. As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com.

FTSE EUROPEAN EQUITY INDICES

Aug 13	No of stocks	Euro index	Day's chge %	Change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Dev Eur L Cap	229	290.9	-2.5	-7.4	4.3	13.70	350.6
FTSE Dev Eur M Cap	282	367.7	-2.7	-10.1	3.4	14.96	428.3
FTSE Dev Eur S Cap	1052	428.3	-2.2	-9.4	3.2	15.19	494.1
FTSE AW Dev Eur	511	189.2	-2.5	-4.9	4.2	8.70	240.3
FTSEurofirst 80	79	4303.1	-2.4	-104.0	4.5	167.77	5212.6
FTSEurofirst 100	99	3761.2	-2.6	-99.0	4.5	136.29	4589.4
FTSEurofirst 300	314	1179.6	-2.4	-29.2	4.2	40.48	1586.3
FTSEurofirst 300 Ezone	195	1312.5	-2.3	-31.5	4.3	49.06	1741.6
FTSEurofirst 300 Supersectors							
Oil & Gas	16	339.5	-2.1	-7.4	4.2	10.17	394.0
Chemicals	11	599.3	-0.5	-2.9	2.9	17.26	664.8
Basic Resources	17	760.1	0.8	6.2	2.1	11.53	836.1
Construction & Materials	13	402.9	-3.8	-15.7	4.2	15.43	448.6
Industrial Goods & Servs	42	454.9	-2.6	-12.0	2.7	11.37	499.5
Automobiles & Parts	10	467.5	-3.7	-18.1	3.1	14.33	516.4
Food & Beverage	15	385.0	-0.8	-3.0	2.9	8.59	427.5
Personal & Hsehold Goods	17	413.9	-2.5	-10.6	2.6	9.81	455.3
Healthcare	16	305.8	-0.1	-0.2	3.0	8.80	338.8
Retail	12	292.5	-5.7	-17.7	3.3	8.32	324.5
Media	11	261.4	-2.2	-5.8	4.3	10.29	296.1
Travel & Leisure	7	318.9	-4.6	-15.3	4.3	11.28	360.6
Telecommunications	15	307.0	-1.9	-6.1	5.8	13.41	367.0
Utilities	25	526.6	-0.5	-2.7	3.8	17.51	617.7
Banks	47	268.6	-4.9	-13.9	6.7	13.93	317.4
Insurance	20	335.3	-3.4	-11.8	5.5	16.16	386.6
Financial Services	13	412.7	-4.3	-18.4	3.5	11.00	459.8
Technology	7	285.7	-2.4	-6.9	2.3	6.72	306.3

Further information is available on http://www.ftse.com.

Reader guide to data in the FT

Market data on the web

Much more data, including many tables not shown – and some no longer shown – in the paper and stock quotes updated during the day, are available on the market data pages of **www.ft.com**. Either click on the 'market data' side bar on the home page or go to **www.ft.com/marketsdata**. Bond and interest rate data can be found at **www.ft.com/bonds&rates**. UK gilt prices can be found at **www.ft.com/gilts** with the FTSE gilt indices at **www.ft.com/ftsegiltindices**. A full commodity data service with hundreds of price quotes can be found at **www.ft.com/commoditiesdata**. For additional currency data (including futures and options) visit **www.ft.com/currencydata**. Information about the FTSE sector classification for stocks can be found on **www.ft.com/ftsesectors** and the FT30 stock index at **www.ft.com/ft30**. Please send any comments to **reader.enquiries@ft.com**.

RATIOS

	Aug 12 Yield	Aug 12 P/E	Aug 11 Yield	Aug 11 P/E	Week ago Yield	Week ago P/E
Argentina	5.8	10.9	5.8	11.0	5.7	11.8
Australia	4.6	13.2	4.6	13.2	4.8	12.4
Austria	2.6	10.3	2.6	10.8	2.6	10.7
Belgium	5.6	8.5	5.6	8.5	5.8	8.2
Brazil	3.3	13.4	3.2	13.6	3.1	13.8
Canada	2.8	15.6	2.8	15.6	2.8	15.6
†S&P/TSX Cmp	3.3	14.4	3.3	14.5	3.2	14.6
Chile	4.0	18.3	4.0	18.3	3.9	18.5
China	2.3	16.6	2.2	16.9	2.2	17.3
Colombia	1.0	39.3	1.0	39.4	1.0	39.2
Cyprus	5.9	6.6	5.9	6.7	5.8	6.8
Czech Rep	4.1	16.8	4.1	16.9	4.1	17.1
Denmark	1.8	14.2	1.8	14.3	1.8	14.1
Finland	5.0	11.9	5.0	11.9	5.1	11.8
France	3.9	10.6	3.9	10.7	3.9	10.3
Germany	3.2	13.0	3.2	12.9	3.3	12.3
†Dax 30	3.7	11.4	3.7	11.4	3.8	11.3
Greece	3.3	11.5	3.3	11.5	3.2	11.8
Hong Kong	2.3	14.7	2.2	15.0	2.2	15.4
†Hang Seng	3.2	13.1	3.2	13.2	3.2	13.2
Hungary	3.5	12.4	3.5	12.5	3.3	13.1
India	1.1	19.0	1.1	19.3	1.1	18.8
Indonesia	1.9	21.2	1.9	21.2	1.9	21.2
Ireland	4.5	6.0	4.3	6.2	4.5	5.9
Israel	3.4	11.9	3.4	12.0	3.3	12.1
Italy	6.2	9.1	6.1	9.2	6.3	8.9
Japan	1.6	16.3	1.6	16.4	1.7	15.6
†Topix	1.8	15.1	1.8	15.2	1.8	14.5
Luxemburg	2.5	8.2	2.5	8.2	2.6	7.7
Malaysia	3.3	15.3	3.3	15.3	3.3	15.3
Mexico	2.4	12.0	2.4	12.1	2.4	12.1
Netherlands	4.2	7.1	4.2	7.0	4.3	6.9
†AEX	4.3	6.6	4.3	6.6	4.4	6.4
New Zealand	5.3	13.8	5.3	13.9	5.6	11.1
Norway	3.1	9.9	3.1	10.0	3.2	9.8
Pakistan	4.9	10.0	4.8	10.2	4.9	10.0
Peru	3.6	6.0	3.6	6.1	3.4	6.3
Philippines	1.9	14.5	1.9	14.5	1.9	14.5
Poland	4.0	11.0	4.0	10.8	3.9	11.2
Portugal	4.4	18.6	4.4	18.5	4.6	18.2
Romania	3.1	12.0	3.0	12.3	3.0	12.2
Russia	1.5	11.8	1.6	11.4	1.5	11.8
Singapore	3.2	8.4	3.1	8.5	3.1	8.7
South Africa	3.5	12.9	3.5	13.0	3.7	12.6
South Korea	1.9	11.8	1.9	11.8	1.9	11.8
Spain	4.0	9.8	4.0	9.8	4.1	10.2
†Ibex 35	4.4	10.5	4.4	10.5	4.5	10.2
Sri Lanka	3.8	10.4	3.7	10.5	3.7	10.5
Sweden	4.4	10.2	4.4	10.2	4.5	9.9
Switzerland	2.4	15.3	2.3	15.3	2.4	15.0
Taiwan	4.5	12.0	4.5	12.0	4.5	12.0
Thailand	4.1	10.0	4.1	10.2	4.3	9.6
Turkey	2.4	8.9	2.4	8.9	2.4	9.0
UK	4.7	9.8	4.7	9.8	5.0	9.3
USA	2.5	15.4	2.5	15.4	2.6	14.9
†Dow Jones	7.7	18.3	7.9	17.7	7.8	17.9
†S&P 500	2.6	15.6	2.6	15.5	2.7	14.9
Venezuela	6.1	6.5	6.1	6.5	6.4	6.9

Country Yields and P/E´s relate to a sample of stocks that cover at least 75% of each markets capitalisation. † Losses are excluded from the P/E calculation on country indices. Source: Thomson Datastream, Reuters.

VOLATILITY INDICES

	Aug 13	Day change	Prev	52 wk high	52 wk low
VIX†	21.55	+0.38	21.17	37.57	15.82
VXD†	20.79	+0.75	20.04	34.21	11.40
VXN†	24.57	+0.06	24.51	40.77	17.95
VDAX‡	22.29	+1.78	20.51	32.64	16.37

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility, ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

INTEREST RATES

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MARKET RATES

Aug 13	Over night	Change Day	Change Week	Change Month	One month	Three months	Six months	One year
US$ Libor*	2.18375	+0.006	-0.009	-3.168	2.46688	2.80438	3.09500	3.21813
Euro Libor*	4.30375	-0.025	+0.004	+0.461	4.48188	4.95813	5.15188	5.30938
£ Libor*	5.04625	-0.004	+0.005	-0.283	5.37563	5.76813	5.95375	6.08750
Swiss Fr Libor*	2.03833	+0.042	-0.083	-0.082	2.25000	2.74583	2.89250	3.18167
Yen Libor*	0.54594	-0.003	-0.005	-0.100	0.61875	0.89375	0.97188	1.14875
Canada Libor*	3.06667	-0.003	+0.035	-1.183	3.10333	3.31000	3.39000	3.56000
Euro Euribor	-	-	-	-	4.49	4.97	5.16	5.31
Sterling CDs	-	-	-	-	5.33	5.70	5.83	5.92
US$ CDs	-	-	-	-	2.38	2.73	3.05	3.30
Euro CDs	-	-	-	-	4.325	4.880	5.110	5.270
US o`night repo	2.00	+0.050	-1.595	-3.265				
Fed Funds eff	1.95	-0.040	-0.020	-3.350				
US 3m Bills	1.83	+0.005	+0.220	-3.090				
SDR int rate	3.00	–	-0.030	-1.090				
EONIA	4.30	-0.015	-0.010	+0.473				
EURONIA	-	-	-	-				
SONIA	-	-	-	-				
LA 7 Day Notice	5.15							

	Over night	One Week	One month	Three months	Six months	One year
Interbank £	5.05-4.95	5.08-5.00	5.37-5.29	5.76-5.68	5.95-5.87	6.08-6.00

*Libor rates come from BBA (see www.bba.org.uk) and are fixed at 11am UK time. Other data sources: US $, Euro & Cds: dealers; SDR int rate: IMF; EONIA: ECB; EURONIA & SONIA: WMBA. L A 7 days notice: Tradition (UK).

Aug 13	Short term	7 days notice	One month	Three months	Six months	One year
Euro	4.37 - 4.28	4.41 - 4.29	4.43 - 4.37	4.97 - 4.91	5.16 - 5.06	5.29 - 5.22
Danish Krone	4.40 - 4.20	4.65 - 4.45	4.92 - 4.52	5.30 - 4.90	5.45 - 5.05	5.60 - 5.20
Sterling	5.05 - 4.97	5.17 - 5.03	5.34 - 5.22	5.76 - 5.64	5.90 - 5.78	5.97 - 5.83
Swiss Franc	2.01 - 1.78	2.18 - 2.08	2.26 - 2.18	2.74 - 2.66	2.95 - 2.89	3.14 - 3.06
Canadian Dollar	3.08 - 2.98	3.05 - 2.95	3.21 - 3.14	3.42 - 3.35	3.50 - 3.43	3.67 - 3.60
US Dollar	2.10 - 2.00	2.40 - 2.30	2.55 - 2.50	2.80 - 2.75	3.30 - 3.22	3.61 - 3.51
Japanese Yen	0.53 - 0.38	0.53 - 0.38	0.64 - 0.52	0.96 - 0.80	1.04 - 0.83	1.18 - 1.08
Singapore $	0.68 - 0.43	1.50 - 1.08	1.56 - 1.27	1.59 - 1.38	1.80 - 1.62	2.00 - 1.83

Source: Reuters. Short term rates are call for the US Dollar and Yen, others: two day´s notice.

OFFICIAL RATES

Aug 13	Rate	Current	Since	Last	Mth ago	Year ago
US	Fed Funds	2.00	30-04-08	2.25	2.25	5.25
US	Prime	5.00	30-04-08	5.25	5.25	8.25
US	Broker Loan	3.75	30-04-08	4.00	4.00	7.00
Euro	Repo	4.25	03-07-08	4.00	4.00	4.00
UK	Repo	5.00	10-04-08	5.25	5.25	5.25
Japan	O'night Call	0.50	21-02-07	0.25	0.50	0.25
Switzerland	Libor target	2.25-3.25	13-09-07	2.00-3.00	2.25-3.25	1.25-2.25

Source: Reuters

INTEREST RATE FUTURES

Aug 13		Open	Sett	Change	High	Low	Est. vol	Open int
Euribor 3m*	Sep	95.03	95.03	–	95.04	95.01	81,639	683,247
Euribor 3m*	Dec	95.06	95.07	+0.02	95.09	95.04	131,591	634,462
Euribor 3m*	Mar	95.33	95.37	+0.05	95.39	95.32	135,186	527,913
Euribor 3m*	Jun	95.53	95.59	+0.07	95.61	95.52	113,180	408,992
Euroswiss 3m*	Sep	97.25	97.28	+0.02	97.30	97.24	11,924	49,665
Euroswiss 3m*	Dec	97.27	97.31	+0.06	97.33	97.24	16,459	60,617
Sterling 3m*	Sep	94.18	94.28	+0.09	94.29	94.16	121,922	414,108
Sterling 3m*	Dec	94.26	94.48	+0.21	94.52	94.23	145,581	481,443
Sterling 3m*	Mar	94.58	94.88	+0.27	94.93	94.56	199,808	504,576
Sterling 3m*	Jun	94.79	95.08	+0.28	95.12	94.76	189,063	389,856
Eurodollar 3m†	Sep	97.18	97.16	-0.01	97.18	97.16	149,648	1,377,016
Eurodollar 3m†	Dec	97.04	97.00	–	97.06	96.99	245,337	1,708,262
Eurodollar 3m†	Mar	97.00	96.95	+0.01	97.04	96.92	287,262	1,426,670
Eurodollar 3m†	Jun	96.84	96.79	+0.01	96.89	96.75	296,960	1,208,240
Fed Fnds 30d‡	Aug	97.993	97.993	–	97.995	97.993	3,226	117,011
Fed Fnds 30d‡	Sep	97.980	97.975	–	97.985	97.975	5,478	79,778
Fed Fnds 30d‡	Oct	97.960	97.965	+0.010	97.970	97.955	10,879	107,806
Euroyen 3m‡‡	Sep	99.170	99.170	+0.005	99.170	99.165	3,333	539,809
Euroyen 3m‡‡	Dec	99.210	99.215	+0.015	99.215	99.205	24,700	540,476
Euroyen 3m‡‡	Mar	99.225	99.225	+0.020	99.230	99.215	26,602	485,944

Contracts are based on volumes traded in 2004. Sources: * LIFFE. † CME. ‡‡ TIFFE

INTEREST RATE SWAPS

Aug 13	Euro-€ Bid	Euro-€ Ask	£ Stlg. Bid	£ Stlg. Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	5.03	5.06	5.51	5.54	2.84	2.90	2.96	2.99	0.94	0.97
2 year	4.73	4.76	5.32	5.36	2.82	2.90	3.33	3.36	0.98	1.01
3 year	4.63	4.66	5.29	5.33	2.88	2.96	3.69	3.72	1.06	1.09
4 year	4.58	4.61	5.26	5.31	2.94	3.02	3.93	3.96	1.13	1.16
5 year	4.56	4.59	5.22	5.27	3.01	3.09	4.10	4.13	1.21	1.24
6 year	4.57	4.60	5.18	5.23	3.07	3.15	4.23	4.26	1.28	1.31
7 year	4.59	4.62	5.15	5.20	3.14	3.22	4.36	4.38	1.36	1.39
8 year	4.61	4.64	5.11	5.16	3.21	3.29	4.45	4.47	1.44	1.47
9 year	4.64	4.67	5.08	5.13	3.27	3.35	4.52	4.55	1.53	1.56
10 year	4.68	4.71	5.06	5.11	3.33	3.41	4.60	4.63	1.61	1.64
12 year	4.75	4.78	4.99	5.06	3.42	3.52	4.70	4.73	1.75	1.78
15 year	4.83	4.86	4.90	4.99	3.53	3.63	4.81	4.84	1.92	1.95
20 year	4.87	4.90	4.73	4.86	3.59	3.69	4.89	4.92	2.13	2.16
25 year	4.84	4.87	4.59	4.72	3.58	3.68	4.92	4.95	2.26	2.29
30 year	4.81	4.84	4.47	4.60	3.54	3.64	4.95	4.98	2.32	2.35

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 month Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 month Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: ICAP plc.

BONDS

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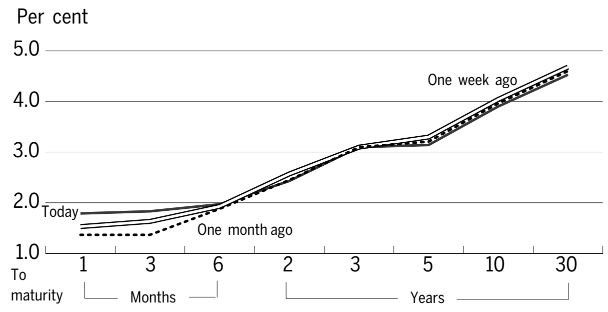
BENCHMARK GOVERNMENT BONDS

Aug 13	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	08/10	5.25	98.9380	5.82	+0.04	-0.18	-0.54	-0.57
	03/19	5.25	95.1990	5.87	–	-0.18	-0.57	-0.14
Austria	01/10	5.50	101.6800	4.23	-0.02	-0.18	-0.25	-0.04
	03/19	4.35	98.8400	4.49	+0.01	-0.11	-0.22	+0.02
Belgium	03/10	3.00	98.2040	4.17	-0.01	-0.20	-0.36	-0.15
	03/18	4.00	95.6200	4.57	–	-0.14	-0.21	+0.08
Canada	06/10	3.75	101.6900	2.78	+0.05	-0.08	-0.30	-1.65
	06/18	4.25	105.1200	3.62	+0.02	-0.08	-0.13	-0.85
Denmark	11/10	4.00	99.1500	4.40	-0.02	-0.23	-0.31	+0.04
	11/17	4.00	96.2300	4.51	-0.03	-0.14	-0.19	+0.08
Finland	09/10	2.75	97.3410	4.11	-0.04	-0.24	-0.35	-0.17
	07/19	4.38	99.2700	4.46	-0.02	-0.12	-0.23	+0.02
France	09/10	3.75	99.2900	4.11	-0.02	-0.23	-0.34	-0.17
	07/13	4.50	101.5200	4.15	-0.05	-0.26	-0.43	-0.18
	04/18	4.00	96.9300	4.39	–	-0.13	-0.23	-0.05
	04/35	4.75	99.4300	4.79	+0.02	-0.01	-0.10	+0.20
Germany	06/10	4.75	101.2700	4.00	-0.06	-0.23	-0.32	-0.23
	04/13	3.50	97.7900	4.03	-0.02	-0.25	-0.38	-0.26
	07/18	4.25	100.2160	4.22	-0.02	-0.14	-0.18	-0.13
	07/39	4.25	93.6500	4.64	–	-0.03	-0.13	+0.12
Greece	03/11	3.80	98.3830	4.46	-0.02	-0.26	-0.40	+0.07
	07/18	4.60	97.9000	4.87	+0.01	-0.11	-0.21	+0.22
Ireland	04/09	3.25	99.1690	4.49	–	-0.09	-0.09	+0.40
	06/19	4.40	97.8700	4.65	-0.02	-0.13	+0.39	+0.20
Italy	08/10	4.50	100.3750	4.34	–	-0.22	-0.34	+0.01
	04/13	4.25	99.1080	4.51	-0.03	-0.23	-0.39	+0.05
	08/18	4.50	97.9600	4.82	–	-0.10	-0.20	+0.20
	02/37	4.00	83.0900	5.20	+0.01	-0.03	-0.11	+0.29
Japan	09/10	1.70	102.0600	0.70	-0.02	-0.02	+0.06	-0.23
	09/13	1.60	102.8310	1.02	-0.01	-0.03	-0.04	-0.28
	06/18	1.50	100.3870	1.46	-0.01	-0.07	-0.12	-0.25
	06/28	2.30	103.2340	2.07	–	-0.06	-0.14	-0.11
Netherlands	01/10	3.00	98.3600	4.21	-0.02	-0.19	-0.23	-0.06
	07/18	4.00	96.9000	4.39	-0.01	-0.13	-0.22	-0.05
New Zealand	11/11	6.00	99.1500	6.29	–	+0.08	+0.18	-0.84
	12/17	6.00	98.4500	6.22	–	+0.03	+0.20	-0.25
Norway	05/13	6.50	107.0500	4.80	-0.05	-0.06	-0.23	-0.25
	05/17	4.25	96.6000	4.73	-0.04	-0.08	-0.11	-0.30
Portugal	05/10	5.85	102.5440	4.30	-0.01	-0.26	-0.34	-0.05
	06/18	4.45	98.2200	4.68	-0.02	-0.12	-0.19	+0.05
Spain	07/10	3.25	98.3000	4.18	-0.01	-0.22	-0.32	-0.08
	07/18	4.10	96.3600	4.56	–	-0.12	-0.16	+0.11
Sweden	03/11	5.25	102.3060	4.27	-0.03	-0.09	-0.37	+0.05
	03/19	4.25	101.2360	4.10	+0.01	-0.09	-0.12	-0.21
Switzerland	08/10	3.50	102.2600	2.31	-0.10	-0.21	-0.35	-0.43
	01/18	3.00	100.8200	2.90	-0.06	-0.16	-0.22	-0.20
UK	03/09	4.00	99.4910	4.92	-0.15	-0.08	-0.11	-0.91
	09/13	8.00	115.7100	4.53	-0.07	-0.16	-0.34	-0.86
	03/18	5.00	103.0390	4.60	-0.04	-0.14	-0.28	-0.61
	12/38	4.75	105.0680	4.44	+0.04	-0.06	-0.15	-0.19
US	07/10	2.75	100.4922	2.49	+0.04	-0.08	+0.04	-1.97
	07/13	3.38	100.7734	3.21	+0.05	-0.09	–	-1.36
	08/18	4.00	100.4688	3.94	+0.02	-0.10	-0.02	-0.84
	05/38	4.50	98.8750	4.57	+0.02	-0.11	-0.03	-0.44

London close. New York close. Source: Reuters.
Yields: Local market standard Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by non residents.

US yield curve

Per cent



GLOBAL INVESTMENT GRADE

Aug 13	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs Govts
■ US $										
GE Capital	05/08	3.50	MATD	MATD	–	100.00	3.44	–	–	–
Toyota Motor	08/08	2.88	MATD	–	–	100.00	5.31	–	+2.37	–
Network Rail	09/08	4.13	AAA	Aaa	AAA	100.18	2.43	-0.01	-0.03	+0.60
Canada	11/08	5.25	–	Aaa	AAA	100.60	2.39	-0.01	-0.28	+0.53
DaimlerChrysler	09/09	7.20	A-	A3	A-	102.02	5.17	+1.03	+0.32	+3.02
Wal Mart	08/09	6.88	AA	Aa2	AA	102.67	4.08	–	-0.08	+1.93
Du Pont	10/09	6.88	A	A2	A	103.67	3.63	-0.03	+0.08	+1.47
Philipps Petr	05/10	8.75	A	A1	A	110.02	2.92	+0.05	+0.04	+0.48
Unilever	11/10	7.13	A+	A1	A+	106.92	3.82	+0.03	-0.05	+1.33
Bank America	01/11	7.40	AA-	Aa3	A	104.36	5.45	-0.11	+0.42	+3.00
JP Morgan	02/11	6.75	A+	Aa3	A+	103.54	5.20	+0.10	+0.30	+2.75
France Telecom	03/11	7.75	A-	A3	A-	107.42	4.62	+0.01	+0.16	+2.17
Petronas	05/12	7.00	A-	A1	A	107.98	4.66	-0.07	+0.09	+1.51
Goldman Sachs	11/14	5.50	AA-	Aa3	AA-	97.49	5.99	+0.04	+0.21	+2.83
Italy	09/23	6.88	A+	Aa2	AA-	116.59	5.27	+0.05	+0.03	+1.32
Pacific Bell	03/26	7.13	A	A2	A	101.98	6.93	+0.03	-0.07	+2.35
Deutsche Tel	07/13	5.25	BBB+	Baa1	A-	98.58	5.58	+0.13	+0.04	+2.42
DaimlerChrysler	01/31	8.50	A-	A3	A-	103.62	8.15	-0.06	+0.73	+3.60
FHLMC	03/31	6.75	AAA	Aaa	AAA	123.72	4.99	+0.02	–	+0.41
GE Capital	03/32	6.75	AAA	Aaa	AAA	100.82	6.68	+0.01	+0.10	+2.13
Gen Motors	11/31	8.00	B-	B3	B+	57.00	7.46	–	–	+2.23
Deutsche Tel Int	06/32	9.25	BBB+	Baa1	A-	131.40	6.64	–	–	+2.03
Abu Dhabi Ntl	10/36	6.50	AA-	Aa2	–	85.22	7.80	+0.02	+0.59	+3.18
■ Euro										
TPSA Eurofin	12/08	7.75	BBB+	A3	BBB+	101.48	3.03	-0.04	+0.12	+1.16
BAT Int Fin	02/09	4.88	BBB+	Baa1	BBB+	99.53	5.67	+0.32	-0.01	+1.23
VW Int Fin	05/09	4.13	A-	A3	A-	99.25	5.10	+0.15	-0.31	+0.77
SMBC Int Fin	06/09	8.50	A	Aa3	BBB+	104.22	3.31	-0.06	+0.03	+1.16
Depfa Pfandrbnk	01/09	3.75	AAA	Aaa	AAA	99.50	4.89	-0.09	-0.10	+0.45
Vodafone Fin	05/09	4.75	A-	Baa1	A-	99.51	5.36	+0.14	-0.04	+1.02
Deutsche Fin	07/09	4.25	AA-	Aa1	AA-	99.27	5.05	-0.11	-0.27	+0.68
Repsol Int Fin	05/10	6.00	BBB	Baa1	BBB+	100.64	5.58	–	+0.08	+1.54
Elec de France	10/10	5.75	AA-	Aa1	AA	101.92	4.80	-0.01	-0.31	+0.76
HVB	09/11	5.00	AAA	Aa1	AAA	101.10	4.61	-0.02	-0.43	+0.51
CDC Fin	06/12	9.00	AAA	Aaa	AAA	114.77	4.65	-0.21	-0.39	–
Citibank Cred	04/11	5.38	AAA	Aaa	AAA	102.30	4.43	-0.05	-0.30	+0.31
Banco Bradesco	04/14	8.00	–	A2	–	107.00	6.61	-0.19	+0.09	+2.36
Teliasonera	05/15	4.13	A-	A3	A-	92.09	5.56	-0.10	-0.35	+1.49
■ YEN										
Toyota Motor	–/–	–	MATD	MATD	–	100.00	0.62	–	–	–
KFW Int Fin	03/10	1.75	AAA	Aaa	AAA	101.46	0.83	–	-0.08	+0.11
Chubu Elec	07/15	3.40	NR	Aa2	AA	113.64	1.26	–	-0.12	–
Hutch Fin	08/17	7.45	A-	A3	A-	105.34	6.65	+0.48	+0.04	+2.74
Takefuji 8	06/22	4.00	BBB-	Baa1	–	80.64	6.70	-0.01	+0.35	+4.87
■ £										
Network Rail	03/09	4.88	AAA	Aaa	AAA	99.73	5.27	-0.19	-0.01	+0.20
Boots	05/09	5.50	–	WR	BBB	97.00	9.55	-0.81	-1.59	+4.48
France Telecom	03/11	7.50	A-	A3	–	101.56	6.83	–	+0.01	+2.22
Goldman Sachs	02/17	6.13	AA-	Aa3	AA-	94.70	6.85	-0.02	-0.69	+2.29
Vodafone	11/32	5.90	A-	–	–	91.60	6.50	+0.01	-0.09	+1.72

US $ denominated bonds NY close; all other London close. *S - Standard & Poor´s, M - Moody´s, F - Fitch. Source: Reuters

INDEX-LINKED BONDS

	Price Aug 12	Yield Aug 12	Yield Aug 11	Month return	Break even infla-tion*	Value bn † Stock	Value bn † Market ‡	No of stks
Can 4.25% '21	133.31	1.48	1.46	-0.24	2.47	5.2	42.0	5
Fr 2.5% '13	102.33	2.00	2.03	1.24	2.16	15.1	135.2	11
Swe 4% '20	154.55	1.68	1.69	0.67	2.42	45.8	272.4	4
UK 2.5% '11	292.38	1.65	1.89	0.58	3.17	4.8	173.8	13
UK 2.5% '16	281.63	1.42	1.54	1.84	3.31	8.0	173.8	13
UK 2.5% '24	268.22	0.93	1.04	3.31	3.86	6.8	173.8	13
UK 2% '35	170.56	0.43	0.50	4.99	4.04	9.7	173.8	13
US 3% '12	107.48	1.05	1.12	0.08	1.92	23.0	524.5	26
US 3.625% '28	122.13	2.23	2.26	-0.07	2.37	16.8	524.5	26

Representative stocks from each major market. Source: Merill Lynch Global Bond Indices
* Diff between conventional and IL bond. † Local currencies. ‡ Total market value. In line with market

BOND INDICES

	No of bonds	Index	Day´s change	Month´s change	Year change	Return 1 month	Return 1 year
■ Markit iBoxx Aug 13							
Overall (£)	1156	183.86	0.08	1.24	-0.14	1.90	4.46
Overall ($) †	3079	166.72	0.34	0.41	1.92	0.41	1.92
Overall (€)	2030	147.37	0.14	1.10	1.96	1.82	3.55
Global Inflation-Lkd †	91	201.14	0.41	-1.55	4.65	-3.13	13.19
Gilts (£)	27	182.89	0.06	1.35	1.40	2.19	7.64
Corporates (£)	778	182.89	0.11	1.14	-2.14	1.60	0.06
Corporates ($) †	2013	165.74	0.22	0.40	-0.34	0.40	-0.34
Corporates (€)	1044	143.88	0.14	1.14	0.89	1.78	0.87
Treasuries ($) †	141	166.29	0.44	0.53	3.23	0.53	3.23
Eurozone Sov (€)	238	148.48	0.14	1.10	2.29	1.89	4.27
■ FTSE Aug 13							
Sterling Corporate (£)	133	93.99	0.00	0.34	-0.86	0.85	5.04
Euro Corporate (€)	414	95.27	0.04	1.35	-1.24	1.71	3.56
Euro Emerging Mkts (€)	28	86.02	0.13	1.71	-3.20	2.26	3.39
Eurozone Gov't Bond	233	97.10	-0.03	1.40	-0.08	1.58	4.19

CREDIT INDICES	Index	Day´s change	Week´s change	Month change	Series high	Series low
■ Markit iTraxx Aug 13						
Europe 5Y	94.44	2.06	-1.91	3.45	131.88	64.30
Crossover 5Y	558.00	10.18	-14.00	38.27	596.00	0.00
HiVol 5Y	188.47	1.08	-7.20	7.01	210.10	122.55
Asia ex-Japan 5Y	545.41	-5.09	-10.75	22.73	655.50	423.30
Japan 5Y	125.00	6.50	6.00	23.70	161.00	65.00
■ Markit CDX Aug 11						
Emerging Markets 5Y	261.11	-3.11	16.06	32.72	267.30	203.57
Nth Amer Inv Grade 5Y	130.48	-1.31	-0.30	13.64	137.14	86.04
Nth Amer High Yld 5Y	696.95	-10.02	-7.85	77.35	717.45	523.75
Nth Amer HiVol 5Y	338.43	-7.24	-5.02	73.10	362.64	202.71
Nth Amer Crossover 5Y	314.57	-1.93	-1.01	45.97	326.88	219.75

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names. † Aug 12

HIGH YIELD & EMERGING MARKET BONDS

Aug 13	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
■ HIGH YIELD US$										
Gazprombk	10/08	7.25	BBB-	–	–	100.43	5.06	-0.40	-1.89	+1.12
Gazprom	03/13	9.63	BBB	–	BBB	108.83	7.30	+0.09	+0.32	+3.36
Kazkommertsbk	04/13	8.50	BB	–	BB+	82.26	13.77	-0.08	+1.85	+9.83
TNK-BP	07/16	7.50	–	Baa2	BBB-	89.81	9.35	+0.04	+0.38	+5.41
■ HIGH YIELD EURO										
Ahold	–/–	–	MATD	MATD	MATD	99.96	15.93	–	–	+11.99
Gaz Capital	09/10	7.80	BBB	A3	BBB	102.34	6.56	+0.05	-0.54	+2.62
■ EMERGING US$										
Fiat Fin	05/11	6.75	BBB-	Baa3	BBB-	102.02	5.92	-0.15	-0.67	+1.98
Ukraine	06/13	7.65	B+	B1	BB-	98.00	8.16	-0.06	+0.07	+4.22
Mexico	03/15	6.63	BBB+	Baa1	BBB+	107.00	5.34	+0.03	+0.01	+1.40
Brazil	03/15	7.88	BBB-	Ba1	BBB-	112.88	5.51	+0.04	-0.06	+1.57
Turkey	03/15	7.25	BB-	Ba3	BB-	103.56	6.57	–	-0.73	+2.63
Peru	05/16	8.38	BBB-	Ba2	BBB-	116.88	5.64	+0.01	-0.15	+1.70
South Africa	06/17	8.50	BBB+	Baa1	BBB+	114.59	6.32	-0.01	-0.08	+2.38
Philippines	01/19	9.88	BB-	B1	BB	126.25	6.38	+0.02	-0.66	+2.44
Colombia	02/20	11.75	BBB-	Ba1	–	146.00	6.13	-0.09	-0.17	+2.19
Venezuela	09/27	9.25	BB-	–	–	88.31	10.70	+0.05	+0.41	+6.76
Russia	03/30	7.50	BBB+	Baa1	–	112.29	5.64	-0.05	+0.06	+1.70
Ecuador	08/30	10.00	B-	B3	CCC	91.38	11.19	-0.03	-0.31	+7.25
Argentina	12/33	8.28	B	–	–	72.35	11.70	+0.01	-0.18	+7.76
■ EMERGING EURO										
Brazil	02/10	11.00	BBB-	Ba1	BBB-	108.30	4.94	-0.10	-0.46	+1.00
Poland	02/11	5.50	A-	A2	A-	101.89	4.67	-0.03	-0.37	+0.73
Turkey	02/17	5.50	BB-	Ba3	BB-	92.05	6.75	-0.11	-0.76	+2.81
Argentina	11/26	11.75	DEF	DEF	CC	23.00	50.19	+1.02	+5.26	+46.25

US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch. Source : Reuters

TEN YEAR GOV'T BOND SPREADS

Aug 13	Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	5.87	+1.65	+1.93
Austria	4.49	+0.27	+0.55
Belgium	4.57	+0.35	+0.63
Canada	3.62	-0.60	-0.32
Denmark	4.51	+0.29	+0.57
Finland	4.46	+0.24	+0.52
France	4.39	+0.17	+0.45
Germany	4.22	–	+0.28
Greece	4.87	+0.65	+0.93
Ireland	4.65	+0.43	+0.71
Italy	4.82	+0.60	+0.88
Japan	1.46	-2.76	-2.48
Netherlands	4.39	+0.17	+0.45
New Zealand	6.22	+2.00	+2.28
Norway	4.73	+0.51	+0.79
Portugal	4.68	+0.46	+0.74
Spain	4.56	+0.34	+0.62
Sweden	4.10	-0.12	+0.16
Switzerland	2.90	-1.32	-1.04
UK	4.60	+0.38	+0.66
US	3.94	-0.28	–

Yields: annualised basis. Selection made by Reuters. Source: Reuters.

UK GILTS – cash market

www.ft.com/gilts

Aug 13	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 week High	52 week Low	Amnt £m
Tr 5pc '08	100	–	–	–	–	-5.80	100.01	99.56	14,928
Tr 4pc '09	99.50	4.90	-0.14	-0.11	-0.08	-0.66	100.21	97.69	16,974
Tr 4.75pc '10	100.45	4.49	-0.17	-0.20	-0.43	-1.02	102.33	98.05	17,137
Cn 9pc Ln '11	112.10	4.51	-0.16	-0.22	-0.43	-1	116.22	109.49	5,664
Tr 5pc '12	101.82	4.44	-0.14	-0.23	-0.42	-0.94	104.32	98.46	17,897
Tr 8pc '13	115.73	4.52	-0.12	-0.21	-0.39	-0.87	119.75	111.41	6,553
Tr 5pc '14	102.56	4.51	-0.08	-0.17	-0.30	-0.83	105.80	97.99	13,699
Tr 4.75pc '15	101.22	4.55	-0.06	-0.16	-0.29	-0.75	104.18	96.48	13,782
Tr 4pc '16	96.45	4.53	-0.05	-0.14	-0.28	-0.70	98.83	91.21	13,500
Tr 4.75pc '20	100.24	4.72	-0.02	-0.12	-0.24	-0.40	103.61	95.09	10,743
Tr 8pc '21	130.70	4.77	-0.02	-0.13	-0.26	-0.37	135.38	124.41	17,573
Tr 5pc '25	102.45	4.78	+0.01	-0.08	-0.16	-0.17	107.52	97.84	16,348
Tr 6pc '28	116.43	4.73	+0.02	-0.06	-0.15	-0.13	121.86	110.89	12,462
Tr 4.25pc '32	94.81	4.61	+0.02	-0.06	-0.15	-0.09	99.01	90.03	17,497
Tr 4.25pc '36	96.38	4.48	+0.02	-0.06	-0.16	-0.14	99.62	91.40	15,668
Tr 4.75pc '38	105.35	4.43	+0.03	-0.06	-0.16	-0.16	108.37	99.83	14,958
Tr 4.25pc '55	100.47	4.23	+0.04	-0.02	-0.09	-0.11	101.59	95.39	13,852
War Ln 3.5pc	77.62	4.51	+0.02	-0.06	-0.16	-0.13	81.12	72.17	1,939

xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Red yield: Gross redemptin yield. This table shows the gilt bencgmarcks & the non-rump undated stocks. A longer list appears on Mondays & the full list on Saturdays, and can be found daily on ft.com/bonds&rates. Source: REUTERS Ltd.

FTSE UK GILTS INDICES

www.ft.com/ftsegiltindices

Price Indices UK Gilts	Wed Aug 13	Day's chge %	Month's chge %	Year's chge %	Total Return	Return 1 month	Return 1 year
1 Up to 5 years (9)	104.10	+0.34	+1.26	+1.31	1896.19	+1.26	+6.86
2 5-10 years (7)	155.26	+0.35	+2.42	+4.48	2078.28	+2.42	+9.62
3 10-15 years (2)	163.43	+0.20	+2.73	+1.85	2219.72	+2.73	+8.64
4 5-15 years (9)	157.14	+0.30	+2.51	+3.60	2115.35	+2.51	+9.31
5 Over 15 years (10)	214.00	-0.37	+2.34	+1.92	2342.33	+2.34	+6.67
6 Irredeemables (1)	330.60	-0.47	+3.63	+2.77	2981.48	+3.63	+7.49
7 All stocks (29)	148.00	+0.05	+2.09	+2.22	2081.41	+2.09	+7.53

Index-linked	Wed Aug 13	Day's chge %	Month's chge %	Year's chge %	Total Return	Return 1 month	Return 1 year
1 Up to 5 years (2)	291.52	+0.28	+0.15	+6.40	1912.71	+0.15	+9.02
2 Over 5 years (12)	368.89	-0.40	+1.38	+15.05	2490.43	+1.78	+17.23
3 5-15 years (5)	322.41	+0.15	-0.53	+11.29	2175.20	+0.09	+13.62
4 Over 15 years (7)	429.45	-0.94	+3.35	+19.02	2895.04	+3.51	+21.02
5 All stocks (14)	356.65	-0.31	+1.22	+13.79	2414.77	+1.56	+16.05

Yield indices	Aug 13	Aug 12	Yr ago
5 yrs	4.57	4.68	5.44
10 yrs	4.67	4.71	5.24
15 yrs	4.68	4.68	5.04
20 yrs	4.64	4.62	4.86
Irred	4.51	4.49	4.63

The calculation of the Govt.Secs and Fixed Interest Indices ceased at the end of Dec 2006. Questions or comments to reader.enquiries@ft.com

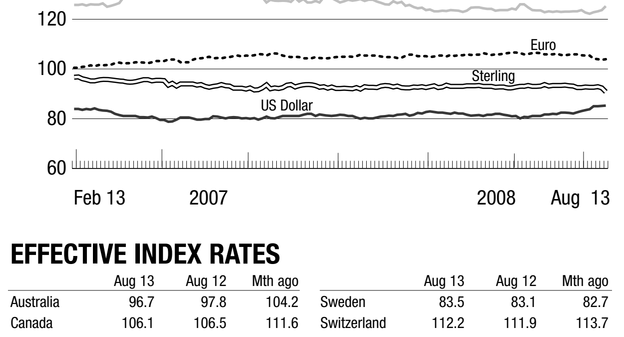
Real yield	Inflation 0% Aug 13	Inflation 0% Dur yrs	Inflation 0% Aug 12	Inflation 0% Yr ago	Inflation 5% Aug 13	Inflation 5% Dur yrs	Inflation 5% Aug 12	Inflation 5% Yr ago
Up to 5 yrs	2.13	2.90	2.24	3.04	1.11	2.90	1.22	2.18
Over 5 yrs	0.85	13.99	0.83	1.66	0.70	14.19	0.67	1.51
5-15 yrs	1.42	8.01	1.44	2.31	1.12	8.05	1.13	2.04
Over 15 yrs	0.63	20.61	0.58	1.35	0.53	20.78	0.48	1.25
All Stocks	0.88	13.03	0.85	1.72	0.70	13.24	0.68	1.53

Stocks with 0 - 1 year to maturity are excluded from the yield indices. The former version of this table is no longer calculated by FTSE. † Corrected values.

CURRENCIES

www.ft.com/currencydata

Bank of England Indices



EFFECTIVE INDEX RATES

	Aug 13	Aug 12	Mth ago
Australia	96.7	97.8	104.2
Canada	106.1	106.5	111.6
Denmark	110.7	110.6	111.5
Japan	125.2	123.7	126.0
New Zealand	102.3	102.6	107.5
Norway	105.8	105.9	106.0
Sweden	83.5	83.1	82.7
Switzerland	112.2	111.9	113.7
UK	90.8	92.4	93.0
USA	85.2	85.1	80.7
Euro	103.90	103.60	105.80

Source: Bank of England. New Sterling ERI base Jan 2005 = 100. Other indices base average 1990 = 100. Index rebased 1/2/95. For further information about ERIs see www.bankofengland.co.uk

London Share Service

Notes	Price	Chng	52 week High	52 week Low	Yld	P/E	Vol '000s

AEROSPACE & DEFENCE

AUTOMOBILES & PARTS

BANKS

BASIC RESOURCE (EX MINING)

CHEMICALS

CONSTRUCTION & MATERIALS

ELECTRONIC & ELECTRICAL EQUIP

FINANCIAL GENERAL

FOOD & BEVERAGES

HEALTH CARE EQUIP & SERVICES

HOUSE, LEISURE & PERS GOODS

INDUSTRIAL ENGINEERING

INDUSTRIAL GENERAL

INDUSTRIAL TRANSPORTATION

INSURANCE

MEDIA

MINING

OIL & GAS

PHARMACEUTICALS & BIOTECH

REAL ESTATE

REITs

Real Estate Inv & Services

RETAILERS

SUPPORT SERVICES

TECH - SOFTWARE & SERVICES

TECH - HARDWARE

TELECOMMUNICATIONS

TOBACCO

TRAVEL & LEISURE

UTILITIES

INVESTMENT COMPANIES

CONVENTIONAL TRUSTS

ORDINARY INCOME SHARES

INCOME SHARES

CAPITAL SHARES

ZERO DIVIDEND PREFERENCE SHARES

EXCHANGE TRADED COMMODITIES

EXCHANGE TRADED FUNDS

iShares I

iShares II

VCTS

FTSE Actuaries Share Indices — UK series

Produced in conjunction with the Faculty and Institute of Actuaries — www.ft.com/equities

	£ Stlg Aug 13	Day's chge%	Euro Index	£ Stlg Aug 12	£ Stlg Aug 11	Year ago	Actual yield%	Cover	P/E ratio	Xd. adj. yld	Total Return
FTSE 100 (100)	5448.6	-1.6	5327.7	5534.5	5541.8	6143.5	4.21	2.08	11.42	163.83	3255.07
FTSE 250 (250)	9109.5	-2.0	8907.3	9291.2	9384.1	10998.6	3.78	1.95	13.58	215.64	5165.89
FTSE 250 ex Inv Co (212)	9365.8	-2.3	9158.0	9588.7	9686.0	11487.9	4.08	1.98	12.37	234.23	5384.80
FTSE 350 (350)	2836.8	-1.6	2773.8	2883.0	2890.0	3230.5	4.16	2.06	11.66	82.92	3447.18
FTSE 350 ex Inv Co (311)	2823.7	-1.6	2761.0	2870.7	2877.3	3218.6	4.20	2.07	11.51	83.27	1763.41
FTSE 350 Higher Yield (136)	3191.8	-2.3	3121.0	3267.0	3254.5	3839.1	5.63	1.74	10.19	125.82	3639.04
FTSE 350 Lower Yield (214)	2321.0	-0.7	2269.5	2337.6	2362.0	2524.4	2.30	3.05	14.24	44.11	2078.62
FTSE SmallCap (306)	2813.75	......	2751.30	2814.31	2831.73	3829.41	3.21	1.33	23.42	55.69	3148.27
FTSE SmallCap ex Inv Co (203)	2449.40	-0.3	2395.03	2457.05	2474.23	3661.34	4.03	1.31	18.97	61.58	2827.41
FTSE All-Share (656)	2776.20	-1.6	2714.59	2820.17	2827.31	3179.17	4.13	2.05	11.82	80.41	3417.79
FTSE All-Share ex Inv Co (514)	2758.30	-1.6	2697.09	2803.55	2810.27	3161.81	4.20	2.06	11.59	81.13	1752.24
FTSE All-Share ex Multinationals (595)	861.48	-3.2	698.16	889.91	896.77	1197.57	4.93	1.40	14.46	28.74	1150.09
FTSE Fledgling (213)	3307.67	-0.2	3234.26	3313.36	3314.72	4500.22	3.54	0.85	33.06	127.38	4881.82
FTSE Fledgling ex Inv Co (127)	3674.48	-0.1	3592.93	3679.94	3691.43	5628.71	4.77	0.72	29.00	98.91	5300.40
FTSE All-Small (519)	1880.27	......	1838.54	1880.99	1891.32	2558.65	3.25	1.27	24.28	41.48	2701.63
FTSE All-Small ex Inv Co (330)	1732.07	-0.3	1693.63	1737.20	1748.67	2594.18	4.10	1.24	19.65	43.84	2538.48
FTSE AIM All-Share (1132)	784.4	......	767.0	784.6	790.7	1128.0	0.80	1.91	65.06	9.05	780.42
Oil & Gas (22)	7860.66	-1.0	7686.20	7941.49	7850.30	7589.26	3.62	3.34	8.27	224.37	4902.80
Oil & Gas Producers (17)	7508.13	-1.0	7341.50	7581.34	7483.66	7287.93	3.70	3.33	8.12	219.44	4826.25
FTSE Sector Indices											
Oil Equipment & Services (5)	15338.22	-2.8	14997.81	15785.08	16371.47	12401.17	1.08	3.75	24.64	108.38	9286.40
Basic Materials (28)	6502.40	+2.8	6358.09	6323.49	6404.85	5694.10	1.68	6.15	9.66	70.19	5212.20
Chemicals (6)	4707.25	-1.1	4602.77	4758.02	4818.98	4751.28	2.64	2.29	16.56	86.62	3379.04
Forestry & Paper (1)	3646.53	-2.4	3565.60	3737.62	3652.41	5168.62	5.90	2.57	6.60	147.84	2994.62
Industrial Metals (5)	6497.32	+2.1	6353.12	6361.98	6667.86	2922.36	1.07	6.28	14.91	-	5157.63
Mining (16)	20665.49	+3.0	20206.84	20057.39	20302.43	17670.39	1.63	6.47	9.47	213.27	8618.30
Industrials (129)	2497.18	-1.5	2441.76	2535.50	2562.27	2977.91	3.25	2.18	14.12	48.17	2031.95
Construction & Materials (14)	4498.32	-1.5	4398.49	4565.36	4586.50	6588.16	3.98	2.95	8.51	109.55	3444.80
Aerospace & Defence (11)	3410.95	-0.6	3335.25	3430.56	3440.08	3394.15	2.75	2.27	16.02	45.71	2944.59
General Industrials (7)	1942.68	-3.2	1899.56	2006.28	2020.41	2293.84	4.37	1.79	12.82	49.07	1637.00
Electronic & Electrical Equipment (13)	2290.14	-0.4	2239.31	2298.75	2306.89	2773.25	3.18	2.12	14.81	42.32	1659.06
Industrial Engineering (15)	3808.10	-0.7	3723.59	3836.29	3920.20	4065.46	2.99	2.31	14.47	83.36	3603.51
Industrial Transportation (10)	3127.85	-0.1	3058.43	3130.86	3192.40	4231.80	3.95	1.42	17.82	88.15	1942.96
Support Services (59)	3344.08	-2.2	3269.86	3419.62	3471.60	4437.45	3.32	2.19	13.78	69.16	2791.78
Consumer Goods (37)	7901.25	-1.0	7725.89	7980.66	8027.40	8593.57	3.66	1.84	14.82	203.50	4365.16
Automobiles & Parts (1)	3850.38	-6.4	3764.93	4113.28	4149.68	5675.87	5.76	1.84	9.44	221.64	3067.63
Beverages (4)	6424.16	-1.3	6281.58	6511.75	6508.78	6475.12	3.15	1.79	17.71	89.35	3547.37
Food Producers (14)	4000.77	+0.3	3911.98	3990.01	3949.77	4315.43	3.85	2.40	10.85	94.12	2632.57
Household Goods (11)	4685.96	-2.0	4581.96	4782.25	4799.68	6641.28	4.16	1.87	12.84	143.96	2637.35
Leisure Goods (2)	1457.19	+2.7	1424.85	1419.38	1450.44	3179.18	3.37	‡	‡	48.60	959.37
Personal Goods (3)	6471.31	-3.8	6327.68	6729.79	6874.59	7642.95	2.37	2.33	18.12	134.52	3573.66
Tobacco (2)	22632.04	-0.7	22129.75	22791.41	23327.32	21314.43	3.69	1.39	19.44	820.61	10120.31
Health Care (26)	5975.89	+1.1	5843.26	5909.31	5931.79	5908.73	3.69	1.62	16.69	183.78	3183.41
Health Care Equipment & Services (7)	3702.71	-0.3	3620.53	3712.64	3750.44	4261.80	1.46	2.44	28.09	35.70	2757.81
Pharmaceuticals & Biotechnology (19)	8237.29	+1.2	8054.47	8139.06	8167.02	8079.68	3.81	1.61	16.32	263.23	3855.01
Consumer Services (103)	2894.37	-4.3	2830.13	3024.91	3037.44	3955.26	3.85	2.37	10.94	77.54	2083.44
Food & Drug Retailers (5)	4519.88	-4.9	4419.57	4752.02	4740.33	5258.45	2.81	2.47	14.40	92.05	4002.61
General Retailers (32)	1342.74	-6.5	1312.94	1436.30	1457.14	2406.22	6.43	1.91	8.15	55.48	1165.40
Media (31)	3229.13	-1.9	3157.46	3292.62	3303.37	4379.88	3.95	2.03	12.48	82.94	1510.95
Travel & Leisure (35)	4317.84	-4.7	4222.01	4532.16	4560.64	5868.08	3.47	3.14	9.18	114.08	3232.86
Telecommunications (8)	2258.59	-1.6	2208.46	2294.77	2279.81	2724.53	5.73	1.52	11.49	66.84	1610.77
Fixed Line Telecommunications (6)	2504.62	-1.2	2449.03	2534.94	2519.00	3823.46	7.40	1.24	10.94	17.78	1535.09
Mobile Telecommunications (2)	3186.12	-1.7	3115.40	3240.32	3219.01	3574.69	5.31	1.62	11.64	112.75	1992.60
Utilities (10)	6691.80	-0.1	6543.28	6696.15	6692.58	6477.74	4.20	2.12	11.21	186.22	4874.82
Electricity (4)	7749.52	+0.1	7577.53	7739.54	7752.62	7130.94	3.15	1.85	17.14	163.55	6901.21
Gas Water & Multiutilities (6)	5961.52	-0.2	5829.21	5973.36	5961.06	5964.84	4.93	2.24	9.05	192.86	4400.47
Financials (258)	4816.82	-3.9	4709.92	5014.09	5042.35	6687.55	5.92	1.13	15.00	206.53	3248.70
Banks (8)	6715.77	-4.4	6566.72	7028.33	7084.01	10073.40	7.31	1.27	10.80	371.05	3596.20
Nonlife Insurance (13)	1363.88	-2.9	1333.61	1405.18	1409.41	1446.83	5.16	3.08	6.29	53.76	1668.49
Life Insurance/Assurance (9)	4186.85	-5.2	4093.93	4417.59	4415.79	5584.11	5.42	0.95	19.33	160.38	2765.61
Real Estate (49)	2886.42	-5.2	2822.36	3043.14	2984.81	4485.16	4.49	‡	‡	85.48	2497.11
General Financial (37)	5540.35	-3.4	5417.39	5735.47	5834.59	6523.67	4.01	2.75	9.05	136.84	4416.57
Equity Investment Instruments (142)	5420.71	+0.4	5300.40	5401.69	5441.17	5995.37	1.87	1.42	37.59	72.77	2395.69
Non Financials (398)	2981.12	-0.7	2914.96	3003.05	3007.40	3186.89	3.53	2.57	11.03	73.31	3213.37
Technology (35)	401.56	-1.6	392.65	408.23	413.70	472.24	1.96	2.60	19.68	6.92	451.23
Software & Computer Services (24)	524.52	-1.9	512.88	534.59	543.73	585.51	2.14	2.35	19.82	10.35	598.18
Technology Hardware & Equipment (11)	312.33	-0.6	305.40	314.12	313.36	435.24	1.16	4.51	19.14	2.42	334.08

Hourly movements	8.03	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	5511.8	5495.8	5500.8	5501.0	5500.5	5475.4	5464.3	5469.6	5467.3	5517.8	5437.1
FTSE 250	9234.6	9167.2	9191.5	9192.2	9179.1	9124.0	9118.8	9142.7	9112.4	9234.6	9091.8
FTSE SmallCap	2817.89	2811.95	2811.92	2812.18	2815.28	2811.92	2807.89	2806.80	2805.78	2818.04	2805.23
FTSE All-Share	2808.36	2798.72	2801.80	2801.92	2801.31	2788.27	2783.15	2786.34	2784.18	2809.96	2770.72

Time of FTSE 100 Day's high: 11:11:30 Day's low: 15:36:45. FTSE 100 2005/06 High: 6479.4 (03/01/2008) Low: 5150.6 (16/07/2008)
Time of FTSE All-Share Day's high: 08:09:00 Day's low: 15:37:00. FTSE All-Share 2005/06 High: 3291.47 (03/01/2008) Low: 2614.61 (16/07/2008)

 † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

Net asset values and splits analytics supplied by Fundamental Data Ltd as a guide only (www.funddata.com). See guide to London Share Service.

London Share Service

GUIDE TO LONDON SHARE SERVICE

Data from **Reuters,** except UK Companies' earnings data which is supplied by **Hemscott** (contact 020 7847 0017 for further information).

For all queries about data on the London Share Service pages, email reader.enquiries@ft.com. A full set of these notes can be found at www.ft.com/lssnotes.

Company classifications are based on the ICB system used by FTSE, see www.icbenchmark.com. FTSE 100 constituent stock names shown in bold type.

Closing mid-prices are shown in pence unless otherwise indicated.

Highs and lows are based on intra-day trading over a rolling 52 week period. A new 52 week high or low attained in the latest day's trading is marked in bold type.

Yields are based on mid-prices and allow for the value of declared distribution and rights. Yields are only quoted when a full years figures are available and are shown in net terms. Dividends on UK companies are net of 10 per cent tax, overseas companies are shown gross.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. Earnings used in calculations are based on the CFA 'Headline Earnings' formula (formerly UKSIP), details of which can be found on the publications section of www.cfauk.org.

Trading Volumes are end of day accumulated totals, rounded to the nearest 1,000 shares. Dashes indicate that either no trade has taken place during the day or the data is not available. Zeros indicate that less than 500 shares were traded. AIM volume figures include aggregate risk trades. Volume figures reflect trades on only the market under which the stock is listed. Volumes shown for foreign securities are based on trading on the principle market.

A currency symbol after the stock name shows those priced in currencies other than sterling. Prices shown for these foreign securities are converted into sterling from latest available local stock exchange prices.

The data shown in the Monday version of these pages is different, including the week's change in price, dividend, dividend cover, market capitalisation and last xd data. Investment companies have different column headers from other securities shown.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Free annual/interim report available, see below
- # Price at time of suspension
- ♦ Merger bid or reorganisation in progress
- ✠ FT Global 500 company
- **c** Cents
- **d** Fair value NAV is more than 3% different to par value NAV
- **q** Earnings based on preliminary figures
- **u** Undated
- **P** Dividend adjusted for consolidation or share split

Abbreviations: xd ex dividend; **xc** ex scrip issue; **xr** ex rights; **xa** ex all; **xR** ex capital distribution

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Market Data provided by REUTERS

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INVESTMENT COMPANIES: SPLIT CAPITAL INDICES

Share Class	Method	Aug 13	1 day % chg	1 mth % chg	1 yr % chg	3 yrs % chg	5 yrs % chg	No of stks
Capital	Capital Ret	307.06	0.29	4.56	-32.66	13.85	139.70	9
Income	Capital Ret	28.16	0.03	-1.68	-9.12	5.09	30.04	13
	Total Ret	106.80	0.03	-0.87	-3.04	31.54	112.02	13
Ord Income	Capital Ret	33.78	0.77	-2.42	-30.28	-3.40	38.96	18
	Total Ret	87.04	0.77	-2.25	-27.26	10.63	94.96	18
Zero Dividend	Capital Ret	167.90	0.05	-0.41	-1.05	11.62	53.32	23

Sources: **www.funddata.com, www.aitc.co.uk.** Start date 1 January 1997 = 100. All figures are in GBP. Indices are calculated daily on a capital return basis for all share classes. For share classes which receive income, total return indices are calculated and assume income recieived is reinvested on the ex-dividend date.

UK RISES AND FALLS

	Rises	Falls	Same
Gilts	42	–	4
Basic Materials	33	22	7
Consumer Goods	18	41	9
Consumer Services	34	82	14
Financials	42	104	20
Health Care	20	16	7
Industrials	53	110	24
Oil & Gas	17	25	1
Technology	19	19	14
Telecommunications	2	6	2
Utilities	5	5	1
Others	264	373	731
Totals	549	803	834

Data based on those companies on the London Share Service.

UK STOCK MARKET TRADING DATA

	Aug 13	Aug 12	Aug 11	Aug 8	Aug 7	Yr ago
SEAQ bargains	810,706	763,535	664,712	729,734	753,682	1,200,567
Order Book turnover (£m)†		8014.4	6901	8401.8	8421.1	15908
Order Book bargains†		761,751	661,714	727,877	749,341	1,075,860
Order Book Shares traded (m)†		1801	1593	1931	1961	3088
Total mkt bargains‡		787312	687170	750277	772711	1174826
Total Equity turnover (£m)‡		11,025	9,084	11,632	11,356	26,463
Total shares traded (m)‡	*3208	2455	2229	2696	2655	5591

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnove

RIGHTS OFFERS

There are currently no rights offers by any companies listed on the LSE.

FTSE 100 SUMMARY

FTSE 100		Closing price	Day's change
3i Group		900	-37
Admiral Group		930	-25.50
Alliance Trust	♣	311	-7.25
AMEC plc		765	-30
Anglo American		£27.91	+1.12
Antofagasta		538	+10
Assoc.Br.Foods	♣	778.50	-10.50
AstraZeneca	♣	£26.05	+0.43
Aviva		520	-28
BAE Systems		473	-1.75
Barclays		351.50	-27
BG	♣	£10.71	-0.15
BHP Billiton Plc		£15.12	+0.44
BP		524.50	-10.50
Brit. Amer. Tobac.	♣	£18.16	-0.24
British Airways		255.50	-15.50
British Energy		706.50	+1.50
British Land		722	-68.50
British Sky Broad		484	-18.50
BT	♣	179.80	-3.50
Bunzl PLC		645.50	-11.50
Cable & Wireless		174.40	+1.70
Cadbury		622.50	-7
Cairn Energy		£26.37	-0.19
Capita Group		720.50	-6
Carnival Inc		£18.94	-1.05
Carphone Warehse		200	-12.25
Centrica	♣	314.25	-2.25
Cobham		223.25	+0.25
Compass Group		364.25	-19
Diageo		984	-8.50
Drax Grp	♣	705.50	+6.50
Enterprise Inns		342.75	-43.25
Eurasian Nat Res Cp P		990	+1.50
Experian		393.50	-14.50
Ferrexpo	♣	226	-8.50
Firstgroup		575.50	+9
Friends Provdent		87.50	-4.70
GlaxoSmithKline	♣	£12.81	+0.13
Group 4 Securico	♣	206.25	-3.50
Hammerson		900.50	-91.50
HBOS		307	-24
HSBC Holdings		853.75	-15.25
ICAP	♣	483.25	-26.75
Imperial Tobacco		£18.02	+0.04
Intercont Hotels		744.50	-28.50
Intl Power		396.75	-3
Invensys		265.75	-20.25
ITV		45.50	-5.10
Johnson Matthey	♣	£15.69	-0.30
Kazakhmys		£12.05	+0.39
Kingfisher		124.60	-13.80
Land Secs Group		£13.13	-0.70
Legal and Generl	♣	104.40	-6.60
Liberty Intl		849.50	-13
Lloyds TSB Grp		308.50	-20.50
Lond Stock Exch		813	-87
Lonmin		£34.10	+0.06
Man	♣	530	-8
Marks&Spencer		266.25	-29.75
Morrison Supermk		274	-6.75
National Grid	♣	702	+2.50
Next		990.50	-89.50
Old Mutual	♣	96.20	-3.50
Pearson		660	-10.50
Petrofac	♣	520.50	-29.50
Prudential		549	-37.50
RBS	♣	229.75	-15.75
Reckitt Benckiser		£28.08	-0.08
Reed Elsevier		600.50	-3.50
Rexam	♣	404	-26
Rio Tinto		£46.58	+1.23
Rolls-Royce		403	-8
Royal Dutch Shell	♣	£18.08	-0.02
Royal DutchShellB	♣	£17.65	-0.07
RSA Insurance		140.90	-7.40
SABMiller		£11.38	-0.26
Sage Group		199.80	-3.20
Sainsbury		340.25	-27.50
Schroders	♣	£10.30	-0.49
N/V		911.50	-50.50
Scottish&SthnEn		£14.19	+0.05
Severn Trent		£14.03	-0.11
Shire		934	+0.50
SMG		9.77	+0.37
Smith & Nephew		622	-1
Smiths Group		£10.97	-0.06
Standard Charterd		£13.92	-0.98
Standard Life		240.25	-8.75
Tesco		376.90	-19.90
Thomas Cook Group		237	-8
Thomson Reuters		£15.09	+0.28
TUI Travel		228	-11.25
Tullow Oil	♣	696	+18
Unilever		£15.06	+0.24
United Utilities	♣	715	+1
Vedanta Resource		£17.50	+0.51
Vodafone		139.90	-2.45
Whitbread		£11.43	-1.02
Wolseley	♣	417.25	-37.75
Wood Grp		380	-4.75
WPP Group	♣	490.25	+3.25
Xstrata	♣	£29.64	+0.81

♣ see Guide to London Share Service above. Source: REUTERS

UK RECENT EQUITY ISSUES

issue date	issue price p	Sector	Stock code	Stock	Close price p	+/–	High	Low	Volume 000's	Mkt cap (£m)
4/8	§-	ETF	ICOV	iShsIII Glbl IL € Cvd Bd	£101.55	188.4	£101.55	£100.31	-	-
4/8	§-	ETF	SCOV	iShsIII Glbl IL € Cvd Bd£	£101.53	187	£101.53	£99.29	-	-
4/8	§-	ETF	IGIL	iShsIII Glbl IL Bd$	£66.38	111.5	£66.38	£65.34	-	-
4/8	§-	ETF	SGIL	iShsIII Glbl IL Bd£	£66.35	98	£66.35	£64.12	-	-
4/8	§-	ETF	EGIL	iShsIII Glbl IL Bd€	£66.35	97	£66.35	£64.19	-	-
29/7	§€1.0	Inv Co's	BABF	Bluecrest Allblue Fd C (€)	80.92	1.3	80.92	80.01	-	1.6
29/7	§100	Inv Co's	BABC	Bluecrest Allblue Fd C (£)	102.25	-0.3	102.75	101	15	86.3
29/7	§$1.0	Inv Co's	BABV	Bluecrest Allblue Fd C ($)	54.69	1	54.69	50.99	-	5.2
29/7	§50.2	AIM	THAL	Thalassa Energy	52.5	-	52.5	52	-	4.5
28/7	-	-	BGHL	Boussard & Gavaudan (€)	677.67	11.1	677.67	67.17	-	569
28/7	-	-	BGHS	Boussard & Gavaudan (£)	820	-	820	795	-	42
28/7	§-	ETF	LKUU	Lyxor Kuwait 40 ($)	£25.55	54	£26.58	£25.54	5	-
28/7	§-	ETF	LKUW	Lyxor Kuwait 40 (£)	£2553.00	4925	£2604.25	£2501.25	-	-
28/7	§-	-	OTV3	Octopus Titan VCT3	100	-	100	100	-	2.8
25/7	-	ETF	XIMT	db x-trck DJ Islamic Ttns	£15.00	11.4	£15.00	£14.04	-	3
25/7	-	ETF	XSHE	db x-trck Eur350 Shariah	803.93	2.5	803.93	785.8	-	4
25/7	-	ETF	XSHJ	db x-trck Jpn500 Shariah	635.74	2.6	635.74	595.01	20	2.5
24/7	§€1.0	Inv Co's	H2O	Aqua Resources Fd	82.52	1.4	82.52	80.8	8	51.2
24/7	§-	-	INGC	Inspired Gaming Cnv Pf	57	-	57	57	-	45.6
16/7	§-	Inv Co's	KGRC	KGR Absolute Ret C	100.5	-	100.5	100.5	165	15.1
7/7	§100	Inv Co's	PUME	Puma VCT V	100	-	100	-	-	7.5

§ Placing price. * Introduction. ‡ When Issued. ♣ Annual report/prospectus available, see London Shares Page. For a full explanation of all other symbols please refer to London Share Service notes.

NEW UK 52 WEEK HIGHS AND LOWS

Data based on intra-day share trading in those companies listed on the London Share Service.

NEW HIGHS (34).

GILTS (5) IDXGILT 1.25% 55, Treasury 8.5% 07, Treasury Index-Linked 2% 35, Treasury Index-Linked 2.5% 24, Treasury Index-Linked 4.125% 30, AEROSPACE & DEFENCE (1) Thales, AUTOMOBILES & PARTS (1) Honda Motor, FINANCIAL GENERAL (1) Global Investment House KSC (Closed), FOOD & BEVERAGES (1) Nestle, HEALTH CARE EQUIP & SERVICES (1) Abbott Laboratories, INSURANCE (1) Jardine Lloyd, INVESTMENT COMPANIES (15) AIDA Fund EUR, BH Global Ltd, BH Macro Ltd, Biotech Gwth, BlackRock Absolute Return Strategy Ltd, BlackRock Absolute Return Strategy Ltd, Dexion Absolute AUD, Dexion Absolute EUR, Dexion Alpha Strategies EUR, Finsbury Wrldwide Ph, Investec High Income Trust, Jupiter Second Split Trust, MW Tops LTD, MW Tops LTD, Thames River Multi Hedge PCC Ltd, PHARMACEUTICALS & BIOTECH (1) AstraZeneca, RETAILERS (1) Dairy Farm International Hldg, TECH - HARDWARE (3) Filtronic, FUJITSU LTD, Spirent, AIM (3) Immunodiagnostic, PureCircle Ltd, SPG Media Group

NEW LOWS (129).

GILTS (2) Treasury, Treasury 9% 08, HOUSE, LEISURE & PERS GOODS (2) HavelckE, Waterford Wedgwood, INDUSTRIAL ENGINEERING (1) Molins, INVESTMENT COMPANIES (34) Aberdeen Development Capital, Acuity VCT2, Baronsmead AIM VCT, Baronsmead VCT 4, Carador, Close IHT AIM VCT, Close Second AIM VCT, Close Second AIM VCT, Close Technology & General VCT, Core VCT I, Core VCT II Plc, Core VCT III Plc, Framlington AIM VCT 2, Gart GO ord, Global Special Opps Inc., Guangdong Development Fund, iimia IT, Infrastructure India, JPMorgan Flm JpnSmCo, Jupiter Second Enhanced Inc Tst, M & G High Income Inv Tst, Matrix Income & Growth VCT, Melchior Jap Inv, New Star RBC Hdge250 Idx ETS PCC Ltd, Octopus Protected VCT Plc, Phoenix VCT, Prospect Japan Fund, Rensburg Aim Vct, SchdrSplt, Smaller Companies Value Trust, Smaller Companies Value Trust, Third Advance Value Realisation Co, UK Select Trust, Unicorn AIM VCT II Plc, MEDIA (1) CityofLn, MINING (4) Hochschild Mining Plc, Ivernia Inc, Ovoca Gold, Troy Resources NL, OIL & GAS (1) Heritage Oil Ltd, PHARMACEUTICALS & BIOTECH (1) Hikma Pharma, REAL ESTATE (3) Dtz Holdings, Highcrft, MWB Group, RETAILERS (2) HR Owen, Mallett, SUPPORT SERVICES (3) Davis Service Gp, OPD Group, White Young Grn, AIM (70), PLUS (5) All Star Minerals, Avation, General Industries, Mastermailer Holdings, Wellington Market Company

Ed Morse
INSIGHT

Oil shocks of the past make their mark on the present

Barring a big hurricane in the Gulf of Mexico or a disruptive geopolitical event, oil prices appear to have peaked. Since breaching $147 a barrel, signs of a drop in global demand had seen oil tumble more than 23 per cent to below $113 before yesterday's mild rebound.

World oil consumption is now growing at a significantly lower pace than had been imagined a year ago. Last October, the International Energy Agency was forecasting global demand growth for 2008 of 2.1m barrels a day, with 750,000 b/d from the Organisation for Economic Co-operation and Development and 1.33m b/d from emerging markets. In its latest monthly report, the IEA has slashed this by more than 60 per cent to 800,000 b/d, with OECD demand forecast to decline by more than 600,000 b/d and emerging markets demand to grow by 1.4m b/d.

In our judgment, the IEA's forecasts for emerging markets will turn out far too optimistic by year's end and OPEC will again complain about the inability of oil importers to guarantee enough demand growth to warrant investments in expanded production capacity.

The growing consensus that lower prices and higher economic growth will result in a rebound in demand growth is wishful thinking

Pointing fingers about who is responsible for the uncertainty of global demand may be futile. Clearly, higher prices and lower economic growth are taking a toll on US and other OECD country petroleum product demand. But two other articles of faith are being challenged. First, the consensus thinking that emerging market oil demand has decoupled from industrial countries will be tested over the next half year. Second, the growing consensus that lower prices and higher economic growth will result in a rebound in demand growth is wishful thinking.

Let's look at these arguments in more detail. There is growing evidence the malaise affecting many OECD economies is spreading into emerging markets, especially those whose growth relies on the strength of their export markets. For China, which has been responsible for more than half of global base metal demand growth and as much as a third of global petroleum demand growth, challenging times are ahead for exporters and the metal and energy-intensive producers of steel, aluminium, cement and other primary products.

Contrary to popular myth, these energy-intensive industries are consuming the middle distillates that drive two-thirds of China's petroleum demand growth. And due to higher energy costs, an appreciating renminbi, weak export markets and a protectionist backlash, exports are falling, with ramifications for their demand for resources. With China at a crossroads and gross domestic product growth slowing to 8 per cent, product demand growth could drop from its three-year average of 490,000 b/d to 350,000 b/d (up 4.4 per cent) in 2009. Furthermore, debate continues over the relationship between subsidies and demand growth in emerging markets. Efforts to de-control prices in many Asian countries have raised end-user prices significantly, some by more than 50 per cent. The few historical lessons about the effect of such price rises on demand growth point to structural tipping points. Japan's product demand rose threefold from 1965 (1.7m b/d) to 1973 (5.3m b/d). Since the oil shocks, Japan's demand has never exceeded its 1973 figure. South Korea's demand grew by more than 300 per cent from 1987 (620,000 b/d) to 1997 (2.4m b/d), when the financial crisis forced a liberalisation of prices; again, demand has not exceeded its pre-crisis peak.

Assumptions that lower prices will bring renewed demand growth ignore the reality of the demand response to price shocks

Complacent assumptions that lower prices will bring renewed demand growth ignore the reality of the demand response to extreme price shocks. The shocks stimulate the world to go beyond temporary reductions in discretionary consumption and make large irreversible investments in energy-saving technologies, permanently changing the structure and efficiency of transportation, industrial, commercial, and residential sector demand.

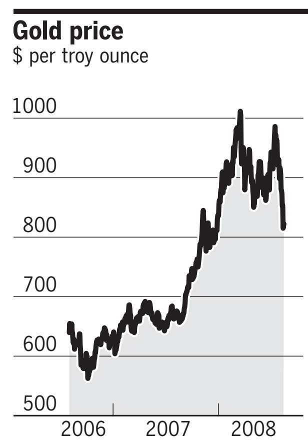
The old adage that "nothing cures high prices like high prices" is as true today as in the 1970s. Those cures don't only involve the supply side; the response from demand is as critical. We expect prices to stabilise at $90-$100 a barrel but to still stimulate structural demand adjustments – we don't foresee world demand growth exceeding 1m b/d a year for some time.

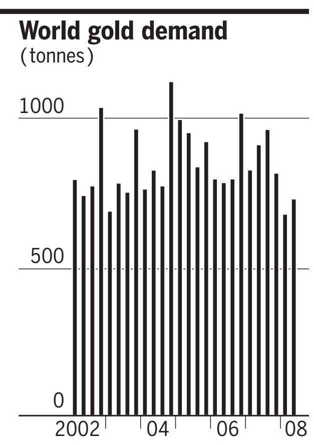
The writer is chief energy economist at Lehman Brothers

Demand weakness takes shine off gold

News Analysis

A steep drop in consumption is behind the metal's price declines, writes **Javier Blas**





Sources: Thomson Datastream; World Gold Council

Two pillars have supported the boom in gold prices in recent years: strong demand and lacklustre supply. The latter remains a robust buttress, but the foundations of the former are cracking under the weight of record prices.

In the second quarter, gold consumption fell to 735.6 tonnes, down 19 per cent against the same period last year, led by a 24 per cent drop in jewellery demand, the industry-backed World Gold Council said yesterday. That drop in consumption deepens a fall of 18 per cent in the first half of this year compared to the equivalent period last year.

The large contraction, analysts said, darkens the previously bright outlook for bullion. It also helps explain why gold prices, after hitting a record high of $1,030.80 an ounce in March, have fallen back to just above $800.

But the cracks in the demand pillar do not mean that gold prices are about to collapse to the $250 an ounce low of 1999, nor that a correction to $600 an ounce – the level of January 2007 – is on the cards, analysts said.

Suki Cooper, a precious metals analyst at Barclays Capital, said gold prices were more likely to trade between $800-$900 for the rest of this year and 2009.

Nevertheless, some investors have taken notice of the change in gold's fortunes and are liquidating their positions. "The speculative element is coming off," said Jill Leyland, economic advisor at the WGC in London.

The sudden resurgence of the dollar, and calming of fears about inflation have added to the selling. Indeed, the exit of speculative money can be seen in the bullion holdings of the world's largest gold exchange traded fund – the New York-listed SPDR Gold Shares – which fell on Tuesday to 659.03 tonnes, down 6.6 per cent from a peak of 705.9 tonnes last month.

One particular concern among investors is the plunge in gold demand in India, by far the world's largest consumer of gold. Between April and June, jewellery and investment demand fell there by 45 per cent. Demand also fell in Turkey and the Middle East, but held in China and rose strongly in Vietnam.

The WGC said in its quarterly Gold Demands Trends report that the primary factor driving consumption lower was the continued strength in the gold price and volatility.

"Deteriorating conditions across many economies . . . acted as a further barrier to spending on gold jewellery," it added, pointing to large falls in US, UK and Italian jewellery demand, particularly in the middle and lower end of the market.

However, Dave Russell, of Gold Investments in Dublin, said that the recent fall in gold prices has triggered renewed interest in bullion, with evidence of retail investment picking up. Other analysts said that consumption in India was also showing a rebound.

Investors, in any case, can count for the time being on the support of the supply pillar.

In the second quarter, gold output increased just 1 per cent compared with the same period of a year ago, and the advance was only possible because a large amount of old gold returned to the market in the form of scrap.

Indeed, mined gold – the main source of supply – fell 4 per cent in the quarter, with increases in Russia and China unable to offset falls in Indonesia, South Africa and Australia. Nevertheless, mined output could increase in the future as miners exhaust the buy-back of old price hedges, which until now have restrained production.

For that reason, the main risk for investors – although it does not appear imminent – is the emergence of a fissure in the supply pillar, just as the demand column continues to fracture.

Bullish on bullion: analysts are confident of firm foundations Bloomberg

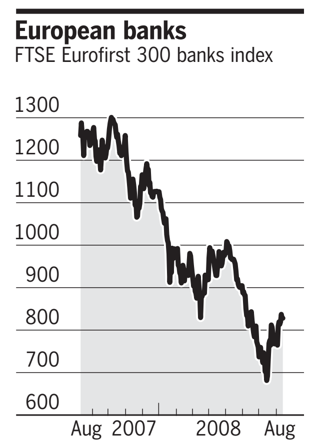
Market Reports

Return of credit fears takes toll

EUROPE

By Rachel Morarjee and Neil Dennis

European equity markets fell yesterday as banks were battered by renewed credit fears and a jump in the oil price knocked the wider market.



Source: Thomson Datastream

The FTSE Eurofirst 300 fell by 2.4 per cent to 1,179.64 led by financials and retail stocks. Among the losers in Europe's financial services sector were the companies whose balance sheets had been damaged by the year-long credit crisis.

UBS, the biggest European casualty of credit market writedowns, tumbled 7.3 to SFr20.98 in reaction to it reporting weaker-than-expected results on Tuesday.

The bank was dealt a further blow by a Financial Times report that senior management knew the bank risked breaching US securities laws a year before investigations in the US began.

UBS's plans to split into three autonomous divisions, including a separate investment banking unit, failed to impress the market.

Fortis and **Banco Santander** lost ground after Commonwealth Bank of Australia said it was pulling out of talks to buy ABN Amro Australia.

Fortis fell 5.8 per cent to €9.5 and **Santander** slipped 3.5 per cent to €12.02. The pair, along with Royal Bank of Scotland, bought Dutch Bank ABN Amro last year and are in the process of selling off non-core assets.

Credit Suisse fell 5.4 per cent to SFr51.85 after Britain's Financial Services Authority fined the Swiss bank's UK operations £5.6m for failing to conduct its business with "due skill, care and diligence" over the pricing of asset-backed securities.

Commerzbank lost 6.9 per cent to €20.54 and **Crédit Agricole** shed 6.8 per cent to €13.99.

Arcandor, Germany's largest department store operator, nosedived 12.7 per cent to €6.94 after reporting a third quarter loss and cutting its forecast.

The wider European retail sector was also hit, with Sweden's **H&M** losing 3.3 per cent to SKr307.50, Spain's **Inditex**, which owns the Zara chain down 6.3 per cent to €31.01 and France's **PPR** falling 4.4 per cent to €76.53.

Pound hits 11-year low on Bank verdict

CURRENCIES

By Peter Garnham

The pound plummeted to an 11-year low on a trade-weighted basis and its weakest level in 22 months against the dollar after the Bank of England yesterday delivered a gloomy assessment of the UK economy and appeared to open the way for interest rate cuts.

In its quarterly inflation report, the Bank said the outlook for UK growth was "noticeably weaker" and that second-quarter gross domestic product estimates were likely to be revised lower.

Mervyn King, governor of the Bank of England, warned that the coming year was going to be difficult and that there was "bound to be a quarter or two" of economic contraction. But it was the Bank's comments on inflation that really moved the currency markets.

The Bank said it expected consumer price inflation to remain elevated, rising to 5 per cent in the coming months, but said that it believed it would fall below its 2 per cent target level in two years' time.

This prediction was well below forecasts, prompting futures markets to move aggressively to bring forward the timing of cuts in UK interest rates, which currently stand at 5 per cent, and currency traders to sell the pound.

Analysts said the Bank, which has been reluctant to cut interest rates due to rising inflationary pressure, had effectively signalled an easing monetary policy bias.

David Bloom of HSBC said that, following policy shifts that have seen New Zealand and Australia move to an easing bias in recent weeks, the Bank had provided further evidence that the focus of global central banks was shifting away from worries about inflationary pressures to concerns over growth.

"Inflation is yesterday's story and UK growth is falling to pieces," he added. "The pound is going to get absolutely thrashed."

After falling to a low of $1.8640 against the dollar, its weakest level since October 2006, the pound was down 1.3 per cent at $1.8710 late in New York. Sterling lost 1.4 per cent to £0.7977 against the euro and at one stage tumbled 2.2 per cent to Y202.49 against the yen.

The yen advanced elsewhere as falling equities hit risk appetite and drove investors away from carry trades, in which the purchase of higher yielding assets is funded by selling the low-yielding Japanese unit.

Lee Hardman, of Bank of Tokyo-Mitsubishi UFJ, said: "The yen remains at the mercy of carry trade dynamics, which have deteriorated sharply. We believe the yen's rally is far from over."

The yen rose 0.2 per cent to Y109.51 against the dollar, climbed 0.9 per cent to Y161.46 against the euro and gained 1.1 per cent to Y94.12 against the Australian dollar.

The dollar lost steam against the euro and was little changed at $1.4923 late in New York.

CURRENCY RATES

www.ft.com/currencydata

Aug 13	Currency	DOLLAR Closing mid	DOLLAR Day´s change	EURO Closing mid	EURO Day´s change	POUND Closing mid	POUND Day´s change
Argentina	(Peso)	3.0363	+0.0025	4.5143	-0.0089	5.6623	-0.1055
Australia	(A$)	1.1534	+0.0121	1.7150	+0.0133	2.1512	-0.0188
Bahrain	(Dinar)	0.3771	-	0.5606	-0.0016	0.7032	-0.0137
Bolivia	(Boliviano)	7.0600	-	10.4969	-0.0292	13.1662	-0.2563
Brazil	(R$)	1.6268	+0.0048	2.4187	+0.0003	3.0338	-0.0500
Canada	(C$)	1.0676	+0.0044	1.5873	+0.0021	1.9910	-0.0304
Chile	(Peso)	517.900	-1.5000	770.014	-4.3857	965.832	-21.652
China	(Yuan)	6.8570	-0.0062	10.1950	-0.0377	12.7876	-0.2607
Colombia	(Peso)	1857.25	+23.2500	2761.36	+26.9571	3463.59	-23.215
Costa Rica	(Colon)	552.460	+0.1150	821.399	-2.1210	1030.28	-19.836
Czech Rep.	(Koruna)	16.1589	+0.1322	24.0250	+0.1300	30.1347	-0.3353
Denmark	(DKr)	5.0171	+0.0139	7.4595	+0.0001	9.3565	-0.1554
Egypt	(Egypt £)	5.3250	+0.0112	7.9172	-0.0054	9.9306	-0.1719
Estonia	(Kroon)	10.5236	+0.0293	15.6465	-	19.6255	-0.3263
Hong Kong	(HK$)	7.8085	-0.0006	11.6096	-0.0334	14.5620	-0.2847
Hungary	(Forint)	159.840	+1.4175	237.650	+1.4500	298.086	-3.1074
India	(Rs)	42.6450	+0.2700	63.4046	+0.2256	79.5287	-1.0347
Indonesia	(Rupiah)	9180.00	+10.0000	13648.80	-23.187	17119.80	-314.22
Iran	(Rial)	9518.00	-22.000	14151.40	-72.299	17750.10	-387.33
Israel	(Shk)	3.5986	+0.0161	5.3504	+0.0091	6.7111	-0.1000
Japan	(Y)	108.640	-1.0850	161.526	-2.0685	202.603	-6.0064
One Month		108.436	-0.0208	160.961	-0.0255	201.765	+0.0243
Three Month		108.031	-0.0515	159.832	-0.0653	200.088	+0.0407
One Year		106.137	-0.0055	155.272	+0.3537	193.613	+1.1669
Kenya	(Shilling)	67.2000	-	99.9130	-0.2789	125.321	-2.4394
Kuwait	(Dinar)	0.2684	+0.0009	0.3991	+0.0003	0.5006	-0.0080
Malaysia	(M$)	3.3175	-0.0090	4.9325	-0.0272	6.1868	-0.1376
Mexico	(New Peso)	10.1975	+0.0490	15.1616	+0.0307	19.0173	-0.2771
New Zealand	(NZ$)	1.4376	+0.0062	2.1376	+0.0032	2.6812	-0.0405
Nigeria	(Naira)	117.755	-	175.078	-0.4887	219.601	-4.2745
Norway	(NKr)	5.3935	+0.0233	8.0190	+0.0124	10.0583	-0.1514
Pakistan	(Rupee)	75.2500	+1.5000	111.882	+1.9242	140.334	+0.1203
Peru	(New Sol)	2.9475	+0.0385	4.3824	+0.0452	5.4968	-0.0338
Philippines	(Peso)	44.7100	+0.0650	66.4748	-0.0887	83.3797	-1.4994
Poland	(Zloty)	2.2236	+0.0290	3.3060	+0.0340	4.1468	-0.0256
Romania	(New Leu)	2.3943	+0.0223	3.5598	+0.0233	4.4651	-0.0445
Russia	(Rouble)	24.2656	+0.0002	36.0781	-0.1004	45.2529	-0.8804
Saudi Arabia	(SR)	3.7503	-0.0001	5.5759	-0.0157	6.9939	-0.1363
Singapore	(S$)	1.4036	-0.0053	2.0869	-0.0137	2.6176	-0.0610
Slovakia	(Koruna)	20.4063	+0.0481	30.3400	-0.0130	38.0556	-0.6493
South Africa	(R)	7.9045	+0.0852	11.7524	+0.0943	14.7411	-0.1249
South Korea	(Won)	1039.45	+4.7500	1545.45	+2.7683	1938.47	-28.701
Sweden	(SKr)	6.2959	-0.0032	9.3607	-0.0309	11.7412	-0.2346
Switzerland	(SFr)	1.0880	+0.0007	1.6177	-0.0033	2.0290	-0.0381
Taiwan	(T$)	31.1345	-0.0495	46.2908	-0.2030	58.0628	-1.2243
Thailand	(Bt)	33.6400	-0.1000	50.0160	-0.2887	62.7353	-1.4112
Tunisia	(Dinar)	1.2171	+0.0036	1.8096	+0.0004	2.2697	-0.0373
Turkey	(Lira)	1.1870	+0.0052	1.7648	+0.0028	2.2137	-0.0331
U A E	(Dirham)	3.6732	-	5.4613	-0.0152	6.8501	-0.1333
UK (0.5362)*	(£)	1.8649	-0.0363	0.7973	+0.0130	-	-
One Month		1.8607	+0.0005	0.7978	-0.0001	-	-
Three Month		1.8521	+0.0010	0.7989	-	-	-
One Year		1.8242	+0.0097	0.8020	-0.0012	-	-
Uruguay	(Peso)	19.0500	-	28.3236	-0.0791	35.5264	-0.6915
USA	($)	-	-	1.4868	-0.0042	1.8649	-0.0363
One Month		-	-	1.4844	-	1.8607	+0.0005
Three Month		-	-	1.4795	-0.0001	1.8521	+0.0010
One Year		-	-	1.4630	+0.0024	1.8242	+0.0097
Venezuela †	(Bolivar Fuerte)	2.1473	-	3.1927	-0.0089	4.0045	-0.0780
Vietnam	(Dong)	16625.00	+35.0000	24718.10	-16.815	31004.00	-536.95
Euro (0.6726)*	(Euro)	1.4868	-0.0042	-	-	1.2543	-0.0209
One Month		1.4844	-	-	-	1.2535	+0.0003
Three Month		1.4795	-0.0001	-	-	1.2519	+0.0007
One Year		1.4630	+0.0024	-	-	1.2469	+0.0040
SDR	-	0.6332	+0.0013	0.9414	-0.0007	1.1808	-0.0205

Rates are derived from WM/Reuters at 4pm (London time). *The closing mid-point rates for the Euro and £ against the $ are shown in brackets. The other figures in the dollar column of both the Euro and Sterling rows are in the reciprocal form in line with market convention. † New Venezuelan Bolivar Fuerte introduced on Jan 1st, 2008. Currency redenominated by 1000. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at **http://www.FT.com/marketsdata**
Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Cyprus 0.585274, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Greek Drachma 340.75, Irish Punt 0.787564, Italian Lira 1936.27, Malta 0.4293, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Slovenia Tolar 239.64, Spanish Peseta 166.386.

Oil rebounds after big falls in inventories

COMMODITIES

By Chris Flood

Oil prices rebounded yesterday, leading grains and base metals higher, after US weekly inventories data showed unexpectedly large declines in crude oil and product stocks.

Nymex September West Texas Intermediate rose $2.99 to $116.00 a barrel after touching a session high of $117.43 while ICE September Brent added $2.32 at $113.47 a barrel.

US crude stocks fell 400,000 barrels, above the consensus forecast for a drop of 200,000 barrels, after tropical storm Edouard disrupted imports, which dropped 538,000 barrels a day to 9.66m b/d.

Activity by refiners was also disrupted by the storm, with refinery utilisation down 1.1 percentage points to 85.9 per cent.

US refiners have shut about 2m b/d of capacity, attempting to bolster their margins. Some traders expect refineries to embark on prolonged maintenance programmes this autumn that will further subdue their demand for crude oil.

The main boost to oil prices came from a massive drop of 6.4m barrels in gasoline stocks, much greater than the consensus forecast of a 2.1m barrel decline.

However, the stock drop was offset by ongoing weakness in US petrol demand, averaging 9.44m barrels a day during the past four weeks, down 1.9 per cent compared with the same period last year.

Nymex September RBOB unleaded gasoline jumped 12 cents to $2.9631 a gallon.

Distillate stocks (including heating oil) fell 1.7m barrels, an unusual decline in summer time and counter to the consensus forecast for an increase of 1.9m barrels.

Nymex September **heating oil** rose 9.2 cents to $3.1716 a gallon.

Technical analysts note that prices for WTI, gasoline and heating oil are all trading close to their 200-day moving average, important support levels.

In Chicago, agricultural commodities rallied strongly, rising by their daily trading limits, as buying interest returned following the US Department of Agriculture's supply update on Tuesday.

"Today's price rally has been more impressive than we anticipated," said Gavin Maguire of EHedger (formerly Iowa Grain): "Now that the dust has settled following the USDA's report, we've seen fresh buying interest from consumers and once prices started to move up, that prompted some short-covering by hedge funds and other speculators."

CBOT September **corn** rose 30 cents to $5.39 a bushel while CBOT September **wheat** rose 60 cents to $8.50¼ a bushel and CBOT September **soyabeans** added 56½ cents at $12.74 a bushel.

Traders remain concerned over the USDA's very low projection of 135m bushels for soyabean stocks, given strength in global demand and uncertainty about South America production.

Among base metals, **copper** rose 3.8 per cent to $7,420 a tonne, helped by short-closing after it sank to a six-month low of $7,120 in the previous session. Traders say opportunistic Chinese buying interest has been evident, depending on the arbitrage between LME and Shanghai copper prices.

Aluminium rose 1.1 per cent to $2,810 a tonne, recovering from a six-month low of $2,758 in the previous session, while short-closing helped **nickel**, up 6.2 per cent to $19,220 a tonne.

Gold rallied 1.8 per cent to $825 a troy ounce in late London trading after sinking to its lowest level for the year in the previous session.

COMMODITY PRICES

Energy		Price*	Change
WTI Crude Oil †	Sep	116.00	+2.99
Brent Crude Oil ‡	Sep	113.47	+2.32
RBOB Gasoline †	Sep	2.9323	+0.0891
Heating Oil †	Sep	3.1317	+0.0536
Natural Gas †	Sep	8.456	+0.126
Ethanol ◆	Sep	2.235	-0.281
Uranium		64.50	nc
Carbon Emissions ‡	Dec	€23.67	+0.85
Diesel (French)		1041.00	+13.00
Unleaded (95R)		972.50	+14.50
globalCOAL RB Index		150.50	nc
Base Metals (♠ LME 3 Month)			
Aluminium		2776.00	-35.25
Aluminium Alloy		2495.00	-7.50
Copper		7235.00	+9.50
Lead		1690.50	-202.00
Nickel		18002.50	+300.00
Tin		17625.00	-487.50
Zinc		1638.25	-30.00
Precious Metals (PM London Fix)			
Gold		818.50	+0.75
Silver		1468.00	+23.00
Platinum		1485.00	-9.00
Palladium		310.00	-6.00
Agricultural & Cattle Futures			
Corn ◆	Sep	539.00	+30.00
Wheat ◆	Sep	850.25	+60.00
Soyabeans ◆	Aug	1270.00	+50.00
Soyabeans Meal ◆	Aug	359.50	+17.80
Cocoa ✠	Sep	£1498	+25
Coffee (Robusta) ✠	Sep	2208	-66
Coffee (Arabica) ♥	Sep	135.55	-1.90
White Sugar ✠	Oct	394.1	+5.6
Cotton ♥	Oct	68.82	+1.54
Orange Juice ♥	Sep	103.45	+2.70
Palm Oil	Sep	865.00	-2.50
Live Cattle ♣	Aug	103.175	+0.375
Feeder Cattle ♣	Aug	114.050	-1.100
Lean Hogs ♣	Aug	88.225	-0.475
Frozen Pork Bellies ♣	Aug	77.250	+4.500
Baltic Dry Index		7097	+105

Sources: † NYMEX, ‡ ECX/ICE, ◆ CBOT, ✠ Liffe, ♥ NYBOT. ♣ CME. ♠ LME/London Metal Exchange.
* $ unless otherwise stated. London Closing prices

INDICES

	Aug 12	% Chg Mnth	% Chg Year
S&P GSCI Spt	696.18	-16.1	+41.7
DJ AIG Spt	187.45	-15.6	+11.5
R/J CRB TR	381.47	-13.6	+23.7
Rogers RICIX TR	4764.01	-14.9	+30.1
M Lynch MLCX Spt	531.16	-16.8	+33.3
UBSBberg CMCI TR	1421.23	-13.2	+24.0
	Aug 13	Mnth	Year
LEBA EUA Carbon	23.04	-14.9	+19.2

Merrill survey sees world downturn

Fund managers expect recession

Inflation fears fade on drop in oil price

By Chris Flood

A global recession is widely expected by fund managers as the credit crunch marks its anniversary by mutating from a financial crisis into a world economic downturn, Merrill Lynch reckons.

Almost one-quarter of the fund managers questioned by Merrill in August for its monthly survey said the global economy was already in recession and almost half expect the world economy to contract during the next 12 months.

But inflation fears are fading after the recent fall in oil prices.

A net 18 per cent of the survey's respondents – in an extraordinary reversal – said they expected global core inflation to fall over the next 12 months. Two months ago, a net 33 per cent expected inflation would rise.

"Fears about stagflation are starting to give way to fears that the [global] economy is in for a period of below-trend growth and below-trend inflation," said David Bowers, of Absolute Strategy Research and independent consultant to Merrill's fund managers surveys.

Mr Bowers said it was "crystal clear" fund managers did not believe analysts' profit forecasts with a net 83 per cent describing earnings estimates for the coming year as "too high".

But as the economic downturn spreads to Europe and Japan, enthusiasm for US assets has been rediscovered by fund managers, with 53 per cent expecting the dollar to appreciate and 38 per cent planning to overweight US equities during the next 12 months. Both readings are record highs.

The fall in oil prices has prompted a partial unwinding of the highly popular "long energy, short financials" trade.

Among European fund managers, the net overweight position in the oil and gas sector has fallen sharply, from 62 per cent in June to 11 per cent in August. At the same time, the net underweight in banks has shrunk from 62 per cent in June to 40 per cent.

But it remains unclear if these shifts represent a change in leadership between commodities and financials, a swap on valuation grounds or perhaps a misreading of fundamentals.

Francisco Blanch, Merrill's global head of commodity research, says oil demand growth in emerging markets has never contracted year-on-year in the modern era.

"While we have started to see some demand for oil curtailed in OECD economies, economic fundamentals in China and other emerging markets should support oil prices at more than $100 in 2009," said Mr Blanch.

Meanwhile, Stuart Graham, Merrill's head of European bank equity research said bank valuations looked no better than "fair" and he warned banking stocks could weaken again.

Mr Graham said European banks might have to raise up to $120bn in fresh equity capital and he cautioned that a further $40bn of write-downs could be expected as prices for toxic assets were plumbing fresh depths in fire sales.

View of the Day

Neil Dougall
Dresdner Kleinwort

Latin America has so far largely been able to shrug off the effects of the downturn in economic activity in Group of Seven countries, although this resilience is unlikely to persist, warns Neil Dougall, chief emerging market economist at Dresdner Kleinwort.

"We believe that it will be 2009 when the impact on regional growth becomes much more apparent," he says. "As such, over the last month we have cut our 2009 gross domestic product projections for the region's two biggest economies."

In the case of Brazil, Dresdner is now forecasting a GDP expansion of 3.7 per cent next year, down from 4 per cent previously. For Mexico, it has cut its forecast from 2.5 per cent to 2 per cent.

In Argentina, Mr Dougall says, the political and economic climate is continuing to deteriorate.

He notes that following the recent sale of seven-year bonds to Venezuela, Argentina's financing needs for this year have virtually been completed – although the requirements for 2009 are estimated at nearly $12bn, about double this year's level.

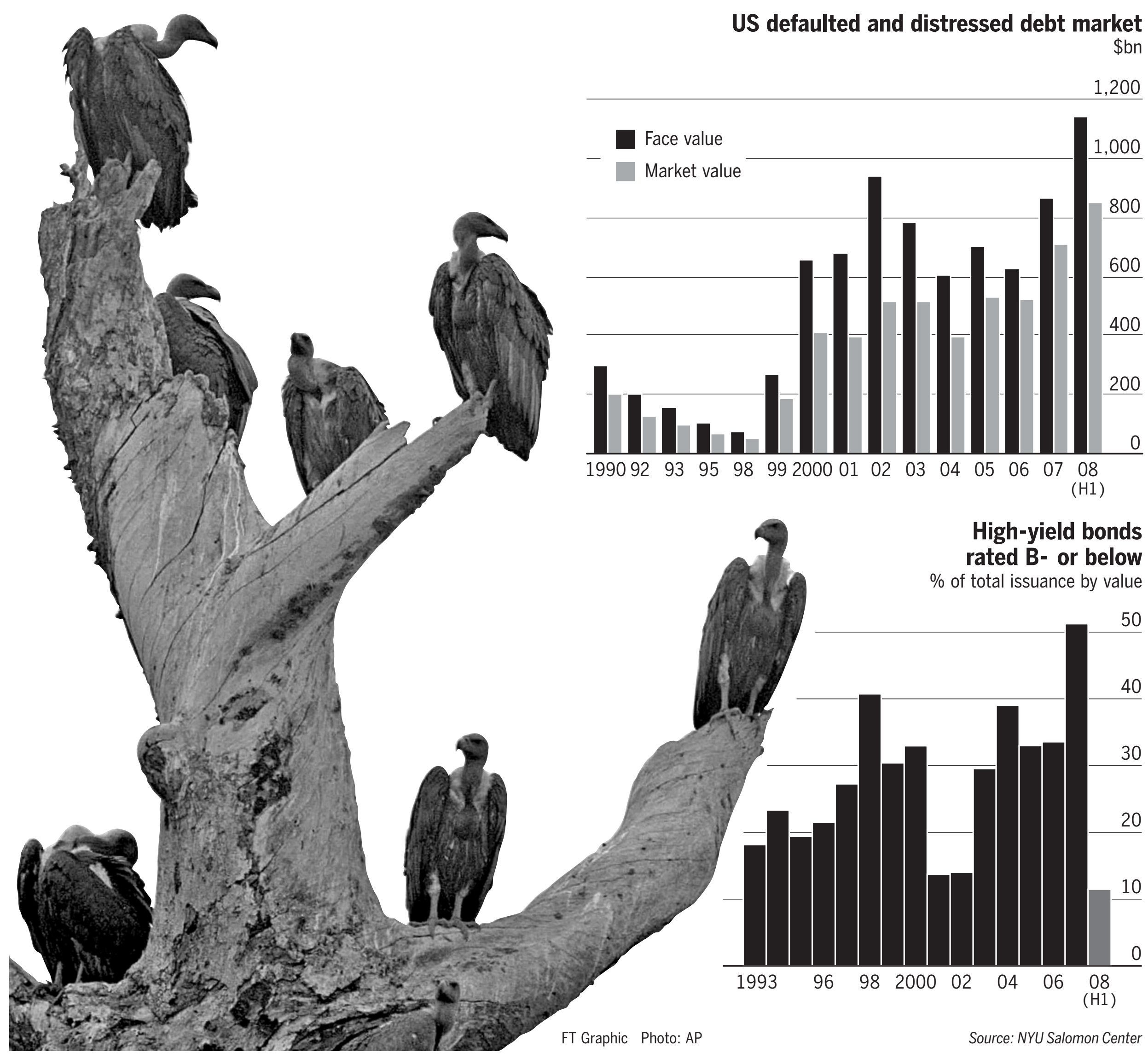
"Given Argentina's exclusion from international capital markets, this puts a heavy burden on continuing support from Venezuela as well as domestic financial markets. It also highlights Argentina's vulnerability to a fall in agricultural commodity prices.

"The latter, if it were to occur, would erode the primary fiscal surplus and lead to a higher financing requirement."

Vultures take their time to swoop on distressed debt

News Analysis

New entrants are amassing war chests, but there are fears that it is too early to commit, says Anousha Sakoui



FT Graphic Photo: AP

Since the credit crunch hit last year, the distressed debt industry has been undergoing a somewhat surprising shake-up. In recent months, bankers in distressed debt trading, research or proprietary investing have been quietly leaving long-held positions.

The departures come as reports abound of "vulture funds" amassing war chests in preparation for a new cycle of opportunities in the bonds or loans of struggling companies. But a year after the credit crunch began, some of the most experienced and successful in this business say it is too early to jump in.

"Now is not the time to buy aggressively; we have to wait to see the wave of defaults that will create the opportunity," says Howard Marks, chairman of Oaktree Capital Management, which over two decades has managed more than $26bn in distressed debt funds. "We expect a wave of opportunities in distressed debt, with more debt defaulting than was the case in 1990 or 2002. But there's no basis for projecting that the rate of return on investment will be as high."

Such reticence to start putting large amounts of money to work in distressed situations is supported by recent research that revealed some of the worst returns to investors in distressed debt on record.

Julian Nichols, European head of distressed debt trading at Deutsche Bank in London, says: "If you have been investing in distressed debt in Europe over the past few years, you are now probably having a tough time, unless you have done something pretty special."

An index of returns on defaulted bonds has shown that investors would have lost money at a rate not seen since 1998. The Altman-NYU Salomon Center Defaulted Debt Index saw losses of 14.31 per cent in July alone, the second largest one-month loss in the its 20-year history. This lifted the loss on defaulted bonds in the year to date to an eye-watering 24 per cent. Investments in distressed bank debt showed similar losses, according to the index.

In spite of such figures, fundraising for distressed debt investing has continued at a record pace, reaching $32.8bn by private equity alone so far this year, according to Private Equity Intelligence.

Mr Marks says: "We believe distressed debt represents a big coming opportunity, based on the combination of the vast excesses that took place in lending in 2003-07, along with the onset of economic sluggishness and the credit crunch."

He says the biggest part of the next wave will comprise the bank debt of failed leveraged buy-outs, mainly in the US and Europe.

Mr Nichols calls it a "brave new world". "2001 was a bubble-bursting in an otherwise strong global economy, as was also the case in 1998," he says. "Now we seem to have a genuine economic shift driven by the new-found limits of leverage in the west."

However, he cautions that it could take another 18 months for the next distressed cycle to hit and that it could be five to seven years before there is a recovery in prices – longer than previous cycles.

Against this backdrop, specialist bankers at a number of high-profile Wall Street firms have been getting out. Bear Stearns, Credit Suisse, Citigroup, JPMorgan Chase and Morgan Stanley have all seen people leave long-held positions. Some are taking time out, others are joining funds, looking to start up on their own or even joining competitors.

While the number of leavers is relatively small, many of those that quit were long-standing senior bankers. Michael Guy, a 10-year Credit Suisse veteran and founder and co-head of its European Special Situations team left the bank last month to take time out of investment banking.

But banks insist they are keen to maintain resources in the field. Morgan Stanley, for example, is replacing any leavers and wants to build its presence in distressed trading and investing, according to a person close to the bank. Bank of America recently hired Nathan Held, a senior distressed debt trader from Bear Stearns.

However, some outside of banking see an industry that is being moved to the margins for investment banks.

"Distressed investment opportunities have dried up over the last few years, making returns difficult so for the investment banks with their current balance sheet problems, this strategy is out of favour," says Jeremy-Lee Lyon, a headhunter for the industry at Morgan Hunt in London. "On the flip side, those banks who historically haven't been involved in distressed debt have seen this as a good time to get in."

Distressed debt is often a long-term, illiquid and capital intensive investment, which might well show losses before profits. Anthony Princi, partner at Paul Hastings who advises investment banks in distressed debt trading, says this puts good distressed investors at banks in a tough position. "What is the benefit in identifying and buying a great undervalued asset if owing to technicals it continues to slide down and at year-end you show a loss and therefore are at risk of losing your job?"

Timing is key and the stellar returns the industry has seen in the past tend to come after a peak in default rates. For example, the best ever year was 2003, when investments in defaulted bonds returned a staggering 84 per cent following a peak in defaults in 2002, according to Edward Altman, a professor at New York University and an expert in bankruptcy analysis and prediction.

Mr Altman expects "a lot of pain to be taken before the default rate reaches its peak, which might take longer than seen in previous cycles". Because of this and the fact that the market is attracting more money than ever before, Mr Altman also expects the average returns to investors will not be as high as in 2003.

Sales of strugglers likely to rise

More financially troubled companies could end up being sold rather than having their debt restructured in the next distressed debt cycle.

Peter Marshall, co-head of European restructuring at Houlihan Lokey, expects to see more M&A linked to restructuring instead of lenders agreeing to swap debt for an equity stake, which has been a popular solution in European restructurings.

"The loosening of financing covenants in recent years means that by the time a company defaults, operational liquidity would have become more of an issue and, after the credit crunch, that will be difficult to get existing bank lenders to finance," he said.

The increased use of securitisation as well as multiple layers of more junior debt could make finding a restructuring solution more difficult.

Alan Bloom, partner at Ernst & Young, expects more distressed situations to need an insolvency process to execute a restructuring because of the many layers of debt and increased number of creditors in company financings. He also expects the next wave of debt restructurings to make more use of the ability to execute a financial restructuring within an administration process, as set out within the UK Enterprise Act.

CMA CGM in first public step

By Robert Wright in London

France's CMA CGM, the world's third largest container shipping line, is to take its first step on to public equity markets by merging its Global Ship Lease arm with a listed shell company.

The move, which will value the resulting company at about $1bn, concludes long-running attempts by the French line to list GSL.

It was forced last November to shelve plans for an initial public offering for the company, which owns 12 of CMA CGM's fleet and is due to buy another five vessels that are on order.

The shares' performance will provide a rare sign of market sentiment towards container carriers, as few are listed. The sector – whose most important sources of traffic are exports of consumer goods from Asia to other Asian countries, Europe and North America – faces falling demand and rising costs.

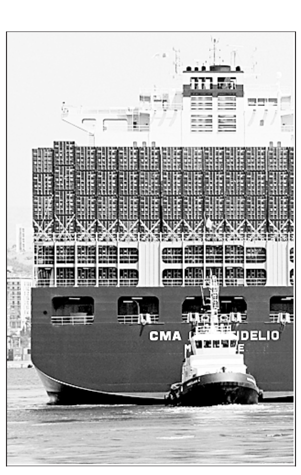
GSL is to merge with Marathon Acquisition Corp, a shell company that listed on the New York Stock Exchange in 2006 after raising $309m from investors.

It has since been looking for suitable maritime assets to buy.

CMA CGM will hold 23 per cent of the resulting company, which will be named Global Ship Lease.

Jean-Yves Schapiro, CMA CGM's deputy managing director in charge of finance, said that under the deal GSL would repay CMA CGM $170m of loans that it had made to it.

The merged company will also take over loans associated with the GSL fleet.



GSL will be a leading listed owner of container carriers

The transaction will help CMA CGM, which operates 300 ships, to pay for its ambitious fleet expansion programme.

According to AXS Marine, a Paris-based shipbroker, ships that the line has ordered will increase its capacity by more than 70 per cent.

CMA CGM has agreed to charter vessels owned by the merged company for between five and 15 years.

GSL will become the third leading listed owner of container ships, after Vancouver-based Seaspan and Athens-based Danaos Corporation. The merged company has said it plans to charter vessels to other container lines as well as CMA CGM.

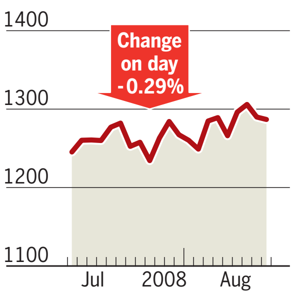
CDS REPORT

For morning moves and overnight action in the credit default swaps market, go to **www.ft.com/alphaville** at midday London time

MARKETS

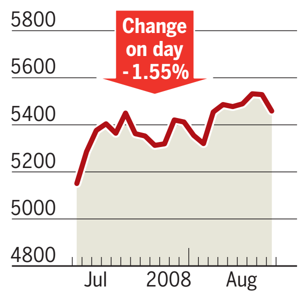
Thursday August 14 2008

S&P 500 index



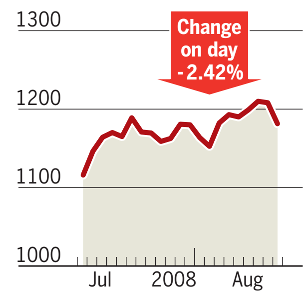
US equities
Further weakness for financial stocks and a rebound in the oil price weighed on US stocks. Deere, the maker of farm equipment, fell sharply after its quarterly earnings fell short of expectations

FTSE 100 index



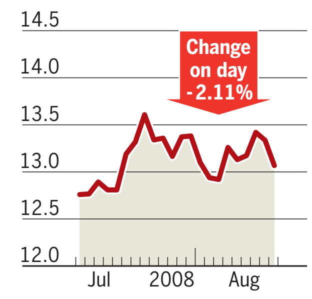
UK equities
Losses for heavily-weighted banking stocks undermined the FTSE 100, while the recently high-flying property sector retreated following some negative broker comments on the sector's outlook

FTSE Eurofirst 300 index



European equities
Germany's Arcandor led a sharp retreat for retailing stocks after it reported a quarterly loss and cut its full-year outlook. Finnish insurer Sampo also lost ground after its quarterly profits disappointed

Nikkei 225 Average
'000



Asian equities
A fresh bout of credit concerns and worries about the global economic outlook triggered a sell-off in the region's equity markets. Shanghai hit a fresh 19-month low, but ended well off the day's worst level

Source: Thomson Datastream

Markets updated at www.ft.com/markets

Pound falls as Bank joins gloomy global chorus

GLOBAL OVERVIEW

Central bank warns of recession risk

Rate cut this year now seen as likely

By Dave Shellock

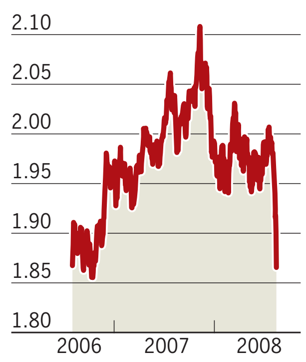
The Bank of England yesterday joined the global chorus of alarm over the prospects for economic growth, triggering a steep decline for sterling and a sharp rally for gilts as investors took the view that UK interest rates might be cut much earlier than expected.

In its quarterly inflation report, the Bank said it saw economic growth as "broadly flat over the next year or so" and warned of the possibility of a quarter or two of falling output. More strikingly for traders, it also forecast that consumer price inflation would fall below the Bank's 2 per cent target in the next two years, if interest rates stay at 5 per cent.

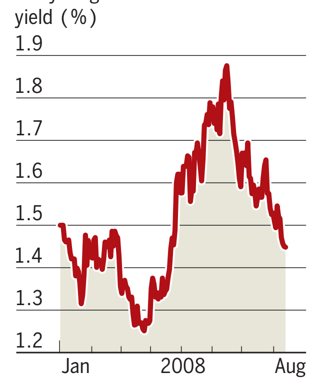
The report echoed similarly gloomy assessments made recently by the European Central Bank and the Reserve Bank of Australia. It also came hard on the heels of data showing that Japan's economy had contracted by 0.6 per cent in the second quarter, heightening fears of a recession.

Lena Komileva, G7 economist at Tullett Prebon, said the Bank report confirmed fears about a worst-case scenario for the economy. "The [Bank's] message of anaemic growth and a possible recession, resulting in inflation undershooting versus the [Bank's] target over medium-term, leaves little doubt that monetary policy will enter an extended easing cycle over the next year," she said.

Sterling
Against the dollar ($ per £)



Japan
10-year government bond yield (%)



◄ Sterling tumbled to a 22-month low against the dollar after the Bank of England's quarterly inflation report fuelled expectations that UK interest rates might be cut earlier than had been expected

► The yield on Japan's benchmark 10-year bond fell to its lowest level for four months after news that the country's economy had contracted in the second quarter of the year

Source: Thomson Datastream

Based on the sterling overnight interbank average rate (SONIA), investors are pricing in around a 60 per cent chance of a rate cut before the end of the year, against just 12 per cent before the report was released.

Capital Economics noted that nearly 75 basis points of monetary easing was now being factored in by the SONIA overnight index swap market during the next 12 months, compared with the 75bp or so of tightening that was anticipated just two months ago.

On the **currency markets**, the pound dropped below $1.87 to a 22-month low and tumbled to its lowest level for 11 years on a trade-weighted basis.

The dollar shed early gains against the euro, but the global outlook favours the US currency, analysts said.

"Global markets continue to trade in a re-coupling mode with the dollar stronger, commodity prices declining and rate differentials between US and G10 narrowing," Themos Fiotakis, global market economist at Goldman Sachs, said. "Weak Japanese growth data this morning continued to support this theme.

"At the same time, however, emerging markets growth remains robust. Chinese retail sales this morning came in at a very strong 23.3 per cent year-on-year growth, for example."

US retail sales, by contrast, slipped 0.1 per cent in July, cementing expectations that the boost from the recent round of tax rebates was already fading. On top of the concerns about US consumer demand came fresh worries about inflation as import prices showed a hefty 1.9 per cent increase last month.

US **government bonds** were little moved by the data, but late in New York corporate bond issuance and inflation data due today had helped push the yield on the 10-year Treasury 5bp higher to 3.95 per cent.

Meanwhile, banks placed $75.46bn in bids for $50bn in 28-day funds lent by the Federal Reserve. That followed big demand for 84-day funds lent on Tuesday. The ECB lent $20bn of 28-day funds with the Fed and that attracted $91.1bn in bids from banks seeking dollar funding in Europe.

In Europe, the two-year Schatz yield briefly dropped below 4 per cent for the first time since May, while the yield on the two-year UK Gilt tumbled 17bp to 4.48 per cent, the lowest since April.

Equity markets fell sharply during the European session as financial stocks were hit by renewed credit concerns and oil prices climbed.

The pan-European FTSE Eurofirst 300 index shed 2.4 per cent, while the Nikkei 225 Average in Tokyo fell 2.1 per cent.

Late in New York, the S&P 500 had trimmed an early 1.1 per cent slide and closed down 0.3 per cent.

In **commodities**, oil had rallied almost $3 a barrel to $116 following its recent sharp decline after US data showed large falls in crude and refined product inventories last week. The gains helped other commodity prices rebound, with gold climbing 1.8 per cent and copper bouncing off a six-month low.

Additional reporting by Michael Mackenzie

Property values warning drags real estate stocks down

LONDON

By Bryce Elder

Real estate stocks such as **Hammerson** were a drag on the London market yesterday after Morgan Stanley advised clients to pull money out of the sector.

"We expect UK property values, and hence property shares, to be dragged down by bank foreclosures on highly leveraged property vehicles and falling rents as the economy slides into recession," Morgan Stanley analyst Martin Allen said.

The UK property sector has rallied more than 21 per cent this month on hopes that inflation and interest rates have peaked. Mr Allen characterised this rebound as the fifth, and strongest, bear market rally since February last year.

"We do not think that, at current levels, share prices adequately reflect the likelihood that falling inflation and interest rates also imply falling demand in the UK economy, and hence an increased risk of recession," he said.

Hammerson, which was trading ex dividend, fell 9.2 per cent to 900½p after Lehman Brothers cut forecasts in a negative sector note. **Liberty International** sank 1.5 per cent to 849½p as Citi predicted a dividend cut.

Ahead of results today, **British Land** dropped 8.7 per cent to 722p as its house broker UBS cut forecasts.

Meanwhile, the smaller property players were targeted by short-sellers.

Among them, self-storage group **Big Yellow** tumbled 13 per cent to 344¾p amid gossip about its banking covenants. However, people familiar with the situation said there had been no breach, and that management remained in talks to extend a lending facility due to expire in 2010.

Banks caused most of the damage in the wider market as jitters about credit quality crossed the Atlantic. The FTSE 100 was off 1.6 per cent, losing 85.9 points at 5,448.6, with **Barclays** down 7.1 per cent to 351½p and **Lloyds TSB** lower by 6.2 per cent to 308½p.

Royal Bank of Scotland fell 6.4 per cent to 229¾p after Commonwealth Bank of Australia said it was pulling out of talks to buy ABN Amro Australia.

Enterprise Inns was the sharpest blue chip faller. It lost 11.2 per cent to 342¾p in tandem with the sector as doubts grew about its chances of converting into a real estate investment trust.

Among the retailers, **Marks and Spencer** tumbled 10.1 per cent to 266¼p after Redburn Partners issued "sell" advice.

Analyst Robert Miller said M&S would struggle to grow its dividend within the next five years as the ready-meals market has stopped growing and its Per Una clothes range has lost its cachet.

The bid theories supporting **DSG International** over recent days rapidly unwound after JPMorgan downgraded the retailer to "underweight". The stock, trading ex a 3.4p dividend, fell 15.8 per cent to 54½p.

"DSG's Spanish and Italian operations are leasehold and lossmaking, and operating in markets that we think are likely to remain challenging for some time," said the broker. "As opposed to selling them, we believe that DSG may have to invest in them to close or restructure."

Other recent bid stories also lost their sparkle, with **ITV** dropping 10.1 per cent to 45½p and **Punch Taverns** easier by 11.2 per cent to 673½p. With hedge funds said to be facing the biggest redemptions on record this month, cash preservation seemed the priority.

But **Imperial Energy** beat the cautious trend, up 8.9 per cent to £11.37 on word it will name a preferred bidder within the next few days.

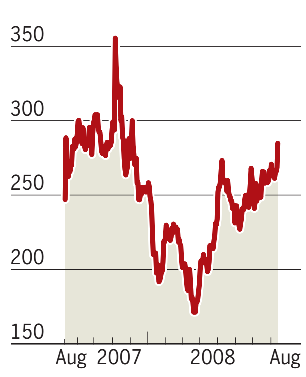
Sinopec is bidding against India's Oil & Natural Gas Corp, which has provisionally offered £12.90 for the Siberian explorer.

Benfield, which was also the subject of takeover speculation this week, rose a further 4.3 per cent to 268½p after Merrill Lynch upgraded to "buy" from "underperform". It cited improving trade and the recent turn in the dollar.

Publisher **Euromoney** led the FTSE 250, up 10.1 per cent to 385½p on thin volume. About three-quarters of its sales are in dollars.

Cable & Wireless – another company with greenback exposure – put on 1.7 per cent to 174.4p after its offer for Thus plc closed. Once that acquisition completes, investors expect the telecoms group to outline its demerger plan and it is said to be close to appointing a chief executive for its international unit.

Micro Focus
Share price (pence)



Source: Thomson Datastream

▲ Micro Focus, the software modernisation specialist, put on 6.8 per cent to 286¾p after it stuck with guidance for annual double-digit sales growth following a "solid" first quarter. UBS, Dresdner Kleinwort, RBS, Piper Jaffray and Panmure Gordon all repeated "buy" advice

Key indicators

FTSE 350	Closing price	Day´s change	Day´s chge %
Rises			
Euromoney Instit	385.50	+35.50	+10.1
Aquarius Plat	450	+39.50	+9.6
Randgold Resourc	£23.65	+1.62	+7.4
Micro Focus Inte	286.75	+18.25	+6.8
Capital Regional	185.50	+9.50	+5.4
Falls			
Savills PLC	211.75	-40.50	-16.1
DSG Intl	54.50xd	-10.25	-15.8
Barratt Dev	135.50	-24.50	-15.3
JD Wetherspoon	246.75	-42.25	-14.6
Big Yellow Grp	334.75	-50	-13

Indices	Close	Day´s change
FTSE 100	5448.6	-85.9
FTSE 250	9109.5	-181.7
FTSE 350	2836.8	-46.2
FTSE All-Share	2776.20	-43.97
FTSE All-Share yield	4.13	4.08
FTSE 100 FutSep	5461.0	-82.00
10 yr Gilt yield	4.67	4.71
Long gilt/equity yld ratio	1.12	1.13

Markets Live
Read Paul Murphy and Bryce Elder today from 11am
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Takeover talks power Protherics

A spike in Protherics shares forced the fledgling drugs developer to admit it had received approaches from a number of parties.

Traders said AstraZeneca was likely to be among those interested. It has a deal for the group's sepsis treatment that could cost about £175m in milestone fees over five years.

Protherics rose 22.4 per cent to 38¼p, valuing it at £130m including a cash pile in excess of £40m.

Court ruling boosts Cadogan

SMALL CAPS

By Robert Cookson

Cadogan Petroleum rallied on hopes it was escaping a legal quagmire in Ukraine.

The oil company said a Ukrainian court had granted it the right to appeal against an earlier decision that nullified its licence to the Pirkovskoe oil field.

Cadogan advanced 7.1 per cent to 107½p, clawing back some of its losses since floating at 230p in June.

UBS, the broker that brought Cadogan to market, said: "At the current share price, we believe investors get an attractively priced option on the outcome of the legal proceedings, although risks do remain."

Capital & Regional gained 5.4 per cent to 185½p after confirming it was in talks to sell part of its German portfolio to Apollo, the US private equity group.

Emblaze, the Israeli technology group, rose 10.6 per cent to 26½p as it applied for approval to resume its share buy-back programme.

The collapse of takeover talks at **White Young Green** prompted Brewin Dolphin to cut the environmental consultancy to "sell" from "add", citing its high debt levels and a lack of geographical diversity beyond the UK and Ireland. WYG shares fell 6.5 per cent to 259p.

Renovo slid 4.4 per cent to 44p as Piper Jaffray started coverage on the stock with a "sell" recommendation, citing uncertainty about its scar reduction and varicose vein drugs.

Western Canadian Coal, which said in June it had received bid proposals, rose 1.5 per cent to 349p ahead of results. **Cambrian Mining**, its controlling shareholder, added 2.3 per cent to 230½p.

SPG Media gained 16.4 per cent to 8.7p after the business-to-business events and publishing group rejected a takeover approach from an unnamed suitor.

Stagecoach Theatre Arts jumped 7.9 per cent to 68½p after beating expectations with a near-doubling in annual pre-tax profits.

Clean Energy Brazil, the ethanol group, fell 16.9 per cent to 57¾p after saying its Usaciga unit needed to raise funds to meet its financial obligations.

Financials take further fall after downgrades

WALL STREET

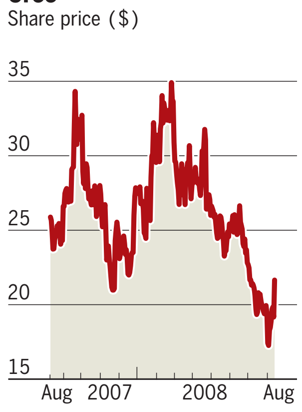
By Jeremy Lemer

Financial stocks led US equity markets down for a second session yesterday while some mixed results and an uptick in the oil price also weighed on investor sentiment.

In the financial sector, another round of analyst downgrades took their toll. Citigroup cut its full-year 2008 and 2009 earnings estimates for **JPMorgan**, among others, while Merrill Lynch downgraded the shares of **Lehman Brothers**, **Goldman Sachs** and **Morgan Stanley**.

JPMorgan shares fell 2.7 per cent to $36.91, Lehman dropped 4 per cent to $15.57, while Goldman gave up 1.4 per cent to $164.90 and Morgan dropped 5.5 per cent to $40.15.

Cree
Share price ($)



Source: Thomson Datastream

Yesterday, the financial sector slid 3 per cent with **Bank of America** and **Citigroup** coming under selling pressure. The pair lost 7.2 per cent to $28.86 and 3.9 per cent to $17.81 respectively.

Observers suggested that the sector might remain under pressure in the short term after the Securities and Exchange Commission allowed a rule limiting certain types of short-selling in a handful of stocks to expire on Tuesday.

Deere, the maker of farm equipment, said third-quarter profits rose 7.1 per cent to $575.2m thanks to strong demand for tractors and combines. But the results missed analysts estimates and the shares fell 3.2 per cent to $67.10. The news dragged on peers. **Caterpillar** dipped 2.8 per cent to $69.83, **Boeing** fell 2.5 per cent to $64.26.

There was better news from the technology sector.

Applied Materials, the maker of semiconductor machinery, projected that orders would increase between 5-10 per cent in the fourth quarter. That was better than expected and shares rose 4.7 per cent to $19.33.

Cree shares added 15.9 per cent to $22.22. The maker of semiconductors that illuminate mobile phones and street lamps reported fourth-quarter profits that, excluding some items, beat analyst estimates.

Nvidia, the maker of computer graphics chips, jumped 10.7 per cent to $12.26 after the company said it would buy back an additional $1bn of shares, bringing the projected total repurchase to about 44 per cent of all outstanding shares.

Equity markets pared early losses but by the close, seven of the 10 leading industry groups were still in the red, knocking the benchmark S&P 500 down 0.3 per cent to 1,285.83. The Dow Jones Industrial Average dipped 0.9 per cent to 11,532.96, while the Nasdaq Composite lost 0.1 per cent to 2,428.62.

Retailers and the broader consumer discretionary sector took some direction from a Commerce Department report on July retail sales which showed sales fell 0.1 per cent last month – the first headline dip in five months.

McDonald's fell 1.8 per cent to $62.78 and **Wal-Mart Stores** lost 1.9 per cent to $57.88 while the consumer discretionary and staples sectors gave up 1.6 per cent and 0.6 per cent respectively.