FINANCIAL TIMES

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Barack Obama said that he "did not begrudge" the multimillion-dollar bonuses given out to the chiefs of Goldman Sachs and JPMorgan Chase. **Page 8**

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China recovery goes on
China's exports and imports continued to recover from the slump at the start of last year, said government statistics that underlined the importance of other developing economies in China's trade. **www.ft.com/asia**

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Executive Appointments
Top jobs in business and finance

Downing St hopes for deal at G20 ● PM believes world opinion backs levy

Brown: global bank tax near

By George Parker and Lionel Barber

Gordon Brown said yesterday the world's leading economies were close to agreeing a global bank tax, amid hopes in Downing Street that a deal can be concluded at the G20 summit in Canada in June.

Mr Brown believes that opinion has shifted decisively in favour of a globally co-ordinated tax after President Barack Obama's move last month to raise $90bn (£57.7bn) from a US bank levy.

The tax could cost the financial services sector tens of billions of pounds a year.

The prime minister has strongly advocated some kind of charge on banks. "I'm interested in the way support is building up for international action," he said in an interview with the Financial Times.

Last year, Mr Brown mooted a tax on bank transactions – a so-called Tobin tax – as one of a number of options to make sure the "contribution banks make to society is properly captured".

The US immediately shot down that option, but the International Monetary Fund has been looking at other ideas.

Mr Brown believes that the IMF will endorse a global bank levy before its April meeting in Washington.

Downing Street hopes for an agreement in principle can then be agreed by world leaders at the G20 summit in June, although the implementation of the levy and the detail of how it would work could take longer.

"People are now prepared to consider the best mechanism by which a levy could be raised," Mr Brown said.

He thought the IMF would propose a method that would be "somewhat different" from the tax on wholesale funding proposed by Mr Obama.

Other options would be for a tax on bank profits, turnover or remuneration. But the IMF is expected to shy away from branding the levy as "an insurance scheme" because doing so might encourage banks to think they would automatically be covered by the taxpayer if they ran into trouble again.

Mr Brown insisted he was not attacking banks or their wealthy employees for ideological reasons. On the new 50p top rate of tax, he said: "We didn't want to raise the top rate of tax." He added: "We have no desire to have a tax rate that is higher than necessary."

The prime minister said those with the "broadest shoulders" should pay more, and insisted that the tax would raise "a substantial amount of additional money". He admitted: "It's not as high as you would like it to be because of avoidance."

In a wide-ranging interview, Mr Brown appeared focused on economic summits that will take place after the expected May 6 election, confirming the impression of aides that he still believes he can overturn a 10-point poll deficit.

He confirmed there would be a Budget before the election and insisted there was "no disagreement" with Alistair Darling, chancellor, on the pace of cutting the £178bn deficit: the plan is to halve borrowing over four years.

The prime minister again suggested that Mr Darling might be able to increase planned spending in some areas, if debt interest and benefit spending were lower than expected, or growth higher.

"If anything, we've shown ourselves to be better than people expected in most of these areas," he said.

"That leaves the chancellor free to make decisions that he will make at the time of the Budget."

'We've shown ourselves to be better than people expected' in most areas affecting deficit reduction

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International support: Gordon Brown believes the IMF will endorse a global bank levy before its April meeting in Washington — Charlie Bibby

Gordon Brown on:

Europe 'We have proved over the last 18 months that even though we are outside the eurozone we had a central part to play'

Bank levy 'How can we protect ourselves against future bank failures without the moral hazard of effectively acting as if you expect that to happen?'

The recovery 'We are seeing a recovery but I think everybody knows that around the world that recovery is very fragile'

Eurozone solidarity move for Greece

By Ben Hall in Paris and Gerrit Wiesmann in Berlin

Germany and France will today promise support for debt-laden Greece but they are unlikely to come up with a rescue plan.

President Nicolas Sarkozy and Chancellor Angela Merkel are expected to give a show of political support to Athens at a summit of EU leaders in Brussels, one of the most momentous in the bloc's history, in the hope that it will calm debt market turmoil.

But officials in Paris said there was "reticence" in Berlin about a bail-out package without further "assurances that the Greek government would undertake the measures necessary" to cut its budget deficit by 4 percentage points a year by 2012.

A video conference of eurozone finance ministers yesterday did not agree on a detailed rescue for Greece, leaving Mr Sarkozy and Ms Merkel to engage in last-minute telephone diplomacy.

Details of a bail-out plan were "still the subject of discussion and we are not even in a position to deliver it [on Thursday]", an official said.

French officials said a pledge of solidarity would be followed at a later date with concrete measures.

Earlier, a senior German official said a bail-out could involve loans or a commitment to buy Greek sovereign debt.

There was a growing consensus that the International Monetary Fund would be involved in a rescue only in a technical capacity, officials in Paris said.

Greek bonds rallied sharply, pushing the yield on the 10-year bond down 37 basis points to 6.022 per cent.

On Tuesday yields had been as high as 6.76 per cent.

Additional reporting by Scheherazade Daneshkhu

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Markets, Page 32-34
www.ft.com/greece

China charges four

China has charged four employees of Rio Tinto with bribery in a move that could complicate efforts to reach a deal in iron ore pricing negotiations and exacerbate tensions between foreign business and China. The official Xinhua news agency said the men, who include Australian Stern Hu, had been charged with bribery and violating commercial secrets.

Report, Page 17

Washington denounces UK court ruling to reveal torture secrets

Judgment could affect intelligence sharing

By Daniel Dombey in Washington and James Blitz in London

The White House has criticised a British court decision to publish secret information about allegations of torture by US officials, stating that the move "will complicate the confidentiality of the intelligence sharing relationship between the UK and US".

In a defeat for the British government, the Court of Appeal yesterday ruled that a seven-paragraph account of the alleged torture of Binyam Mohamed, an Ethiopian national, in Pakistan in 2002 should be published.

The summary, put on the Foreign and Commonwealth Office website yesterday, details how Mr Mohamed was shackled, threatened and subjected to sleep deprivation by his interrogators. The description of Mr Mohamed's treatment was drawn up by British judges in August 2008 after they were given access to more than 40 US intelligence documents.

The documents had been passed to the UK intelligence agencies MI5 and MI6, which were concerned about whether Mr Mohamed was a threat to national security.

It also emerged yesterday that the Court of Appeal's judgment was altered after a top Government lawyer protested over the strength of a judge's "exceptionally damaging" criticism of MI5 in the Mohamed case.

Jonathan Sumption, counsel for the foreign secretary, wrote a letter to the Appeal Court on Monday after seeing a draft copy of the judgment. He said the draft would be read as a court statement "that the Security Service [MI5] does not in fact operate a culture that respects human rights or abjures participation in coercive interrogation techniques", that MI5 officials had "misled the Intelligence and Security Committee" and had a "culture of suppression".

The judgment published yesterday did not contain the passages objected to by Mr Sumption, leading to accusations that it had been watered down.

The White House said it was "deeply disappointed with the court's judgment" and that the move could affect relations between British and US intelligence agencies. A spokesman for President Barack Obama added: "We shared this information in confidence and with certain expectations.

"As we warned, the court's judgment will complicate the confidentiality of our intelligence-sharing relationship with the UK."

Court discloses details, Page 4

World Markets

STOCK MARKETS

	Feb 10	prev	%chg
S&P 500	1068.13	1070.52	-0.22
Nasdaq Comp	2147.87	2150.87	-0.14
Dow Jones Ind	10038.38	10058.64	-0.20
FTSEurofirst 300	987.13	980.96	+0.63
DJ Euro Stoxx 50	2700.17	2668.43	+1.19
FTSE 100	5131.99	5111.84	+0.39
FTSE All-Share UK	2628.67	2618.21	+0.40
CAC 40	3635.61	3612.76	+0.63
Xetra Dax	5536.37	5498.26	+0.69
Nikkei	9963.99	9932.9	+0.31
Hang Seng	19922.22	19790.28	+0.67
FTSE All World $	185.47	185.33	+0.08

CURRENCIES

	Feb 10	prev		Feb 10	prev
$ per €	1.370	1.374	€ per $	0.730	0.728
$ per £	1.559	1.561	£ per $	0.642	0.641
£ per €	0.879	0.880	€ per £	1.138	1.136
¥ per $	89.8	89.4	¥ per €	123.1	122.8
¥ per £	140.1	139.5	£ index	79.8	79.8
$ index	84.0	83.9	€ index	99.84	100.0
SFr per €	1.466	1.466	SFr per £	1.668	1.666

COMMODITIES

	Feb 10	prev	chg
Oil WTI $ Mar	74.52	73.75	0.77
Oil Brent $ Mar	72.54	72.13	0.41
Gold $	1,077.35	1,063.20	14.15

INTEREST RATES

	price	yield	chg
US Gov 10 yr	97.39	3.70	0.06
UK Gov 10 yr	104.41	3.92	-0.04
Ger Gov 10 yr	100.23	3.22	0.02
Jpn Gov 10 yr	99.70	1.33	-0.01
US Gov 30 yr	95.75	4.64	0.07
Ger Gov 2 yr	100.32	1.07	0.01
	Feb 10	**prev**	**chg**
Fed Funds Eff	0.13	0.13	-
US 3m Bills	0.11	0.11	-
Euro Libor 3m	0.60	0.60	0.00
UK 3m	0.54	0.54	-

Prices are latest for edition

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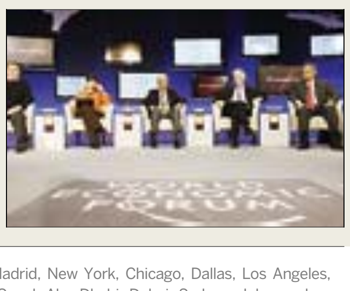
The challenge of finding a new global consensus

Separate section



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Inflation report

Rates set to stay low as outlook for growth dims

Economic recovery expected to be slow

BoE comments cause market jitters

By Chris Giles, Economics Editor

Financial markets bet yesterday that the Bank of England would keep interest rates extraordinarily low for a protracted period, after the monetary policy committee ditched its forecast that the economy would boom.

Mervyn King, Bank governor, said: "The UK economy has continued to bump along the bottom but a gradual recovery in output may now be in prospect."

Mr King accompanied his downbeat assessment with a signal that quantitative easing – the policy put on hold this month – could be revived. "It is far too soon to conclude that no more [asset] purchases will be needed," he said.

His comments led to a big reaction in the normally stable overnight index swap market – the best guide to market expectations of future interest rates. Investors believe the average official rate over the next two years will be 1.1 per cent, a sharp fall from the 1.2 per cent average in the market before the report was published.

But Bank officials made it clear that the big changes to its forecasts gave an exaggerated impression of increased gloom in Threadneedle Street. Charlie Bean, the deputy governor, said: "The big picture here is that the average [forecast for growth and inflation] is almost the same as it was in November."

The Bank was not immediately able to demonstrate the subtleties of the deputy governor's assertion, however, because Mr King has always insisted that the forecast details remain secret for another week.

Financial analysts and investors took the reduction in the Bank's central forecast for growth in 2010 from 2.2 per cent to about 1.3 per cent, and its expectations in 2011 from 4.1 per cent to 3.3 per cent, as a signal that the monetary policy committee had changed its position and was likely to keep monetary policy looser for longer.

After the downward revision of central forecasts, George Buckley of Deutsche Bank said: "It seems reasonable that the MPC will opt for a lower profile for interest rates."

Peter Westaway of Nomura, who recently left a senior position at the Bank, said: "One interesting question raised by this forecast is why the MPC has not concluded that more quantitative easing is necessary."

But the MPC's reluctance to act can be explained by the unpublished elements of the Bank's forecast, estimated by the Financial Times, which show the Bank's view on inflation and growth to be little different from November. Using the Bank's fan chart, the FT estimates that the MPC's risk-adjusted growth forecast – the mean of the forecast distribution – is for the economy to expand 1.3 per cent in 2010 and 3 per cent in 2011, just a touch lower than the committee believed in November.

With these forecasts underpinning the MPC's views, Mr King insisted again that although inflation would rise, it would also come back to target. He said inflation was "likely" to move above the 3 per cent threshold, which requires a letter of explanation to the chancellor but added that this would be due to one-off effects from the return of value added tax to 17.5 per cent and petrol prices, just as happened with two other times when he has had to put pen to paper.

"On both previous occasions the MPC said that inflation would come back down. On both previous occasions it did. And the committee expects that to be the case this time, too."

Economists were, however, surprised by the degree to which the MPC was relaxed about inflation.

Michael Saunders of Citi said the Bank governor's confidence that inflation was not a problem was "not very convincing".

UK plc, Page 20
Sterling hit, Page 32
Investor sentiment, Page 34
Video, www.ft.com/ukview

Cautious mission before election

Mervyn King's mission in his quarterly press conference, the last before the expected election date, appeared to say nothing concrete or contentious on the public finances, **writes Chris Giles**.

While repeating his demand for the elimination of a "very large structural deficit", he did not add to past comments on timing, nor on the credibility of the government's plans for lowering borrowing.

He also took a swipe at credit ratings agencies, who have suggested that Britain's triple A rating was less secure than it was. He said it would be "most peculiar" if Britain lost its premium rating.

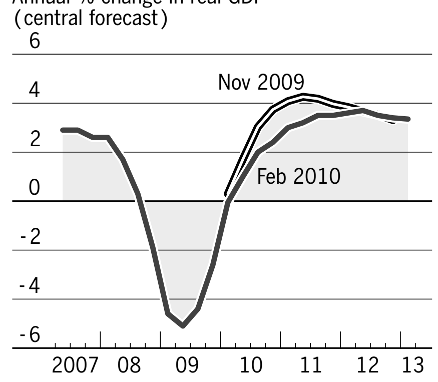
"It's ours to lose. All we have to do is behave sensibly, and I'm sure we will," he added

Although David Cameron and George Osborne have talked about fiscal policy and monetary policy working "hand-in-hand" and consolidating the budget deficit "in co-ordination with the monetary policy committee", Mr King denied there was any deal and he feigned ignorance of the meaning behind the Tories' statements.

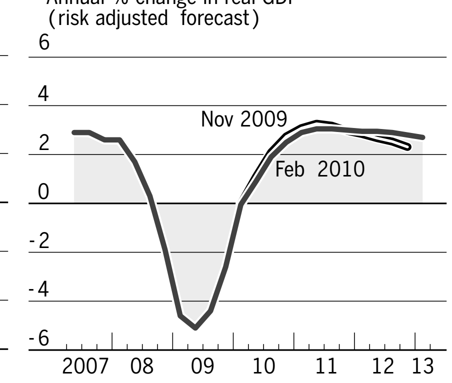
"I don't know what this means," he said.

Mervyn King said the Special Liquidity Scheme had afforded banks three years of breathing space Bloomberg

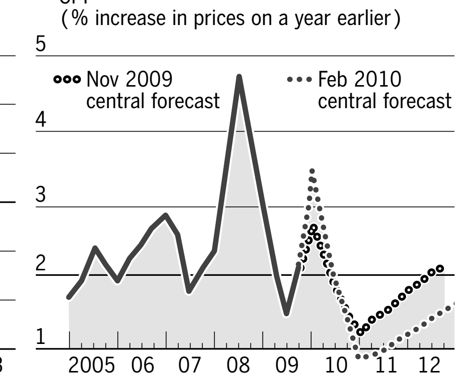
The Bank's new GDP forecast is gloomier than three months ago...
Annual % change in real GDP
(central forecast)



...but after taking account of risks,* the true difference is slight...
Annual % change in real GDP
(risk adjusted forecast)



...while the inflation outlook has been revised sharply lower
CPI
(% increase in prices on a year earlier)



Source: Bank of England
* FT calculations

King dismisses lenders' pressure

By Norma Cohen, Economics Correspondent

Mervyn King yesterday gave an unequivocal No to the nation's banks, which are pressing him to extend a £200bn emergency lending plan that they must begin to repay in the middle of next year.

In a press briefing following a presentation of the Bank's quarterly Inflation Report, the Bank of England governor was asked to respond to a warning by the Council of Mortgage Lenders that forcing banks to pay back funds borrowed under the Special Liquidity Scheme – as well as the smaller Credit Guarantee Scheme from the Treasury – would prompt cuts in lending and higher interest rates.

"We certainly have absolutely no intention at all of extending it," Mr King said of the SLS, a scheme in which banks were allowed to swap their mortgage-backed securities for government gilts that could then be used to raise funds cheaply in the inter-bank market.

Mr King described the SLS as "the most generous [programme] that has been put in place anywhere in the world", noting that it gave the banks three years of breathing space.

"That's more than enough," he added.

Mr King said the Bank and the Financial Services Authority were working with lenders to put in place a schedule of capital-raising exercises to avoid a rush by borrowers to the capital markets as the programmes began to wind down.

He echoed the refrain of other Bank officials, saying that many banks had recently posted strong profits and should use these to bolster their capital bases, rather than pay them out in bonuses and dividends.

The CML said yesterday that while it may not be necessary to arrange a full rollover of the SLS, some transitional measure of government support was needed. "Without some help, our institutions will not be able to fill the funding gap," said the CML.

Analysts have expressed concern about the impact on banks of the need to refinance not just generous government support programmes, but also relatively short-term wholesale borrowing that was made when doing so was cheap. Interest rates on longer-term retail deposits have been rising in recent months as banks compete fiercely for this more stable source of funds, and mortgage rates are already rising to cover the cost of those more expensive deposits.

The Bank's own Inflation Report noted that the availability and price of credit could be a drag on economic recovery, and points out that lending to business, while recovering, remains weak.

"As the economy recovers, some companies may find that lenders are not willing to provide enough finance to their increased demand for credit," the report said.

Tories pledge to publish private contracts

By Jean Eaglesham and Nicholas Timmins

A Conservative administration will publish in full all government contracts worth more than £25,000, including all performance indicators, break clauses and penalty measures, David Cameron, the Tory leader, will announce today.

George Osborne, shadow chancellor, said the move, which will not happen overnight, is "the most radical transparency announcement ever made by a British political party".

It would, he said, "enable the public to hold ministers and civil servants to account like never before", helping to "cut government spending" and "root out waste".

Party insiders declined to put a figure on the savings that might result. But they said the move should "hopefully drive down profit margins" through greater competition while opening procurement to more bidders.

Procurement lawyers warned that private sector companies, at least initially, would not be happy at possible exposure of virtually every element of their dealings with government.

But trade bodies were more welcoming. The CBI employers' organisation said it could accept what would be "a fairly radical" move provided safeguards were put in place to protect commercially sensitive information such as profits.

Public sector contracts awarded in-house should be subject to the same disclosure requirements, the CBI said. "Can we live with this? In principle, if the details are right, yes we can," John Cridland, the CBI deputy director-general said. "But if we are prepared to do this . . . the public sector should also be prepared to be more transparent," he said.

The Institute of Directors welcomed the move, saying pressure on public finances increased the need for more competition.

"Government needs to stop dealing exclusively with large companies when tendering out big contracts," Miles Templeman, IoD director-general, said.

The Conservative move would affect new central government, quango and agency contracts from 1 January 2011 and "over time" that would apply to all contracts worth more than £25,000. Defence and security service contracts would initially be excluded but in time a protocol for publishing non-sensitive procurement details would be created, the party said.

Parliament's spending watchdog, the Public Accounts Committee, and some select committees have strongly criticised confidentiality clauses – in particular in IT contracts – which make it impossible for outsiders to judge whether they are value for money and what the costs of changing them would be.

Revised output figures boost hopes of GDP upgrade

By Daniel Pimlott, Economics Reporter

Industrial production rose faster than expected in December, heightening expectations that early estimates of fourth quarter growth in 2009 will prove pessimistic.

The faster growth suggests that the economy grew more quickly at the end of last year than the 0.1 per cent expansion registered in January's first estimate of gross domestic product for the fourth quarter. Growth for the quarter might therefore be revised upwards – to 0.2 per cent, economists said.

Output from factories, mines, and oil and gas extraction rose 0.4 per cent in the final three months of last year, the Office for National Statistics reported yesterday, compared with the 0.1 per cent that it originally announced last month.

"December's UK industrial production figures will raise hopes of a small upward revision [to GDP growth]," said Jonathan Loynes, of Capital Economics.

"The numbers provide hope that the recovery in the manufacturing sector is picking up some steam again after stalling a bit over the previous few months."

The figures prompted the National Institute of Economic and Social Research to forecast that growth jumped sharply from 0.1 per cent in the final quarter of last year to as high as 0.4 per cent in the three months from November to January. However, the pick-up in growth came largely as a weak October figure dropped out of the comparisons.

Also, early signs of output are not promising so far this year – NIESR estimated that the economy shrank 0.5 per cent in January. The economy might therefore struggle to maintain momentum in the first quarter, after heavy snow disrupted business and value added tax returned to 17.5 per cent.

"Output levels are similar to those in the early summer of last year and, although we hope the recession is over, the economy remains very depressed," the organisation said.

Industrial production accounts for only about 17 per cent of GDP. During the recession industrial output fell almost 15 per cent, while other economies saw drops of up to 25 per cent.

Nevertheless, output has been more or less flatlining since the trough, whereas German industrial output has been as much as 5 per cent up from its lowest point.

Other surveys of the manufacturing sector have pointed to stronger activity – the purchasing managers index is at a 15-year high.

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www.ft.com/energysource

Mandelson attacks Kraft on jobs

US company rejects suggestion of deceit

By Jean Eaglesham, Chief Political Correspondent

Peter Mandelson yesterday launched an extraordinary attack on Kraft's lack of "straight dealing" and honesty over its £11.7bn takeover of Cadbury, warning the US company it risked "considerable damage" to its reputation in Britain.

The business secretary hit out after Kraft announced it would go ahead with Cadbury's plans to close a factory in Somerdale, near Bristol, at the cost of 400 jobs, despite having signalled that it would keep the plant open in its original bid.

Lord Mandelson said he had raised an "orange card" about a deal he thought was in the interest of neither company but had been powerless to prevent. The business secretary admitted that he had not secured any specific commitments to protect British jobs or plants in his talks with Irene Rosenfeld, Kraft's chief executive, when the bid was accepted last week. But he said she "would have known what announcement was going to be made [on the Somerdale plant] what, barely six days later".

"It would have been more honest, more straightforward and straight dealing, with the company and its workforce and also with the government, if she had told me what their intentions were," the business secretary told Sky. He said she had assured him that decisions on plants, production and workforce would be made over a three- to six-month timeframe. "I will be reminding her of what she said at the time and bring her back to the undertakings of consultation that she gave when I met her," the business secretary said.

But political opponents accused Lord Mandelson of raising expectations among the British workforce that he could not fulfil.

"What Lord Mandelson promised was huge government opposition and there was actually no opposition, it just melted away," Vince Cable, the Liberal Democrat Treasury spokesman, said. He called for changes to the "too permissive" takeover regime, saying there was a strong case for reintroducing a public interest test.

The call for tighter controls was echoed this week by Roger Carr, the outgoing chairman of Cadbury, who advocated changes to the takeover rules to prevent hedge fund speculators voting through hostile bids.

Neither the government, nor the Tories, yesterday appeared prepared to countenance such a reform. Gordon Brown said Britain benefited from having an open economy and said he would be wary about taking any action to prevent foreign takeovers of British companies. Tory insiders said the opposition party had no plans at present to change the takeover regime.

Kraft rejected any suggestion of deceit over the Somerdale closure. In a statement, Ms Rosenfeld said it had become clear in talks with Cadbury senior management after the offer was accepted that it was "unrealistic to reverse the closure programme, despite our original intent to do so".

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Cadbury plans to close a factory near Bristol

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Statesman ready for a street fight

Interview
Gordon Brown
Prime minister

From European policy to the state of the economy, the Labour leader is in bullish mood, writes **Lionel Barber**

The prime minister believes education is going to become a key UK export in the coming years Charlie Bibby

Two Gordon Browns were on display in Downing Street yesterday.

The first was the self-styled international statesman, champion of globalisation, and co-architect of a new framework for financial regulation in the wake of the global banking crisis: Davos man, with a Fife accent.

The second Gordon Brown was the street-fighter, a man eager to take on a youthful Conservative party leadership in a general election.

During a 45-minute interview with the Financial Times, the two faces of Mr Brown occasionally connected. The prime minister clearly sees Europe as an important area dividing Labour and the Conservatives.

Ahead of an EU economic summit in Brussels today, Mr Brown says Europe has to raise its game, become more competitive: "Britain wants to be a leader in that discussion."

He claims that Britain has proved in the past 18 months that "even though we are outside the eurozone we had a central role to play". However, that stops short of the UK putting money on the table to aid a eurozone rescue of debt-laden Greece.

"It's a matter for the Greek government and the eurozone initially," he says. Mr Brown points out that at the G20 summit of leading economies in London last April, extra funds were agreed for the International Monetary Fund – any UK help for Greece would more likely come indirectly via the IMF.

"We knew that this was going to happen in some parts of the world and that's why we were clear that more support would be needed," he says. Would the Greek debt crisis spread to the City? "I wouldn't call it contagion," he says.

"There's an issue in Greece that has to be dealt with."

Mr Brown's enthusiasm for the European cause has ebbed and flowed, especially with regard to turning up to ministerial meetings in Brussels. He now speaks of warm relations with the leaders of France, Germany, Italy and Spain, suggesting he believes the EU's big countries hold the key to leading Europe.

> **On recession**
> 'The problem about this recession was that it was nothing to do with inflation'
>
> **On 50p top rate of tax**
> 'We didn't want to raise [it], but . . . the biggest shoulders have to bear some of the burden'

By contrast, he claims the Conservatives have cast themselves into the periphery of Europe and risk reducing British influence. Having declined to join the centre-right European People's party, Mr Cameron finds himself alongside rightwing European nationalists – and not the key leaders of countries such as France and Germany.

How does Britain's self-proclaimed leadership role square with Britain's economic fall from grace? Mr Brown rebutted criticism the economy – over which he has presided for more than 12 years – had been artificially buoyed by a bloated financial services industry and North Sea oil.

Mr Brown cast Britain as a victim of a crisis imported from the US, rather than as a co-defendant. "We are paying a one-off cost for globalisation," he says, noting that unemployment had been far lower in this recession than in 1992.

Nor was he willing to admit that Britain's economic framework, built around independence of the Bank of England with separate roles for the Financial Services Authority and the Treasury, had been shown to be flawed by the banking crisis.

In particular, he defended the emphasis on inflation-targeting by the Bank of England as the key instrument for management of the economy. Inflation, he said, had been the outstanding weak point of the UK economy in the post-war era.

"People are saying: is the inflation measure the best measure of the pressures on the economy?" he says. "But I do think that the lesson of history is that if you start to track two targets, it becomes very difficult for economic policy."

There were no differences, he insisted, with Alistair Darling, chancellor, over the pace of reducing Britain's £178bn deficit.

The prime minister said the UK economy had a bright future, based on the creative industries – such as advertising and fashion – low-carbon industries, bio-technology, pharmaceuticals and high-quality universities. "There are 1,000 universities being built in India and we want to be part of this educational export," he says. "I think that education will be perhaps our biggest export in 20 years' time."

Mr Brown remains unapologetic about his support for an open economy and rejected any efforts at covert protectionism, in spite of the anger caused by US giant Kraft's recent takeover of Cadbury, the iconic British chocolate maker.

As the clock's hands moved towards 4pm, Mr Brown had a last blast for the Tories – he was looking forward to the start of full-scale campaigning. And then, as if to raise his sights, he became Davos man once again. "Look out for the G20," he says, hinting at a possible deal on a global banking levy.

He is referring to a meeting in Canada that takes place more than a month after the general election – which the opinion polls suggest he is almost certain to lose.

Tories accused of clinging on to Thatcherism

Political battle

PM believes poll campaign will reveal how little the opposition has changed, writes **Philip Stephens**

His government may be 10 points behind in the polls but Gordon Brown gives every impression of a politician relishing the chance to lock horns with David Cameron on the campaign trail.

The prime minister was absolutely clear about his line of attack: Mr Cameron's party might have learned the language of caring Conservatism but in its heart it still embraced unreconstructed Thatcherism.

The Tories, he charged, had been wrong at every stage of the global financial crisis. They blamed an international banking crash on the government; then demanded the government stand back rather than intervene to soften the impact of the recession; and finally said it would be "moral cowardice" if the government did not tear up the fiscal stimulus in the 2010 budget.

The truth on all these big decisions was that "the opposition has been on a completely wrong side of the argument because it's ideologically wedded to a view that government cannot ever be a help: it will always be a hindrance". This was the debate that "has got to be fought out in this country".

Mr Brown brushed aside a question as to whether he would stay on as leader were Labour to lose on May 6 – a date for the election that is still not official but never, these days, denied. He was "fighting to win".

The campaign, he intimated, would be his chance to show the Tories as they were rather than as they pretended.

The opening shots of the long campaign and the opposition's confusion over its public spending plans for the next financial year and its pledge to give tax breaks to married couples were symptomatic of a deeper tension.

The Conservatives had learned what they had to say to "present themselves as more middle of the road . . . in favour of public services, against poverty and for help for the unemployed". But faced with the big questions, they "slip back into being pretty much an unchanged Conservative party".

Warming to the theme – and indicating an intention to fight the election as much as an opposition leader as a prime minister – Mr Brown said even as the government pursued British leadership in the European Union, the election would reveal that the Conservatives were still "obsessed with the European issue". By pulling MEPs out of the main centre-right grouping of the European parliament they had estranged themselves from leaders such as Angela Merkel.

Whether such charges will resonate with a British electorate that itself has become progressively more Eurosceptic is an open question. But Mr Brown clearly believes that there is political mileage in casting his opponents as a threat to a sustained economic recovery. On a long list of issues "they can't tell you what their policy is".

For his part Mr Brown has drawn a dividing line.

Blog, www.ft.com/westminster

National news

Call to tackle Channel tunnel failures

Report urges more rescue locomotives

Move to stop repeat of December chaos

By Robert Wright, Transport Correspondent

Extra rescue locomotives should be posted near the Channel tunnel to haul out failed trains as part of a raft of measures to prevent a repetition of December's mass stranding of passengers in the tunnel, a report is set to recommend.

The report, by Christopher Garnett, a former GNER chief executive, and Claude Gressier, a French civil engineer, will also recommend that communications systems inside the Channel tunnel be improved, according to people involved.

It will say that Eurostar, the cross-Channel operator, must co-ordinate better with Eurotunnel, the Channel tunnel operator. Eurostar should also fit more robust winter shielding inside its trains and consider changing its air intake systems, the report will say.

The review, which will be published tomorrow, was commissioned by Eurostar's board in December after five Eurostar trains, carrying some 2,400 passengers, failed nearly simultaneously in the tunnel on the night of Friday, December 18. A sixth train failed the following day.

The trains had all run at reduced speed through blizzards of fine snow in northern France. The snowflakes had been small enough to work their way inside the winter cladding fitted inside the trains' power cars. They then melted onto the electrical equipment in the tunnel's warmer climate, causing short circuits.

A Eurotunnel rescue locomotive successfully pulled the first failed train out of the tunnel to London but subsequent train failures made further rescues impossible. Efforts to use later Eurostar trains to push out the failed trains were thwarted when the rescuing trains themselves failed.

Many passengers had to be evacuated into the emergency service tunnel between the two running tunnels. Some ended up being evacuated on the tunnel operator's own car shuttle trains.

The problems were further complicated by the failure of two trains at the point where the tracks cross between the two running tunnels on the French side. The crossovers – one on the French side, the other on the English side – are the only points in the tunnel where there is no direct access to the service tunnel, which dives under the tracks at that point. Passengers had to climb down to the track and walk along it to reach safety.

The report will recommend that more than two locomotives to rescue failed trains be present whenever Eurostars are running, to cope with mass failures. The communications systems should also be upgraded so Eurotunnel's controllers can speak directly to train managers and other Eurostar staff.

The report lays ultimate blame for the failures on Eurostar's fitting of winter cladding, which was insufficiently robust to repel the fine snow that built up on December 18 and 19.

It will recommend tougher cladding and call for a fundamental re-examination of how the trains' air intakes worked.

Despite widespread criticism of Eurostar, senior resignations look unlikely. Richard Brown, chief executive – who had already announced his plan to stand down and become chairman – looks set to stay while inquiry recommendations are implemented.

The report is likely to inform a review of safety already being conducted by the Inter-governmental Commission that oversees the undersea route.

Neither Eurostar, Eurotunnel nor representatives of the report's authors were prepared to comment on the report's likely contents.

Timeline

March 14 1986 François Mitterand, French president, and Margaret Thatcher sign a treaty to build a cross-Channel undersea tunnel
May 6 1994 Formal tunnel opening
November 14 1994 Eurostar services between London, Paris and Brussels start
Nov 1996 to May 1997 Services disrupted after a fire on a truck shuttle
September 2003 Journey times cut by 20 minutes after the first phase of the high-speed line from London to the tunnel opened
Sept 2008 to Feb 2009 Further disruption after a fire in the tunnel
December 18 2009 2,400 passengers stranded after five consecutive trains fail on entering the tunnel

The big sleep: a passenger stranded at St Pancras after December's train breakdowns Reuters

Brown, Eurostar chief

Garnett, review co-author

Train modifications sought

Court discloses details of detainee's treatment

By James Blitz, Defence and Diplomatic Editor

For the past 18 months David Miliband, foreign secretary, has been fighting to prevent disclosure of sensitive CIA information relating to the alleged torture of Binyam Mohamed.

Yesterday, in what seems to be a blow to the intelligence-sharing relationship between the US and the UK, Mr Miliband lost this battle.

The Court of Appeal gave the green light for the publication of a seven-paragraph summary of the alleged torture of Mr Mohamed, a former Guantánamo Bay detainee, in 2002.

The seven paragraphs are part of a judgment made by the Divisional Court, a lower court, in August 2008 on Mr Mohamed's case. They refer directly to a range of US intelligence documents that were passed to Britain and which set out the treatment to which Mr Mohamed was allegedly subjected.

Mr Mohamed was arrested in Pakistan in April 2002. The Divisional Court Judgment says the US documents show how Mr Mohamed was "intentionally subjected to continuous sleep deprivation" and that the "effects of the sleep deprivation were carefully observed".

It adds the US reported that "combined with sleep deprivation, threats and inducements were made to [Mr Mohamed]" and adds "his fears of being removed from United States custody" and "disappearing" were played upon.

It says "the stress brought about by these deliberate tactics was increased by him being shackled in his interviews".

The paragraphs also state: "It was clear not only from the reports of the content of the interviews but also from the report that he was being kept under self-harm observation, that the interviews were having a marked effect upon him and causing him significant mental stress and suffering."

Mr Miliband noted that the Court of Appeal, while publishing the seven paragraphs, had upheld the "control principle" whereby intelligence shared between governments should not be published without a firm agreement between the two states to do so.

He said the Court of Appeal had only decided to publish the paragraphs "because, in its view, their substance had been put in the public domain by a decision of a US court in another case".

However, there was embarrassment for the Foreign Office when it emerged that a senior government lawyer, Jonathan Sumption QC, wrote to the Court of Appeal earlier this week criticising the original wording of the judgement.

He argued that it would be "exceptionally damaging" if published and would give the impression "that the Security Service does not in fact operate a culture that respects human rights or abjures participation in coercive interrogation techniques".

The passages to which Mr Sumption objected did not appear in the version of the judgment that was published yesterday.

Richest expected to live seven years more than poorest

By Nicholas Timmins, Public Policy Editor

Health inequalities will not be reduced significantly until the UK becomes a fairer and a more equal society, according to a report published today.

To achieve that, a big investment is needed in early childhood development and education, along with a higher minimum wage and a more progressive tax system that aids those in low-paid work, according to the the government-commissioned study led by Sir Michael Marmot, the internationally renowned epidemiologist.

The review says health inequalities have not narrowed during the past decade, with the gap in life expectancy between the richest and poorest neighbourhoods standing at seven years.

Once "healthy years" are counted – those without disability – the gap is 17 years. There is also a distinct gradient, from the top to the bottom, in healthy life expectancy, rather than the picture being one where those at the bottom are being left behind. The report says the role of the National Health Service and the health department in tackling inequalities is relatively limited.

"The more favoured people are, socially and economically, the better their health," the report says, adding that this should be the main focus, rather than just healthcare and unhealthy behaviours.

Health inequalities "are caused by social and economic inequalities in society," the report says. Giving more people the life chances enjoyed by the few – "the circumstances in which people are born, grow, live, work and age" – will reduce them.

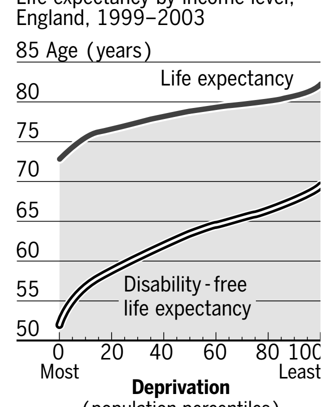
That produces a stack of recommendations, including shifting spending to the early years of child development, raising educational standards, increasing the minimum wage so it provides a "minimum income for healthy living" and making the tax and benefit system more generous for those with weak work incentives. Measures to improve neighbourhoods, from more green space, to more walking and cycling, better public transport, healthy eating and energy efficient homes also tie in with the green agenda, the report says, reducing carbon emissions as well as health inequality.

The report argues that "doing nothing is not an option" with health inequalities producing productivity losses estimated at about £30bn a year, lost taxes and higher welfare benefits in the £20bn to £32bn a year range, and extra NHS spending of more than £5.5bn. Sir Michael stressed that the picture was not all gloomy. Over the decade to 2007, life expectancy for the bottom quarter of society rose by 2.9 years.

There is also good evidence that health inequalities are amenable to change, he said. For example, the gradient in mortality rates is much flatter in the south-west of the country than the north-east.

Sir Michael said people would accuse the report of being "ideology with evidence", a charge he "gladly" accepted. "Health inequalities that could be avoided by reasonable means are unfair. Putting them right is a matter of social justice."

Not much to live for
Life expectancy by income level, England, 1999–2003



Source: The Marmot Review

Darling bails out Foreign Office

By Alex Barker, Political Correspondent

Alistair Darling agreed yesterday to bail out the Foreign Office, topping up its core budget by almost 10 per cent, after a collapse in the pound left diplomats facing a financial squeeze.

The chancellor's rescue package of about £75m – a highly unusual concession in the middle of a three-year spending round – will cover part of what is expected to be a £110m budget shortfall over the next year.

The problems at the Foreign Office were caused by a Treasury decision in late 2007 to stop shielding it from currency fluctuations. Sterling subsequently fell 30 per cent against the dollar. In spite of attempts to hedge, the Foreign Office lost about £100m from its £830m core budget this financial year, forcing it to cut spending on a range of programmes, from tackling climate change to counter-terrorism.

The extra Treasury funding will ease the pressures of a 13 per cent shortfall in 2010/11. The measures include £35m from the Treasury reserve, permission to keep £25m from planned asset sales and a facility to draw down a further £15m.

David Miliband, foreign secretary, also revealed that other Foreign Office funded bodies – including the British Council and BBC World Service – would be making a "contribution to help manage these pressures". However, the Conservatives said the package of support was still "full of ambiguity".

"Far from putting a stop to concerns about [Foreign Office] finances it raises even more questions," said William Hague, shadow foreign secretary.

In a letter to Mr Miliband, he argued the Treasury funding still appeared to be conditional on unspecified asset sales and savings, an unexplained "foreign exchange adjustment account" and cuts to other public bodies.

Talks with the Treasury gained urgency after Gordon Brown faced pressure over the Foreign Office decision to scale back planned spending to counter radicalism in Pakistan. Other cutbacks included staff cuts, the imposition of four-day working weeks, a ban on hospitality and reductions to all discretionary spending programmes.

Separately, the public spending watchdog criticises the Foreign Office today for lacking "a clear strategy and comprehensive data to manage its overseas estate effectively".

The National Audit Office report highlights the "scant" detail underpinning key decisions, inadequate financial management information and inefficient use of resources.

About a third of projects analysed were over-budget by more than 10 per cent and two-thirds were delivered late.

News digest

Tory migrant cap plan attacked

Tory plans to put a yearly cap on immigration would damage business and hinder UK investment by international companies such as Honda, the home secretary said yesterday.

Alan Johnson also accused the Office for National Statistics of being "obsessed" with its forecast that Britain's population will hit 70m within 20 years – an assertion the government disputes.

James Boxell

City sees rise in new job vacancies

New job vacancies in the City rose by 60 per cent last month compared with a year ago, when hiring was at one of its lowest points since the credit crisis began, says a survey by Morgan McKinley.

Brian Groom

BAA victory likely to cost £100m

A victory by BAA, the airport operator, in a dispute over the tax treatment of takeover costs is likely to end up costing the Exchequer £100m as other acquisition targets mount similar claims.

Vanessa Houlder

Treasury aims to end tax outflows

An attempt to prise open the tax affairs of companies and individuals diverting revenue from developing countries to offshore centres is being spearheaded by the Treasury, in a drive to stop outflows thought to exceed $100bn (£64bn) a year.

Vanessa Houlder

Fund to help injured workers

People who have been injured or made ill at work but cannot access compensation from the responsible employer's insurance could in future get compensation from a national, industry-backed fund of last resort.

Paul J. Davies

Moves to reform Commons blocked

Gordon Brown has been accused of thwarting attempts to reform the House of Commons after the government resisted plans for a new independent body of MPs to oversee parliamentary business.

Jim Pickard

Funding of social care draws fire

Voluntary organisations representing the elderly and carers reacted with frustration yesterday at the emerging party political battle over social care funding. As the Tories accused Labour of planning a "death tax" to pay for social care, council leaders from both parties said the government's current proposal for free personal care at home had "major weaknesses and risks".

Nicholas Timmins

More details on www.ft.com

Hard times reduce links in chains of supply

FT series
Business in recovery

Price wars and sharp practice have changed distribution, finds **Jonathan Guthrie**

Thanks to the new austerity culture, £1.01 has become a potent price resistance point for fast-moving consumer goods. Denys Shortt, owner of DCS Europe, now devotes miles of storage in his Warwickshire warehouse to health and beauty products that will sell in the shops for just below that figure. "At least £40m of sales last year of £118m came from items retailing at £1," says the distribution entrepreneur.

The trend is emblematic of the downward pressure on prices exerted by recession as demand has faltered. In response, supply chains have contracted like octopuses hauling in their tentacles. Experts believe the networks that emerge will be better prepared for future economic shocks: shorter, more integrated and fairer to suppliers.

For the moment, Mr Shortt is too focused on the present to indulge in futurology. He has been having a good price war. The collapse of two big rivals helped lift sales to £14m. But he worries that the £1 phenomenon is unsustainable. He says: "There is a severe squeeze on margins for everyone. It damages brand equity. But the trend is not reversing."

Price negotiations have sometimes felt like guerrilla warfare since the credit crunch. Clive Snowdon, chief executive of aerospace components distributor Umeco, says: "We have had outrageous demands for price reductions from one or two customers. They upset relationships that had taken years to build. You always remember your last kicking, don't you?"

There has been sharp practice too. The owner of a UK furniture factory, who requested anonymity, says: "Our Chinese fabric supplier asked for higher prices to compensate for currency shifts. We refused. So they substituted lower quality cloth without telling us. We only spotted it when we put [it] under a microscope."

Late payment has been the biggest bugbear for suppliers. Customers have sat on invoices to support weakened cash positions. The Federation of Small Businesses estimates private sector clients pushed out payment periods to an average of more than 50 days from invoicing.

Last week, the FSB criticised central government for failing to make one in three payments to small companies within its self-imposed deadline of 10 days from invoicing.

The recession has brought out the best as well as the worst in customers. Solidarity within supply chains has lessened the impact of the credit crunch.

Umeco, for example, gradually wound down orders for products whose sales had fallen, giving suppliers time to adjust.

Industry sources say Land Rover backed the £15m debts of a chassis supplier to guarantee production – the company declined to comment. Train-maker Bombardier UK bought stocks of some components before they were required, to support producers.

Such tactics have embodied the bluff wartime motto "keep calm and carry on", which gained new currency during 2009. They have reallocated scarce capital within supply chains, although small suppliers would arguably have been less vulnerable had big customers left more meat on the bones tossed to them during years of plenty.

Shrunken supply chains may themselves now constrain the growth that is resuming unevenly across the UK economy. Simon Storer of the Construction Products Association gives the example of a factory that has retrenched to two shifts. Small orders would go unsatisfied until their accumulated value justified reinstating a third shift. Similarly, Andy Turner, managing director of logistics company Palletways UK, points to bottlenecks in shipping goods from east Asia due to the mothballing of container vessels.

More intractably, there is a danger that skilled staff will be in short supply in industries such as construction and engineering, following heavy job losses in 2008 and 2009.

Long-term questions over the viability of some UK business clusters have been brought into short-term focus by recession. Weak demand contributed to the closure of a Dow Chemical plant at the heart of the Wilton chemicals complex on Teeside last year. Chemicals company Croda accordingly shut a nearby factory that had depended on Dow for materials.

> 'Our Chinese fabric supplier substituted lower quality cloth without telling us'
>
> **Furniture factory owner**

Emma Scott, of the Chartered Institute of Purchasing and Supply, says: "During the years of economic expansion, supply chains became long, lean and global, but that also made them fragile." Information does not always flow through supply networks as smoothly as money or goods.

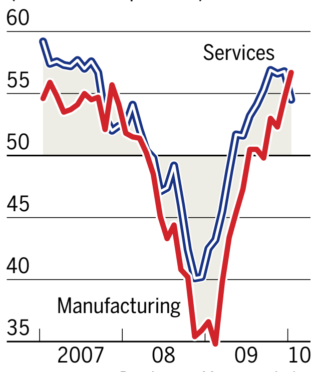
"The concept of managing risk within supply chains is growing," says Mike Darby of Deloitte. He foresees a resurgence in local sourcing and the emergence of shorter supply chains where participants work closely to reduce costs and raise sales – this is exemplified by Tarmac, the building products company, which is stripping down its supplier base to a smaller, better-integrated core.

A sceptic might cavil that industry experts such as Mr Darby are spinning extempore responses to adversity as a new philosophy. Surely supply chains will ramify as recklessly as before when world economies recover strongly? Ian Mason, chief executive of Electrocomponents, chuckles at the suggestion. "The death of the cycle is proclaimed regularly," he says, "But it always comes back to life. "

The future Mr Mason envisages is of regular expansions and contractions in supply chains overlaying a decades-long consolidation resulting from globalisation. The winners will be businesses tough enough to ride out the contractions, as DCS Europe just has.

In this context, tolerating end customers too parsimonious to pay more than a quid for a bottle of shampoo may simply be the price of staying in the game.

It's tough, but less so
UK CIPS/Markit PMI*
(above 50=expansion)



* Purchasing Managers Index
Source: Thomson Reuters Datastream

The series

Monday Consumers
Tuesday Finance
Wednesday Environment
Today Supply chain
Tomorrow Exports

To read previous articles in this series, go to **www.ft.com/ukrecovery**

Squeeze on margins: Denys Shortt, owner of DCS Europe, worries the '£1 phenomenon' is unsustainable Neville Williams

High streets hit as shop vacancies rise

By Daniel Thomas, Property Correspondent

The deterioration of Britain's high streets has continued in spite of the improving economic climate with one in five shops now standing empty in many town centres.

An average of 12.4 per cent of shops are empty, according to data collected between July and December 2009 by the Local Data Company (LDC).

This marks an increase on the 10 per cent of vacancies reported in June 2009, although a slowing of the rate of decline. The first half of 2009 saw vacancies increase by 100 per cent, according to LDC.

Wolverhampton has been the worst hit large retail area, with almost a quarter of shops being empty. Bradford, Middlesbrough and Sheffield are almost as badly affected. Margate, the Kent seaside town, is the hardest-hit mid-sized town centre with 27.2 per cent of shops empty.

According to the LDC survey of 700 town centres, overall shop vacancy has nearly doubled in England and Wales since the end of 2008. Kent, the Midlands and the north-east had an average of one in five shops empty. The north shows the highest vacancy rates. In the south and east, including London, vacancy rates rose by a third, but is lower than average at 9 per cent.

Liz Peace, chief executive of the British Property Federation, said: "The next government will need to balance cuts in spending with ideas for reinvigorating regions that have suffered from years of underinvestment."

Stephen Robertson, the director-general of the British Retail Consortium, said: "Many of the problems . . . have more fundamental causes than simply the economic slowdown and will not disappear just because recovery is under way.

"High street shops are often battling big bills for business rates and rents, parking and access difficulties, as well as failure to manage and invest in the area."

Tensions high ahead of talks

Summit to offer pledge of support

Papandreou not to be let off lightly

By FT reporters

European Union problems are often resolved over a good lunch. But when George Papandreou, the Greek prime minister, left the Elyseé palace in Paris after a midday meeting with French President Nicolas Sarkozy yesterday, the challenges facing the EU in dealing with Greece's fiscal crisis still seemed immense.

German and French government officials told the Financial Times it was unclear how much EU leaders would be able to agree when Greece is discussed over lunch at a summit in Brussels today and the only result might be a pledge of support.

Eurozone finance ministers held a video conference in the afternoon, but negotiations between political leaders across the continent were continuing late into the night.

Socialist and social democratic leaders including Britain's Gordon Brown, Mr Papandreou and José Luis Rodríguez Zapatero, the Spanish prime minister, as well as Catherine Ashton, the EU's high representative, were due to meet for dinner. Officially they were preparing a "progressive" proposal for today's official business in Brussels: the economic modernisation of the EU.

"There are a lot of talks going on but at this moment there is no clear view how it will land tomorrow," said an official.

The heightened tensions contrasted with the mood a year ago. Then, a throwaway remark by Peer Steinbrück, then German finance minister, making clear that a solution would be found if a eurozone member found themselves in trouble, was enough to calm markets.

The putting together of an actual rescue package involved talks about not just about the size or form of any aid, but, crucially, also on the conditions that would be imposed on Greece. Any deal would probably need parliamentary approval in countries participating.

At the same time, EU leaders are keen not to let Greece off lightly – a message that appeared to have been conveyed forcefully to Mr Papandreou yesterday.

As such, the Brussels summit was "unlikely to agree to more than some guidelines for how a rescue plan might take place," said Erik Nielsen, European economist at Goldman Sachs. "It is a multi-headed beast you are dealing with."

Those guidelines could include Germany and other eurozone partners agreeing to lend Greece money, or to buy its sovereign bonds should Athens run into trouble funding itself on the financial markets.

> 'There are a lot of talks going on but there is no clear view how it will land tomorrow'

Another idea was that Lucas Papademos, the European Central Bank's vice-president who steps down mid-year, should go to Greece to oversee efforts to reform its finances.

Given that Athens faces no current – only a looming – funding crisis, German officials stressed there were "no immediate funding needs", and that Athens' recent ability to roll-over debt proved there was "no risk of default". They had maintained silence on the issue in order not to de-rail talks at EU level. One voiced irritation about German lawmakers making the issue public. "Expectations about the summit are now very high," he lamented.

Mr Brown suggested Britain would get involved in a bail-out of Greece only as part of an operation led by the International Monetary Fund. "It's up to the euro area to decide what they wish to do in relation to euro area countries, but there is international support available if Greece wishes it," he said.

Silvio Berlusconi, Italy's centre-right prime minister, blamed left-leaning governments for the crisis. "The four countries which are in difficulty – Portugal, Greece and Spain governed by the left, and Ireland under a liberal government – are much much worse off [than Italy]," Mr Berlusconi said.

Italy's public debt is the second highest in the EU as a percentage of GDP, but its budget deficit has been kept under control.

Reporting by Gerrit Wiesmann and Quentin Peel in Berlin, Ralph Atkins in Frankfurt, Ben Hall in Paris, Michael Steen in Amsterdam, George Parker in London, Guy Dinmore in Rome and Victor Mallet in Madrid

Berlin wary of Europe bearing gifts to Greeks

GLOBAL INSIGHT

Quentin Peel in Berlin

Barely a week ago, a senior German official was asked if the Greek economic crisis would be discussed by France and Germany when the two governments met in Paris for talks on co-operation in the European Union.

"Why should they?" he replied. Both countries shared the same attitude towards Greece. It was up to Athens to design its own austerity programme and carry it out. It was not for other eurozone members to tell Greece what to do.

That attitude pervades the German government. It sometimes seems as if Germany is in denial about the destabilising effects of the Greek crisis on the currency zone.

Seven days later, all the heads of state and government of the EU will debate the economic crisis in Greece at their informal summit in Brussels today.

The official line in Berlin is still tough: there is no need for a bail-out nor should anyone be calling for a rescue package from the International Monetary Fund. But it is also clear that some sort of EU financial backing for Greece has been debated in Berlin, Paris and Brussels, for a lot longer than officials care to admit.

Germany has always believed that it had a moral duty to be the guardian of budget discipline. But the Greek crisis goes further. It challenges a German belief that all the zone needs is for every member to obey its stability and growth pact and all will be well.

To be fair, there are at least three reasons for German discomfort, and the conflicting signals.

In the first place, no one wants to leak confidential negotiations that might actually encourage speculators.

Second, there is an instinctive German response to any suggestion of a "bail-out" for weaker member states. For decades, Germany was the paymaster of the EU. Its deep pockets were regularly raided whenever there was a difficult political problem to resolve: a "cohesion fund" for Spain and Portugal, "integrated Mediterranean programmes" for Greece and Italy. It rankled. Other big countries such as Britain and France paid much less.

Then German unification came to pass and West Germany had to pour money into its eastern Länder. There was nothing to spare for the EU, and Germany wanted its money back. That feeling is, if anything, stronger today in the midst of the economic crisis. It is not helped by a conviction that Greece's cooking of its books compounded the problem.

The third factor is profound, if more theological: the fear that lurking behind any suggestions of intervention to help the Greek government is a more sinister plan, hatched in the heart of France, for a pro-active "economic government" in the eurozone to balance the purely monetary instincts of the European Central Bank.

A year ago, when it first became clear that Greece was falling into ever deeper debt and deficit, a senior member of the last German government flatly rejected anything that smacked of intervention. Why? "Behind the Greeks, you'll find the French," he said.

Germany opposes the idea of an economic government partly because it would limit the independence of the ECB; partly because it might allow finance ministers to dictate behaviour – not just to backsliders but also to good budget disciplinarians such as Berlin.

> Germany resists intervention in the role of the ECB or its own fiscal policies

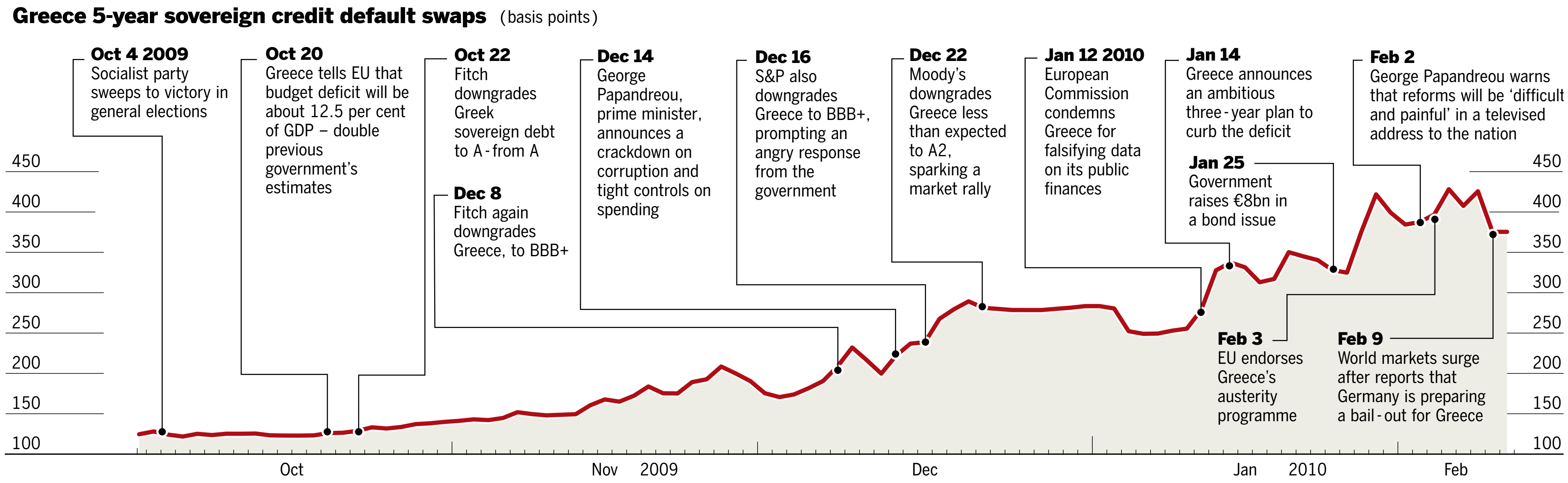
President Nicolas Sarkozy revived the idea in 2008, proposing that eurozone heads of government should form the economic government. He ran into fierce resistance from Angela Merkel, the German chancellor. She argued that it would divide the EU between members and non-members of the single currency and there was no parliament, commission or court to deal with the eurozone alone.

Mr Sarkozy backed off last week. The French president said he would not talk of "economic government" again. Mrs Merkel assured him that he could, provided he was referring to the full 27 heads of government. She even used the phrase herself in public, as a magnanimous gesture.

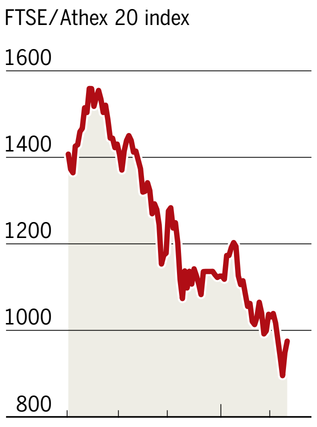
The reality is that they do not mean the same thing. Crisis or no crisis in Greece, Germany is not ready to drop its resistance to anything that smacks of intervention in the role of the ECB, or its own fiscal policies. There is a limit to being a good European.

How pressure on Greece grew

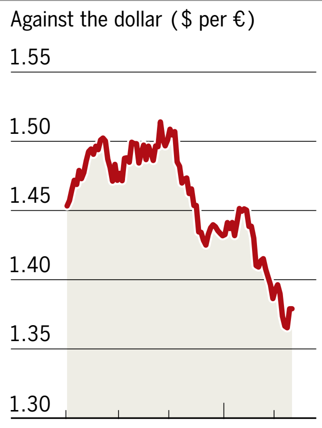
Greece 5-year sovereign credit default swaps (basis points)



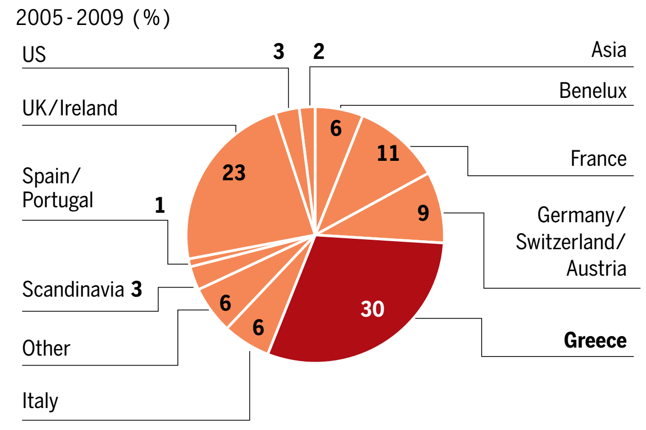
Greek equities



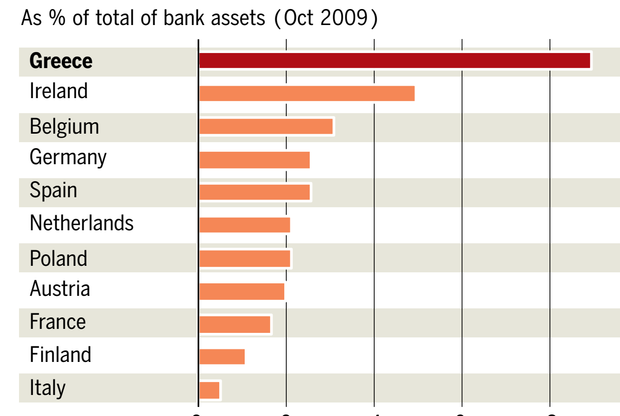
Euro



Greek bond allocation by country



European banks' funding from ECB



Sources: Thomson Reuters Datastream; Credit Suisse; Spanish government

Q&A

Exporters find reasons to be cheerful as euro declines

Why does Greece need help?
The country's public finances have spun out of control. Government debt is forecast to hit almost 125 per cent of gross domestic product this year, and it is unclear whether Athens can reverse the upward trend. The risk is that at some point it becomes unaffordable. Drastic spending cuts and tax increases would reduce the deficit but strangle the economy, which matters worse. Worried investors are, meanwhile, demanding a higher interest rate on Greek debt – sending servicing costs higher.

Why should anyone else worry about such a small economy?
The country accounts for only about 2.5 per cent of eurozone GDP. Possibly the effects of a Greek default could be contained. But the problem has been "contagion". Worries about Greece have spread into broader concerns about Portugal and Spain and the effectiveness of the eurozone in dealing with crises. Moody's ratings agency argued in a report yesterday that Greece, Portugal and Spain "may share the same currency, but they do not display the same credit profile". The point has been lost on financial markets.

Will Greece get away with bad behaviour?
Yes, partly. Over the years Athens has allowed its public sector to become bloated and riddled with corruption and inefficiencies. It also misled the rest of the world about the true size of its fiscal deficit. Late last year it revealed its 2009 deficit would actually be almost 13 per cent of GDP – twice as large as previously feared. All of which led to its current problems. Any deal agreed in Brussels will probably demand that Greece mend its ways. It might work.

A striking mechanic in Athens yesterday

Why doesn't the European Central Bank tide the Greeks over?
The ECB has no powers to help distressed countries; it has also been one of the strongest opponents of a Greek bail-out. But the advice of Jean-Claude Trichet, president, has undoubtedly been sought by finance ministers, and the eurozone's central bank will be watching closely any Greek rescue plan.

Is the eurozone going to break up?
Mr Trichet says such speculation is "absurd". For Greece, leaving the eurozone would be madness. On top of everything else, it would face higher interest rates and lose the benefits of being part of the stable currency bloc. Other eurozone countries might think Greece should be thrown out. But if Greece were ejected, financial markets would start betting on who would follow. The eurozone will hold together, for better or for worse.

But is it bad news for the euro?
On a trade-weighted basis, the euro has fallen more than 5 per cent since early December. Eurozone exporters are not crying into their ouzo.

Ralph Atkins

France and Germany in the line of fire

Default exposure

By Scheherazade Daneshkhu in Paris, James Wilson in Frankfurt and Patrick Jenkins in London

France and Germany, likely to have the biggest say in the politics of a bail-out for Greece, are also the countries whose financial institutions would be among the most exposed to a default.

Weighing the sovereign risk borne by banks is difficult but figures from the Bank for International Settlements – sometimes referred to as the central bank for the world's central banks – show that European exposure to Greece is concentrated in French and Swiss banks, each with almost $79bn (€58bn, £51bn). German banks have about $43bn of exposure, about half through holding Greek debt to provide backing for issuance of so-called covered bonds.

Kian Abouhossein, banks analyst at JPMorgan, said it was "not unreasonable" to see banks in France, the UK and Italy as the most exposed to sovereign risk, though he said it was impossible to establish definitively which sovereign risk banks held.

"Some big banks might have €50bn of sovereign bonds, others might have €150bn, but there is no disclosure of which bonds they might be," Mr Abouhossein said.

Some of the biggest French exposure comes through direct ownership of local banks in Greece. Crédit Agricole controls Emporiki, Greece's fourth largest bank, with a €30bn ($41bn, £26bn) balance sheet; Société Générale, France's second-largest bank, owns Geniki, the Greek bank with a €5bn balance sheet.

In November, Agricole was forced to take a €485m hit on its investment in Emporiki through an impairment writedown. It is restructuring Emporiki to try to make the Greek lender profitable by the end of next year.

The rest of the French banks' exposure is from investment banking and treasury operations, as the banks have large government bond trading businesses. For that reason Germany and Switzerland, with big investment banks such as Deutsche Bank, Credit Suisse and UBS, also show significant exposures to Greece in the BIS data.

German banks that issue covered bonds – known in the country as *Pfandbriefe* – have about €14.5bn of exposure to Greece, of which €8bn is held in the ring-fenced "cover pools" that support the bonds and make them a very safe asset.

Key figures

$79bn
French and Swiss banks' exposure to Greece

$43bn
German banks' exposure to Greece

$40bn
Amount of Greek debt held by country's banks

Preserving the *Pfandbrief* market's reputation for stability is one reason why the near-meltdown in 2008 of Hypo Real Estate, a big German *Pfandbrief* issuer and buyer of sovereign debt, was so troubling for Berlin, which nationalised the bank.

Among *Pfandbrief* banks, HRE would be significantly exposed to a Greek default: its main subsidiary holds almost €2.1bn of Greek state bonds and a further €1.6bn of other Greek public sector debt. This is over 6 per cent of the bank's €57bn cover pool for public-sector covered bonds.

According to a Credit Suisse report published yesterday, Greek banks own about €40bn of a total €300bn of Greek government debt. Of Greek bond issuance between 2005 and last year, about 30 per cent was allocated domestically, according to Credit Suisse, with borrowers in the UK and Ireland taking almost a quarter of issuance.

Jon Peace, analyst at Nomura, said a Greek government bond default was highly unlikely because of the severe consequences for financial stability, echoing the US subprime crisis. Instead, pressure was likely to mount on Greece to rectify its fiscal problems.

"We therefore see a greater risk for European banks which own Greek subsidiaries, such as Crédit Agricole, as these subsidiaries are likely to suffer from weak volume growth, weaker margins and higher credit costs.

"We see comparatively less risk for the investment banks such as BNP Paribas whose main exposure is through trading government debt who can more quickly manage their liquid exposures," he said.

Credit Suisse said: "We believe that Spain is more of a concern than Greece, given . . . significant over-leverage, a high current account deficit and over-valued housing."

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● **View from the markets**
Mike Amey of Pimco on the volatility that he says will give way to stability in Greece; the turbulence facing UK bonds and avoiding over-leveraged countries
www.ft.com/vftm

● **Video: Short View**
John Authers on Ben Bernanke and Greece
www.ft.com/shortview

● **Video: the view from the streets of Athens**
Hugh Williamson reports on Greek civil servants' street protests
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The eurozone's weakest economy struggles to bring its debt under control
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● **EU summit**
Follow developments at today's EU summit
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Tax rises fuel resentment in Athens

Greek protests

The mood on the streets is volatile as government tries to cut back, write Kerin Hope and Hugh Williamson

Public servants rally in the capital yesterday, in protest at planned government austerity measures, including tax increases, to tackle the debt crisis EPA

Anger was in the air yesterday morning in central Athens. With flags and banners flapping in the wind, tens of thousands of public sector trade unionists marched past the country's neoclassical parliament building venting their bitterness at government moves to target them with higher taxes to curb the state's spiralling debts.

"After 20 years on the job I only earn €1,300 [a month] and now the government wants to steal from me," said Maria Ioakimidou, a middle-aged social worker at an Athens hospital.

"The big guys who stole in the past [through corruption] should be paying," she added, referring to Greece's rich elite.

Union leaders hailed the protests, which closed airports and disrupted schools, hospitals and local transport, as an emphatic display of strength.

By the evening, as news filtered through to Athens of the likely European Union emergency measures to support Greece, there were fears that the union demonstrations could be just a taste of much worse to come.

Athens argues that it has already tabled a package of painful austerity measures for Brussels' approval, so there are worries that any tough new strings attached to emergency measures could spark social unrest.

Constantine Michalos, chairman of the Athens chamber of commerce, which represents more than 100,000 medium-sized businesses, told the Financial Times that tax measures announced on Tuesday, which include a big tax rise on distributed dividends, "will take time to implement and that will add to the problems business and households already face. If they have to be tightened further, you have the potential for social upheaval."

Violent protests are not uncommon in Greece, as seen in 2008 in two weeks of rioting over the police shooting of a teenager. Even ahead of the moves by the EU, trade unions had scheduled further strikes for later this month.

These, they said, could easily be escalated amid increasing fears that incomes would be further squeezed following a 4 per cent pay cut for all public sector workers.

For George Papandreou, the prime minister, the fragile mood in Athens underlines the challenge of maintaining public support as he tries to implement what is already the most ambitious reform schedule ever attempted by a Greek government.

Opinion polls last weekend gave Mr Papandreou a strong approval rating of 55 per cent for his handling of the country's mounting economic problems. But the uncertainty over what the next few weeks will bring is adding to the pressure.

This was palpable on the streets of Athens, where the anger over austerity was mixed with fears about the future.

A teacher said she was worried about surviving on an even lower salary, while a port worker said he was anxious about retirement. "Will I get a pension to live on?" he asked.

The concerns are also broader, for instance problems in the banking system which have started to affect household borrowers as consumer lending virtually dried up last month.

> 'If they have to be tightened further, you have potential for social upheaval'
>
> **Constantine Michalos, chamber of commerce**

"There is a sense that a day of reckoning is here. In that context people are setting priorities – they would rather take a deeper pay cut than lose their entire savings," said Yannis Stournaras, director of IOBE, an independent economic think-tank.

This week's announcement of new tax measures is also fuelling resentment among lower-paid workers, who have never been targeted under previous austerity programmes, said Takis Michas, a political commentator.

"People pay taxes not to plug the budget deficit but to get services – roads, education and health, for example. If these aren't seen to improve, resentment will turn to bitterness," Mr Michas said.

To make matters worse, Greece's long-suffering workforce faces another big test in April when the government is due to announce details of pension reforms, including raising the retirement age from 58 to 65 and making cuts in allowances.

Successive governments postponed reforms because of the political cost but, this time there will no opportunity for further delays, Andreas Loverdos, the labour minister said this week.

Banks shunned by international lending markets

Funding fears

By David Oakley in London, Kerin Hope in Athens and Ralph Atkins in Frankfurt

Greek banks have been virtually shut out of the international lending markets in the past fortnight as confidence in the country's economy has collapsed.

In spite of a sharp rally in Greek stocks and bonds, amid hopes of a European rescue plan, the squeeze on lending highlights the scale of the crisis over the country's public finances.

Some strategists point to the collapse of the Icelandic banks, which simply ran out of money shortly after the fall of Lehman Brothers in September 2008, as a warning of what could happen to Greece.

Gary Jenkins, head of fixed income research at Evolution, said: "The absolute number one core lesson every economist and investor should learn is: cash is king. Without access to cash or liquidity, you are in trouble. Without European Union support, it is quite possible Greece, as well as its banks, will run out of money."

Don Smith, economist at Icap, the interdealer broker, added: "Credit worries relating to Greece have grown to the extent that international banks appear to have severely reduced lending to Greek banks."

Since the middle of January, lending to the country's four leading banks, National Bank of Greece (NBG), EFG Eurobank, Alpha Bank and Piraeus Bank, in Europe's interdealer markets, which sees a daily turnover of €330bn ($453bn, £290bn), has been cut to a trickle.

The banks can borrow only in the repurchase markets, which means they must use government bonds as collateral to raise money. They have been frozen out of the unsecured markets.

That has forced the Greek institutions to raise money at punitive interest rates through private deals with international banks, say bankers. Greece's largest bank NBG is suffering less than the three other lenders. NBG's loan to deposit ratio is under 100 per cent – boosted by its fast-growing Turkish subsidiary Finansbank. The three other banks last year gradually cut their loan to deposit ratio to below 110 per cent.

Until about 10 days ago the liquidity squeeze had appeared manageable, a Greek banker said. But as markets ratcheted up pressure on the country's bond market, problems mounted. Looking ahead, it helps that the Greek banks have a smaller amount of wholesale maturities to cover this year, estimated at €4bn-€5bn, he said.

But there is also a danger that Greek government bonds might become ineligible for use as collateral for borrowing at the European Central Bank. This would close down another avenue for funding. Greek banks have borrowed more than others from the ECB – 8 per cent of their total assets.

Greece has seen its ratings reduced to triple B plus by Standard & Poor's and Fitch, which takes them below the minimum credit requirement for collateral once the ECB tightens lending rules at the end of this year.

The Athens stock exchange closed 2.37 per cent higher yesterday. Greek bond markets saw 10-year yields, which have an inverse relationship with prices, fall nearly half a percentage point to 6 per cent.

Rescue plan points to closer economic links

German-led policy

By Tony Barber in Brussels

The German-led efforts to rescue Greece, on the eve of a European Union summit in Brussels, are the most dramatic of several recent signs that the 27-nation bloc may be on the threshold of a new surge towards closer economic integration, politicians and economic analysts said yesterday.

Others include a willingness to use new instruments set up under the EU's Lisbon treaty to pursue more synchronised economic policies, and the imminent publication of a report by Mario Monti, the former EU commissioner, on how to energise the bloc's single market.

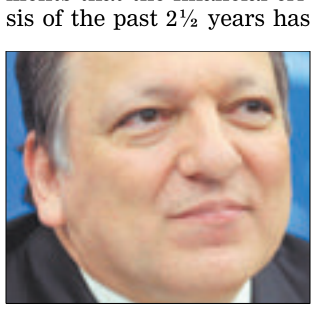
The rescue operation is aimed not so much at averting a Greek sovereign debt default – never more than a slim possibility – as at preventing future crises by ensuring that EU authorities exercise stricter surveillance over Greece's public finances than has ever been applied to an EU state.

"There will be major long-term implications from this new development for the future of European monetary union," says Jacques Cailloux, an analyst at RBS European Economics. "The crisis has opened a window of opportunity for EU leaders to push for fiscal integration and co-ordination and for a stricter implementation of structural reforms in the region."

By discussing a rescue plan, eurozone governments cannot be said to have "crossed the Rubicon" to a fully integrated fiscal union. Tax policy, for instance, remains an area where each nation retains a veto. But they have done more than dabble their toes in the water.

The idea is that Germany and other fiscally disciplined countries protect Greece's eurozone membership, but gain the right, through the European Commission and the so-called "eurogroup" of euro area finance ministers, to supervise Greece's budgetary and economic policies. In this way, it is hoped, the Augean stables of Greece's public sector and tax collection system will get a thorough clean-up.

The plan forms part of what José Manuel Barroso, Commission president, sees as an acceptance by governments that the financial crisis of the past 2½ years has demonstrated the value of stronger co-ordination.



> 'The trend is always to reinforce European union, not to weaken it'
>
> **José Manuel Barroso Commission president**

"The trend is always to reinforce European union, not to weaken it," Mr Barroso told reporters yesterday. "But if you ask me, 'Do I think that five years from now the EU will be more integrated or less integrated?', then I say, 'More'."

Today's summit bears out Mr Barroso's argument – up to a point. Herman Van Rompuy, the EU's full-time president, called the meeting in early January to focus the attention of national leaders on the need for long-term economic reform, and this remains – in spite of the Greek crisis – the summit's main topic.

According to a discussion paper circulated by Mr Van Rompuy, the idea is to set five quantitative targets for economic performance over the next 10 years but to be flexible, so that common EU targets are translated into different national targets for each EU country.

There is no suggestion a government could face punishment – or "corrective measures", as Spain said last month – for not meeting its targets. Germany, the Netherlands, the UK and others were opposed.

This indicates clear limits to the willingness of governments, even in the eurozone, to subject themselves to EU-level surveillance.

A second discussion paper distributed by Mr Barroso talks of the need to relaunch the EU's internal market, potentially a powerful driver of European economic integration.

Estonia warns against tightening rules on euro entry

Estonia has warned against any move to tighten euro entry rules in the wake of the Greek debt crisis as it pushes to become the next new member of the troubled single currency, **reports Andrew Ward in Helsinki**.

Andrus Ansip, Estonian prime minister, said his country remained determined to join the eurozone in January 2011 but signalled concern that turmoil in Greece could complicate the entry process.

"We will fulfil the criteria. We're not asking for any exemptions," he said during a visit to Helsinki. "I hope nobody will start to create new criteria for Estonia."

The country is on track to meet the Maastricht criteria for euro entry, with Mr Ansip estimating its budget deficit at 2.6 per cent last year, below the 3 per cent limit for new members.

But some analysts have said European authorities could find reasons to delay Estonia's entry, citing nervousness over eastward expansion of the eurozone as the single currency battles its first serious crisis.

Fitch, the rating agency, said last week that Estonia "looks increasingly likely" to fulfil the Maastricht criteria after emerging from last year's deep recession in better shape than neighbouring Baltic states.

Full story: www.ft.com/europe

World news

Bernanke reveals his readiness to remove support

Exit strategy

The central bank will be prepared for action once the US economy is strong enough, writes **James Politi**

Ben Bernanke yesterday laid out the Federal Reserve's vision for withdrawing liquidity from the US financial system, including increases in the interest rates it pays on reserves, and market operations that could over time include the sale of mortgage-backed securities.

In written testimony to the House financial services committee, Mr Bernanke said a policy shift was not imminent, but the central bank had worked to ensure it was ready once the economy was strong enough.

"The economy continues to require the support of accommodative monetary policies," Mr Bernanke explained. "However, we have been working to ensure that we have the tools to reverse, at the appropriate time, the currently very high degree of monetary stimulus. We have full confidence that, when the time comes, we will be ready to do so."

Mr Bernanke had twin aims. First, he had to make clear that there were no imminent plans to tighten credit in the US economy, whose recovery is still early and fragile.

Second, Mr Bernanke had to signal to the markets that the US central bank was preparing for a future in which the Fed would have to unwind the extraordinary support for the financial system – and the enormous increase in its balance sheet.

The Fed chairman gave no hint about the timing of this policy shift, except that it depended on US economic and financial conditions.

But when it does come, the Fed is considering tightening the money supply through measures such as raising the interest rate on reserves from 0.25 per cent. "By increasing the interest rate on reserves, the Fed will be able to put significant upward pressure on all short-term interest rates, as banks will not supply short-term funds to the money markets at rates significantly below what they can earn by holding reserves at the Fed banks," Mr Bernanke said.

That focus on interest rates on reserves – though expected by many economists – represents a big departure from previous practice at the Fed, which for years has used increases in the Fed funds rate as its main policy tool to remove money from the system.

But Mr Bernanke indicated that the Fed funds rate might not be as reliable in this cycle because activity and liquidity in that market had declined as a result of the massive increase in the central bank's reserves.

According to the roadmap offered yesterday by Mr Bernanke, any increase in the interest rates paid on reserves would be preceded by a ramping up of some of the programmes that the Fed has been debating and even testing on a limited basis. The Fed chairman said a "term deposit facility" – which would encourage banks to store money at the central bank instead of lending it out, and "reverse repos", allowing the Fed to borrow from short-term lending markets in exchange for cash, would "together allow the Fed to drain hundreds of billions of dollars from the banking system quite quickly, should it choose to do so".

Mr Bernanke suggested if the economy improved unexpectedly quickly and a faster exit from the loose monetary policy of recent years was warranted, rises in the interest on reserves could come at the same time as the ramping up of the "reverse repos" and "term deposits".

Once the first phase of tightening was over and the economy was on a stronger footing, the Fed could also begin selling assets such as mortgage-backed securities that it has accumulated, to support the housing market. But for the moment, the US central bank has no plans to sell these assets before they reach maturity.

Conversely, one of the earliest moves Fed officials might push through is an increase in the discount rate – at which commercial banks borrow money from the US central bank at a preferential rate. Before the crisis, the discount rate stood 100 basis points higher than the Fed funds rate, and this spread was lowered to 25 basis points amid the turmoil.

The Fed is also considering a reduction in the maturities of discount loans, which stood at 90 days at the height of the crisis, are now at 28 days, and may be reduced even further.

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Capitol chill Officials under fire

The competence of Washington officials came under fire again yesterday as heavy snow shut the US capital for a third day, with normal services not expected to resume until at least next week, write **Simone Baribeau and Anna Fifield in Washington.** Roads, many still impassable after the bad weekend weather, were covered by another several inches of snow. Critics have complained about the city's snow removal fleet. At one point, up to 25 per cent of city snowploughs were out of service. Snowploughs stopped clearing roads altogether for an hour yesterday morning as visibility fell. Pepco, the Washington area power company, abandoned efforts to restore electricity to the thousands who had been cut off. Federal agencies were closed and the House of Representatives cancelled its votes for the rest of the week. Almost all schools and most businesses were shut. *Picture: Reuters*

Bonuses part of the free market, says Obama

By Edward Luce in Washington

Barack Obama said yesterday he "did not begrudge" Lloyd Blankfein of Goldman Sachs and Jamie Dimon of JPMorgan Chase their multimillion-dollar bonuses, which were a consequence of America's "free-market system".

The president made his comments in an interview to the Bloomberg BusinessWeek at a time when public anger about Wall Street bonuses is being directed increasingly at Washington. They were also contrasted with Mr Obama's recent criticisms of the "obscene" bonuses paid out on Wall Street as evidence that the White House was unable to sustain a clear message on the subject.

Mr Blankfein was paid a $9m bonus for 2009 and Mr Dimon $16m – both in stock and both significantly lower than in previous years. "I know both these guys and they are very savvy businessmen," said Mr Obama. "I, like most of the American people, don't begrudge people success or wealth. That is part of the free-market system.

"There are some baseball players who are making more than that and don't get to the World Series either, so I'm shocked by that as well."

Critics of Mr Obama said the comments were further evidence there was one law for Wall Street and another for Main Street.

"This is the antithesis of a free-market system," Simon Johnson, the former chief economist for the International Monetary Fund, wrote in a blog. "Not only were their banks saved by government action in 2008-09 but the overly generous nature of this bail-out means that the playing field is now massively tilted in favour of these banks."

However, others pointed out that Mr Obama has to walk a fine line between the need to share the anger and pain of voters on the bonuses and the objective of talking up asset prices to encourage the big banks to lend. They also pointed out that JPMorgan Chase, in particular, withdrew from the subprime mortgage market well before the crash and thus helped counterbalance the speculation.

"It is a very difficult line for the president to walk," said Brad DeLong, economics professor at Berkeley. "This isn't 1933 when there is zero private investment and when you can call out

$9m

Bonus paid to Lloyd Blankfein in 2009

the moneychangers in the temple. There are opportunities to talk up asset prices and get more credit flowing and Obama needs also to pay attention to that."

Mr Obama's shifting rhetoric may also be a consequence of the breakdown in bipartisan talks in the Senate over the White House's financial regulatory reform legislation.

Last week, Chris Dodd, chairman of the Senate banking committee, said talks with Richard Shelby, the ranking Republican, had failed.

"The Republicans have chosen a scorched-earth strategy," said Mr DeLong. "They believe their success lies in the failure of everything the president tries to do."

Mr Dodd and other Democratic senators have complained about the "wall of money" that financial sector lobby groups have spent on opposing key aspects of the reform bill.

Twin probes on BofA Merrill prove 'strikingly different'

By Brooke Masters, Chief Regulation Correspondent

Companies doing business in the US have long had to resign themselves to fighting fires on multiple fronts, as competing regulatory actions by state and US agencies are commonplace.

But the twin probes of the 2008 Bank of America merger with Merrill Lynch appear to have set a benchmark, prompting a judge in charge of one case to complain they were "strikingly different".

Andrew Cuomo, the New York attorney-general, last week charged BofA's then-chief executive and chief financial officer with civil fraud, saying they deliberately misled shareholders about $16bn in looming Merrill losses in order to win approval for the merger. The company and the two executives, Ken Lewis and Joe Price, deny wrongdoing and plan to fight the charges.

But on the same day, the Securities and Exchange Commission settled with the company for $150m for failing to disclose a smaller amount of losses, after emphasising that it was not accusing individual executives of intentional deception. The two different paths highlight the sharp contrast between the goals and methods of the SEC, the main US securities regulator, and the tactics of Mr Cuomo, an elected official who is expected to run for governor next autumn.

While Mr Cuomo takes only a handful of high-profile financial cases and has the advantage of being able to wield New York's broad Martin Act, the underfunded and overworked SEC is overhauling itself in the wake of the financial crisis and worries about the consequences of setting a bad precedent if it loses a close case.

"They are coming from very different places in terms of institutional accountability and other cases on their plate," said Daniel Richman, Columbia University law professor.

"The SEC is trying to regulate an industry and cope with a massive amount of clean-up and refurbishment work. Cuomo can pick his cases and go forward with any volume he chooses."

The case highlights a critical difference between New York and federal law. Under the 1921 Martin Act,

$16bn

Losses BofA shareholders were allegedly misled over

Mr Cuomo can allege fraud without having to prove that the defendants intended to deceive. SEC lawyers do not have that luxury, so they have to give greater weight to any evidence that would tend to exculpate the BofA officials.

In the legal documents, Mr Cuomo highlights testimony that Merrill's projected losses reached $16bn, while the SEC notes that BofA officials thought projected losses were unreliable and sticks more closely to actual losses.

"The SEC lawyers make a good faith decision on whether they think they can win. They are career litigators and they think: 'I'm going to have to prove this in court'. Cuomo's office takes the view that they are doing a public service by putting the allegations out there. They regard themselves as a bully pulpit," said a former enforcement lawyer.

The SEC complaint also notes that BofA consulted its general counsel and outside lawyers, while Mr Cuomo makes the allegation that they were largely ignored and in the case of the general counsel, outright lied to.

Elizabeth Nowicki, a Boston University visiting professor, said: "The SEC needs to get the best settlement they can reasonably get in a reasonable time . . . Cuomo's motive is a bit selfish but it works out in the best interest for investors in this case."

Oil demand widens US trade gap

Increase in deficit surprises economists

By Simone Baribeau in Washington

Demand for oil drove the US trade deficit to its highest level in a year, the commerce department reported yesterday.

The trade gap grew $3.8bn (£2.4bn) in December, compared with the previous month, to $40.2bn.

Petroleum imports jumped $2.6bn as oil imports climbed 9 per cent and prices rose 1 per cent.

Overall trade activity picked up but the dollar values of imports and exports mostly cancelled each other out. Imports jumped $8.4bn from November to $182.9bn, while exports increased $4.6bn to $142.7bn.

"All the deterioration occurred in the petroleum category, with dollar gains in non-petroleum exports and imports largely offsetting each other," said Joshua Shapiro, chief US economist at MFR.

The increase in the trade deficit took analysts by surprise. Median expectations of economists surveyed by Bloomberg showed a slight narrowing of the trade gap. The steep widening fell outside both the consensus range and estimates of the commerce department. It might indicate that a downward revision to fourth-quarter economic growth figures was likely.

Analysts said the growth in trade indicated a reawakening of the world economy. "The robust trade flows are an indicator of both strong domestic and foreign demand for goods," said Abiel Reinhart of JPMorgan Chase.

As volumes grew, some economists argued that a slightly wider trade deficit was better than a smaller deficit with less overall trade. But eventually, they said, the trade gap would have to shrink.

"From a longer-term domestic point of view, as the US saving rate rises and consumer spending declines as a percentage of GDP [gross domestic product] back toward a more sustainable share, an important offset . . . will be a narrower trade deficit, in part owing to less imports," Mr Shapiro said.

It is not yet clear when the trade gap will reach such a long-term sustainable level. "Whether the cyclical narrowing of trade imbalances during the global recession persists into recovery remains to be seen," said Alan Levenson, chief economist at T. Rowe Price.

● China's exports and imports continued to recover in January from a slump at the start of last year, according to government data that underlined the importance of other developing economies to Chinese trade, **write Geoff Dyer in Beijing and Justine Lau in Hong Kong.**

The headline numbers suggested that there was a strong rebound in trade last month, with exports rising 20 per cent, compared with the same month last year, and imports surging 85 per cent.

However, the figures were distorted by the timing of Chinese new year holidays, which meant the economy operated for one week less last January.

The import figures were also flattered by the fact that imports at the start of last year were at their lowest since 2005.

Heir resists hardline claims to Khomeini

Iran tensions

The regime eyes the cleric's mantle against the wishes of his grandson, writes **Najmeh Bozorgmehr**

On the 31st anniversary of Iran's revolution, government hardliners are linking the household of Ayatollah Ruhollah Khomeini, the founder of the Islamic republic, to an opposition which they claim seeks regime change.

Hassan Khomeini, 38, grandson of the late leader, has emerged as a quiet but persistent supporter of the opposition Green Movement. He backed Mir-Hossein Moussavi, the reformist candidate in last June's presidential election, and refused to attend the swearing-in of Mahmoud Ahmadi-Nejad, the proclaimed victor of the poll.

Last week Mr Khomeini accompanied the fundamentalist president to his grandfather's shrine but left as soon as Mr Ahmadi-Nejad started his speech.

The ayatollah's descendant instead went to visit the family of Alireza Beheshti, an imprisoned ally of Mr Moussavi. A picture of Mr Khomeini with Mr Beheshti's two daughters on his knee swept Iranian news websites.

The anniversary of the revolution is traditionally an occasion when the regime encourages people to fill the streets to celebrate the downfall of Shah Mohammed-Reza Pahlavi and the birth of the Islamic republic in 1979.

This year, however, the event might be used by the opposition for more mass protests. Critics of the regime evade the ban on demonstrations by using official occasions for their own purpose.

Struggling with an unprecedented legitimacy crisis, the regime is trying to borrow the mantle of Ayatollah Khomeini, who died in 1989. But his grandson has objected to any suggestion the founder of the Islamic republic would support today's rulers.

When state television showed clips of the ayatollah's speeches to suggest he would have condemned the Green Movement, Mr Khomeini was quick to protest. "It is regrettable that . . . you have embarked on false and distorted exaggeration of past events without referring to the conditions of the time," he wrote in a rare public letter to Ezzatollah Zarghami, the head of state television.

This drew a barbed response from Mr Zarghami, who was appointed by Ayatollah Ali Khamenei, the supreme leader. Mr Zarghami criticised the grandson and wondered why he had not condemned the "disgraceful acts" of the opposition since the election.

For his part, Hossein Shariatmadari, the managing editor of Kayhan newspaper, a mouthpiece for hardliners, accused Mr Khomeini of fraternising with opposition leaders who, he alleged, were linked to US, British and Israeli intelligence. The attacks on the ayatollah's young descendant by allies of the supreme leader show the rivalry between two schools.

Supporters of the former say Ayatollah Khomeini believed the regime's legitimacy is derived from the ballot box. Allies of Ayatollah Khamenei, however, would argue that God confers legitimacy on the government and indirectly appoints the supreme leader.

Both sides claim to be the true defenders of Ayatollah Khomeini's legacy. Hardliners argue that strong revolutionary backgrounds do not give any special privileges.

Hence, many allies of the late leader are now politically isolated or in jail. Mr Moussavi himself served as Ayatollah Khomeini's prime minister and was so close to him that he was reputedly regarded like a son.

Reformist politicians have called on their supporters to remind the present generation of rulers that the ayatollah had promised to uproot dictatorship.

The regime has prepared for today's anniversary by escalating what critics believe is a campaign of intimidation of the opposition.

More journalists, politicians and ordinary people have been arrested.

Two men, allegedly linked to a monarchist group, were hanged this week, while another was sentenced to death on Tuesday.

Meanwhile, both sides in Iran's bitter political confrontation continue to claim to be the true heirs of Ayatollah Khomeini.

Comment, Page 13
For more news and analysis: www.ft.com/iran

Tehran troubles for Google

Google, the internet company, yesterday said it had seen a "sharp drop" in traffic to its Gmail service from Iran, an apparent result of censorship that coincides with the anniversary of the Iranian revolution, **write Richard Waters and Daniel Dombey.**

Iranian officials have also said they will permanently block Gmail from now on, a significant escalation of the normally sporadic attacks on the service, said Ronald Deibert, associate professor at the University of Toronto and head of Citizen Lab, which monitors global internet censorship.

The US Department of State was quick to condemn the crackdown. "The Iranian government seems determined to deny its citizens access to information [and] the ability to express themselves freely, network and share ideas," a department official said. He added that the Iranian people would "find a way to overcome the obstacles the Iranian government puts in their way".

Tehran's move comes at a moment full of symbolism. Ayatollah Ali Khamenei, Iran's supreme leader, said this week that the country would deliver a "punch" to western powers on today's anniversary of the Islamic Revolution.

In recent days, Iran has also claimed it can match international technology in areas ranging from space launches to missile defence and the production of cancer-treating isotopes.

The dispute over Iran's nuclear weapons programme is also intensifying. At the weekend Mahmoud Ahmadi-Nejad, president, announced Iran would move a step closer to weapons-grade uranium. Yesterday the US imposed sanctions on four subsidiaries of Iran's Revolutionary Guards.

Google would not comment yesterday on the threat of a permanent ban of Gmail in Iran.

Hassan Khomeini backs the opposition Green Movement AP

Democrat with a passion to help Afghan people

By Edward Luce in Washington

Charlie Wilson, the American most associated with helping the Mujahideen defeat the Soviets after Afghanistan was invaded in 1980, died yesterday aged 76 from heart failure.

Mr Wilson's initially single-handed support for a loose group of anti-Soviet forces – then known as the "Afghan freedom fighters" – was brought to the world's attention with the publication of *Charlie Wilson's War*, a 2003 book by George Crile.

Subsequently made into a Hollywood film, with Wilson played by Tom Hanks, Wilson's name conjures images of a swashbuckling Texan Democrat who derived passion in his life from his sympathy with the Afghan people and his militant anti-communism.

A self-confessed playboy, Wilson was investigated, but never convicted, for taking cocaine in a Las Vegas strip club. Wilson's luckless young prosecutor was Rudolph Giuliani, the former Republican mayor of New York, who, as Republican mayor of New York, ran into a tabloid scandal or two of his own.

Wilson's close ties with the CIA, for which he secured hundreds of millions of dollars in Congress, was the nexus that channelled US money and weapons to the Afghan fighters – in particular the plane-loads of anti-aircraft Stinger missiles, which some analysts say was decisive in persuading the Soviets to withdraw in 1989.

But Wilson, who represented the same Texas district for more than a quarter of a century, might ultimately be remembered for his brilliant manipulation of congressional procedures. His Democratic colleague from Michigan, John Dingell, once said: "You take substance and give me procedure, and I'll screw you every time." Wilson's mastery of the House appropriations subcommittee on defence is a classic example of that.

Re-elected 12 times on the slogan, "Wilson Gets it Done", Wilson was the type of Democrat the party rarely, if ever, produces any longer. A hawkish, cold war warrior, Wilson was also strongly progressive on social issues. Nowadays, the few Democrats who get elected to Washington from the southern states are usually social conservatives.

Some critics say the Wilson film glossed over the fact that his supply of guns and Stinger missiles fuelled the culture that culminated in the Taliban's takeover of Afghanistan in 1996 and its sponsorship of Osama bin Laden's al-Qaeda (bin Laden almost certainly used weapons paid for by America). But it seems fairer to blame successive US administrations than Wilson himself.

> A hawkish, cold war warrior, Wilson was also strongly progressive on social issues

Indeed, after the Soviets departed, Wilson tried in vain to appropriate money for Afghanistan's reconstruction. But media and political interest had already moved on. As Wilson's film character said: "These things happened. They were glorious and they changed the world . . . and then we fucked up the endgame."

Nigeria's leader quick to impose power

By Tom Burgis in Lagos

This was the week that Goodluck Jonathan won the battle for control of Nigeria.

Having been named acting president by the national assembly on Tuesday, Mr Jonathan moved swiftly to assert his authority in sub-Saharan Africa's biggest energy producer. Yesterday, he demoted Michael Aondoakaa, the justice minister, who had been the public face of Umaru Yar'Adua's attempts to cling to power as president.

But there are legal questions over the way in which Mr Jonathan was elevated and political manoeuvring is likely to continue.

In the 11 uneasy weeks since Mr Yar'Adua left for medical treatment in Saudi Arabia, Mr Jonathan's allies have drawn up a plan for a whirlwind mini-presidency should he be called on to serve out the remaining year of the president's term of office.

On Tuesday night, hours after parliament sidestepped Mr Yar'Adua's refusal formally to hand over the reins and named Mr Jonathan as the country's acting president, the new leader delivered a televised address to the nation. He told Nigerians that he would prioritise "the most critical areas which continue to plague our effort at engendering meaningful economic growth".

His speech chimed with hopes that Nigeria's political class – long accused of focusing on self-enrichment and patronage rather than policy – might turn its attention to alleviating the poverty in which most of the country's 150m people live.

If Mr Jonathan's priorities are clear, so are the obstacles ahead.

He vowed to capitalise on last year's amnesty for militants in the oil-producing Niger delta, whose attacks have periodically cut production by up to 40 per cent, costing Nigeria billions of dollars in lost output and fuelling organised crime.

During Mr Yar'Adua's absence, the amnesty has begun to unravel.

Mr Jonathan comes from the delta and is the first son of the region to rise to the top job in the country. As such, the acting president might enjoy more credibility in the delta than his predecessors.

But under Nigeria's fraught federal system he cannot risk being seen to offer too many concessions to those seen as his own people.

Mr Jonathan also promised to give anti-corruption agencies "a free hand". Yet rekindling a campaign that ebbed under Mr Yar'Adua would involve challenging powerful figures in a country ranked among the world's most corrupt. Previous leaders have made similar pledges – and so far none has been able to deliver.

Jonathan: faces many obstacles EPA

Critics of the former zoologist deride Mr Jonathan as too weak to challenge the interests of the powerful barons in the dominant People's Democratic party.

He stood on its platform when he ran as Mr Yar'Adua's vice-presidential candidate in the deeply flawed elections of 2007, which were marred by widespread rigging.

His friends insist that he has a tough side rarely glimpsed in his five-year ascent from being a deputy governor of one of Nigeria's 36 states.

The compromise that secured Mr Jonathan's new position – a political deal whose legality is now open to question – could also undermine his authority.

Among investors, wariness prevails.

"The [national assembly's] motion may not have any legal backing, which means . . . every decision Goodluck makes could potentially be declared unlawful," said Ridle Markus, Africa strategist at Absa Capital.

News digest

Italy backs Draghi for top ECB role

Rome said yesterday it would strongly support Mario Draghi, Bank of Italy governor, to head the European Central Bank, potentially setting Rome and Berlin on track for a showdown over the bank's top jobs.

"The government will forcefully support Mario Draghi as a candidate to lead the ECB," said a spokesman for Silvio Berlusconi, Italy's prime minister.

Mr Draghi, 62, and Axel Weber, Bundesbank chief, are widely seen as the leading contenders to take over from Jean-Claude Trichet, the current president, next year.

Mr Draghi is also a member of the ECB's governing council and chairman of the influential Financial Stability Board.

Reuters, Rome

Berlusconi aide faces G8 probe

Guido Bertolaso, a top aide to Silvio Berlusconi, Italian prime minister, was put under investigation yesterday as part of a probe into contracts to build the original site of last year's Group of Eight summit.

Mr Bertolaso, head of the civil protection department, handed in his resignation after police searched the department's headquarters in Rome and gave him an official notice of investigation. But Mr Berlusconi, who promised last month to make Mr Bertolaso a minister, rejected the resignation a few hours later.

Reuters, Rome

Experts row over climate panel

Drastic and urgent reform is needed in the field of climate change science, and the way such research is collated and circulated, some of the world's prominent climate experts have concluded in the journal Nature.

Some have proposed scrapping the United Nations' Intergovernmental Panel on Climate Change, the body convened by the world organisation to advise governments on responses to global warming.

Others, however, would settle for a radical reform of the institution.

Fiona Harvey, London

Balkan states back judicial pact

Bosnia-Herzegovina and Croatia yesterday agreed to enforce each other's prison sentences on convicts with dual citizenship.

The agreement will prevent cases such as that of Branimir Glavas, a Croatian politician, who used a passport that he obtained only in 2008 to flee last year to western Herzegovina, his parents' birthplace, to avoid a domestic war crimes conviction.

Neil MacDonald, Belgrade

Hanoi devalues for second time

Vietnam's central bank said yesterday it was devaluing the dong for the second time since November, slashing its reference rate by more than 3 per cent effective from today.

Reuters, Hanoi

20th anniversary of Mandela's release

Celebrations fail to mask ANC divisions

News analysis

Internal party bickering is partly an ideological fight over economic policy, writes **Richard Lapper**

The 20th anniversary of Nelson Mandela's release from prison, which falls today, is just the sort of moment when the ruling African National Congress likes to trumpet its unity of purpose.

True to form, party members will mark the date with nostalgic celebrations while talking earnestly of next year's local elections across South Africa, when the ANC will try to recapture Western Cape, the only province controlled by the opposition.

But even fervent loyalists are finding it hard to deny the depth of party divisions, with squabbling between the leadership and the radical Youth League, along with its allies in the Communist party and the trade union movement, becoming an almost daily occurrence.

A party official said: "We have seen pockets of personal attacks and there is no tradition for anything like that happening before."

To complicate matters, Jacob Zuma, the president and the man whose charisma and popularity had brought the various factions together to remove Thabo Mbeki from office 18 months ago, is bedevilled by sexual scandal.

Mr Zuma, who has three wives and is engaged to a fourth, confessed last week to fathering a child with another woman 28 years his junior. Some commentators suggest the resultant anger that has revived critics' earlier misgivings of his fitness for office may threaten his chances of a second term.

The affair has also underlined the contrast between the self-sacrifice and moral leadership associated with Mr Mandela and Mr Zuma's more compromised record.

Liberal opinion, which had suspended its doubts about Mr Zuma, was outraged by his latest indiscretions. However, there are also signs that conservative figures, happy to accept Mr Zuma's multiple relationships if they happen within a traditional framework, have been upset as well.

"Mr Zuma has suddenly himself become a source of division," says a businessman close to the ANC. "It has put many of the underlying factional struggles on to the front burner."

These internal battles are far from simple. Partly, they are an ideological clash between the pro-market nationalists who have dominated economic policy since the mid-90s, and the socialists and trades unionists who favour a more interventionist approach and played a big role in bringing Mr Zuma to office.

The ANC's leftwing allies in the Communist party and the Congress of South African Trade Unions want a looser fiscal and monetary stance to create jobs. They criticise the way in which black economic empowerment policies have enriched a small group of businessmen who have political connections.

But on some issues this faction has taken a more moderate stance. Nationalisation of the mines, a favourite demand of the Youth League and its vociferous leader, the 28-year-old Julius Malema, has been strongly opposed not only by Mr Zuma but also by the Communists and the trade unions.

In any event, analysts believe that competition for the spoils of office – national or municipal posts, public sector jobs and government contracts – is at least as important as ideology. In this sense, the Communist party and the Youth League are two of a number of networks trying to deliver benefits to their members. The Women's League, organisations of war veterans, as well as the ANC's branches in particular provinces, all form other competing networks.

Relations between the ANC and the Communist party are particularly complicated.

Some senior ANC leaders, such as Gwede Mantashe, its general-secretary, are members of both parties.

Others mistrust the Communist party's tight political structures and believe these inhibit the ANC's own ability to develop policies and to train activists.

Some leaders argue the party needs to focus more on its own organisation. Says one ANC leader: "We need to set up a party school and develop a new generation of cadres."

Since his election last year, Mr Zuma has tried to contain these internal tensions. Cabinet appointments have been used to reward particular factions, while divisive decisions have been avoided or delayed.

To his credit he has stressed the need for the party to improve its record in delivering essential services to the poor. He is a skilled operator who lived through much tougher times during the anti-apartheid struggle, when he commanded the intelligence wing of the ANC's guerrilla army and spent 10 years on Robben Island.

Analysts believe he retains the ability to recover from his recent travails. A senior member of the ANC's national executive committee says: "Although we are braced for opposition attacks, this won't affect the president's ability to lead and pull all the groups together."

But today's glowing reminiscences of that extraordinary moment when Mr Mandela appeared in public for the first time in 27 years will serve only to underline the painful contrast with the scandals and divisions of today.

Changing times

Education
Senior certificate exam pass rates
1990: 53%
2008: 62.2%

Crime
Murder rate (per 100,000)
1994/95: 66.9
2008/09: 37.3

Healthcare
HIV prevalence among adults
1991: 0.83%
2008: 11.6%

MALEMA PROFILE

Julius Malema, the 28-year-old leader of the African National Congress Youth League, has become a bete noire for the opposition, a nuisance for the ANC leadership and something of a hate figure for South Africa's white, Asian and coloured minorities. Profile: **www.ft.com/africa**

Contrasting leaders: Nelson Mandela (above), accompanied by his then wife Winnie, walks free from prison on February 11 1990. Below: Jacob Zuma, who is bedevilled by sexual scandal, dances at his traditional wedding last month Pictures: Reuters

A walk to freedom . . . and chaos

Cape Town

By Michael Holman

Nelson Mandela emerged with tantalising slowness.

For the first time in 27 years the outside world was about to see the man who had become an iconic image of the century.

First came his feet; then his suit-clad torso; and finally the mechanical whirring ended and the whole man appeared.

I lifted the grainy black and white image out of the tray of the fax machine at Cape Town's press centre and looked with wonder at the first official picture of the man who would be South Africa's leader.

We should perhaps have gone to the gates of Victor Verster prison, on the outskirts of the city. Instead my colleague Patti Waldmeir, then the Financial Times' South Africa correspondent, and I opted for a seat just below the balcony of City Hall, where Mr Mandela would make a speech.

"The scene was total mayhem; gunfire, the sound of breaking glass, the shouts and cries of the wounded. Paramedics scurrying from one prone body to the next. Fear of suffocation in the vast and manic crowd, and then having to hit the deck again to avoid stray birdshot. It was a sorry start," she wrote, "to the greatest day in black South Africa's history."

Everything went wrong from the start. The obsessively punctual Mr Mandela arrived five hours late to meet thousands of impatient supporters on Cape Town's grand parade.

His car was nearly crushed by the adoring crowd, which kept him imprisoned inside it for more than an hour. The delay proved tragic – frustrated, overexcited youngsters began looting.

This was what Mr Mandela had feared when he asked for an extra week in prison to allow the ANC to prepare. But F.W. de Klerk, the president, could not afford delay, so at 4.16pm on February 11 Mr Mandela walked from prison into chaos.

It was a John F. Kennedy moment, although one that is recalled – despite the turmoil – with joy and not pain. Never again will there be an African event so welcomed by the world as when Mr Mandela addressed the rally.

Harold Macmillan, the former British prime minister, would have approved. It was nearly 34 years after he had urged white South Africans to heed the "wind of change" that was sweeping through their continent.

Mr Mandela held his first press conference the next morning, in the garden of Archbishop Desmond Tutu's home. "The whites are our fellow South Africans," he said. "We want them to feel safe."

For one foreign reporter not known for his compassion it was an event that moved his heart. He turned to me and said: "Never did I think there would come a day that I wished I could call myself a South African."

Michael Holman is a former Africa editor of the Financial Times

Genome of balding Arctic ancestor decoded

By Clive Cookson in London

An ancient human genome has been decoded for the first time. The DNA belongs to a balding young man, nicknamed Inuk by scientists, who died on Greenland's frozen west coast 4,000 years ago.

A Danish team from the University of Copenhagen reconstructed 80 per cent of Inuk's genome from DNA they extracted from a tuft of his coarse black hair, which had been preserved in permafrost. The study appears in the journal Nature.

Previously researchers have managed to read only small fragments of ancient genomes, notably from a 40,000-year-old Neanderthal fossil last year.

Using the latest ultra-sensitive DNA sequencing technology, the Copenhagen team was able to deduce some of Inuk's personal characteristics. (His name comes from the Greenlandic word for "human".)

His genes show a tendency to baldness, dry earwax, brown eyes, dark skin, the blood type A+, "shovel-shaped" front teeth and several metabolic adaptations to life in extreme cold. Protein analysis of the hair shows that Inuk's diet was dominated by fish, sea birds and marine mammals.

Such information is important for Arctic archaeology, because four small pieces of bone and four tufts of hair, including Inuk's, are the only known human remains of the first people who settled in the far north of the New World.

The research answers some questions about migration patterns in the Arctic. It turns out that Inuk is more closely related to contemporary tribes living in north-eastern Siberia, especially the Chukchis, than to the Inuits and other Native Americans who now live in Greenland and Canada.

The Copenhagen researchers believe the ancestors of the first Greenlanders such as Inuk left Siberia about 5,500 years ago, in a migration wave independent of those of the Native American and Inuit ancestors. The first Greenland culture seems to have died out within a few hundred years, perhaps because living conditions were so extreme.

Inuk's DNA was well preserved because of the extreme cold but Eske Willerslev, the project leader, believes it will soon be possible to obtain full genomes from DNA extracted from non-frozen archaeological remains, such as Egyptian mummies.

Analysis

Arms and the man for change

Two decades after the cold war ended, one man is trying to reinvent the world's most powerful military machine. Since becoming US defence secretary in 2006 Robert Gates, an old cold warrior himself, has pushed for Pentagon spending – the level of which rivals the rest of the world's defence costs combined – to adapt to the 21st century.

The task he faces is to reconfigure a military built to confront the Soviet Union into one that can address today's challenges – including the rise of China, emergent regional powers such as Iran and the risk of cyber warfare – as well as the already eight-year-old war in Afghanistan.

Mr Gates' $708bn (£452bn, €514bn) budget proposal for 2011, set out last week, is one of his biggest steps yet to reshape the defence sector. But it also provides an unrivalled snapshot of the obstacles he faces. His plans include attempts to rein back expensive weapons systems, provide more resources for taking on Afghan-style insurgencies, and invest in America's more than 2m men and women in uniform.

But the defence budget is itself a behemoth that is supremely difficult to transform. Great swaths of spending have proved too big to budge; Congress has a record of reinstating projects the Pentagon itself wants to be rid of; and turnround times for weapons programmes can be up to 20 years. In a microcosm of the problems bedevilling the US economy as a whole, items such as healthcare account for an ever growing proportion of the defence budget.

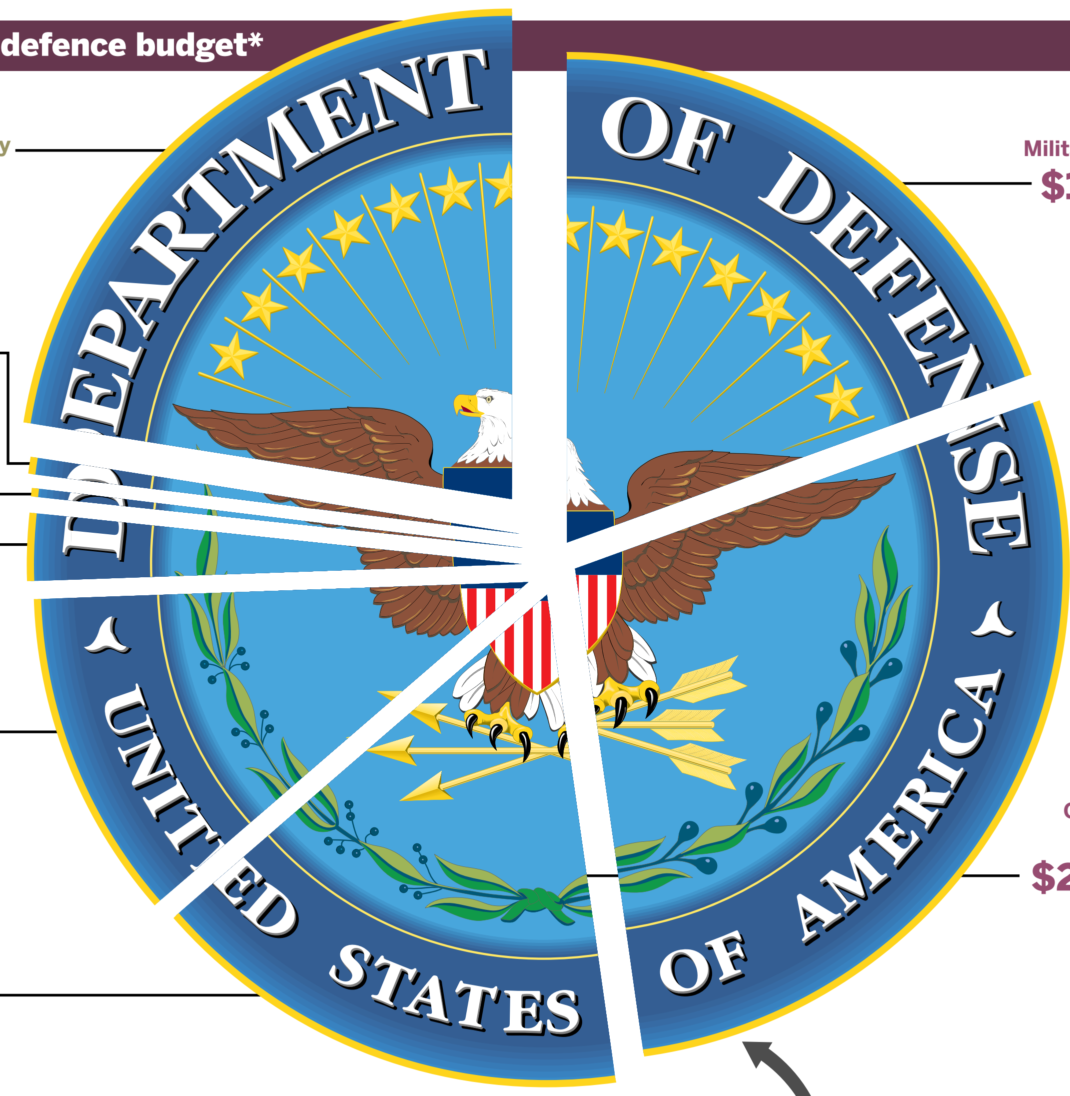
Not for nothing did Dwight Eisenhower talk in his farewell presidential address of a "military-industrial complex" with influence "in every city, every state house, every office of the federal government". Defence spending is a political, industrial and economic issue as well as a strategic one. It helps determine votes in key congressional seats, the fate of industrial titans and the overall shape of the economy. After all, the 2011 Pentagon budget accounts for 4.7 per cent of the world's biggest economy – and that is before taking into account the many other US outlays on national security.

Yet Mr Gates has already marked a change with the past, slowing down the rate of growth in spending from the George W. Bush years – and looking for more help from allies as the country attempts to reconcile limited resources with growing challenges.

As the US seeks to find a way out of its $1,556bn government deficit, analysts from both left and right say big cuts could hit the Pentagon in future. For the institution more intimately connected than any other with America's status as the world's solitary superpower – the difficult choices may just be beginning.

Daniel Dombey, Sylvia Pfeifer and Jeremy Lemer

The 2011 US defence budget*



Key numbers from the 2011 budget*

Total budget
$708bn
(4.7% of GDP)

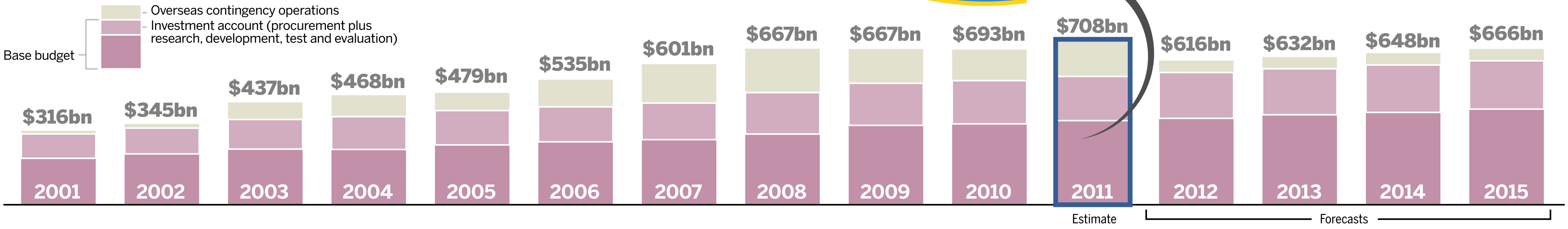
$189bn
For procurement, and research and development
▲2.2%
on 2010

$30.9bn
For medical care
▲5.8%
on 2010

1.4%
Basic pay raise

* Draft budget proposal yet to be approved by Congress

Defence budgets 2001-15



What's in the Pentagon shopping basket and what's out...

Expensive hardware such as fast jets are out. Services and cutting edge technologies, from unmanned aerial vehicles to digital radios, are in. The new procurement priorities will have an impact on America's defence contractors. Those already active in niche areas such as cyber-defence or information technology will benefit

IN

Unmanned aerial vehicles (UAVs, or drones)
$2.2bn
For more UAV combat air patrols
Potential corporate winners: General Atomics, Northrop Grumman, Boeing

Cyber-security/intelligence
10
New space and cyber-space divisions in US Air Force
Potential corporate winners: Lockheed Martin, Northrop Grumman, Boeing

Helicopters
$9.6bn
For acquisition and modernisation
Potential corporate winners: Sikorsky, Boeing

Special forces
$6.3bn
Adding about 2,800 personnel

OUT (programmes Gates proposes to cut)

Alternative engine for F-35 fighter jet**
Immediate savings for 2011
$465m
Losers: General Electric, Rolls-Royce

** Reinstated by Congress in the past few years

F-22 fighter jet (axed in 2010)
Saving
$3.5bn per year
Losers: Include US prime contractors Lockheed Martin and Boeing

C-17 transport aircraft
Immediate savings
$2.5bn
Losers: Boeing

Figures in red are DoD estimates

Nuclear weapons

$11.2bn
For Nuclear National Security Administration, up 13.4 per cent from 2010

Funding, from the Department of Energy, is for nuclear deterrent, nuclear submarines and securing dangerous material. Some Republicans demand nuclear modernisation in return for ratifying arms control treaty with Russia

Missile defence

$9.9bn
Up almost $700m on 2010

Enthusiasts pleased and some Democrats dismayed by spending increase. The programme now focuses on neutralising short and medium-range missiles

...as Afghanistan drives a shift in priorities...

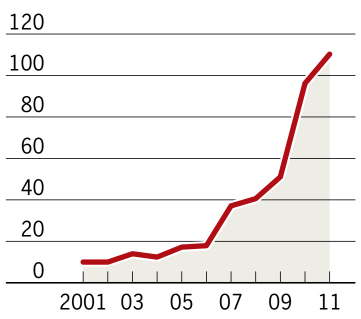
On a mission: defence secretary Robert Gates in Kandahar

The spending implications of Afghanistan go far beyond the latest deployment of 30,000 more troops, announced in December, whose cost the White House itself estimates at $1m a soldier a year. It can be seen in the new budget's emphasis on key components of 21st century counterinsurgency campaigns – Predator and Reaper drones, special forces and helicopters. Nor does anyone in the Pentagon think the Afghan war is likely to end soon – an early draft of the Pentagon's influential Quadrennial Defence Review envisioned that the US would keep 75,000 troops in Afghanistan into the medium term

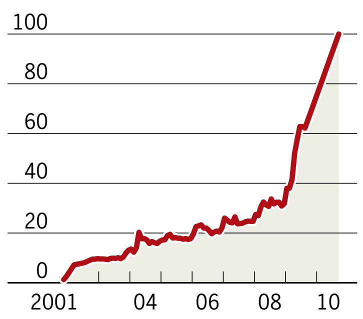
$33bn
The cost of Obama's surge to end September 2010

$11.6bn
For training Afghan army and police

Annual cost of US military operations in Afghanistan



US troop numbers in Afghanistan



...which is helping to determine the fortunes of a vast industry

Top 10 contractors to US defence department by size of contracts awarded in 2009

The Pentagon and powerful US defence companies have a mutual interest in spending big money on weapons to fight enemies, real or imagined. Gates faces a tough challenge in taking on the military-industrial complex

Contractor	Contracts awarded, 2009	Spending on lobbying, 2009
KBR	$4.7bn	$0.65m
Oshkosh	$6.4bn	$0.38m
BAE Systems	$6.8bn	$5.3m
L3 communications	$7.1bn	$5.2m
United Technologies	$7.1bn	$8.1m
Raytheon	$15.0bn	$7.3bn
General Dynamics	$15.9bn	$10.3m
Northrop Grumman	$16.1bn	$15.2m
Boeing	$20.9bn	$16.9m
Lockheed Martin	$31.3bn	$13.5m

Sources: DoD; Center for Responsive Politics; USASpending.gov; Office of Management and Budget

Years referred to are US fiscal years. FY2011 begins on October 1 2010 and ends on September 30 2011

FINANCIAL TIMES

"Without fear and without favour"

Thursday February 11 2010

Europe decides what union means

Greek crisis calls bluff on national fiscal independence

The European Union does not handle every crisis well, but it has at times shown a remarkable ability to grit its teeth and stay on course. Reading the euro's doom in the entrails of market jitters or hectic meetings over Greece's fiscal woes is mistaken. The euro will survive, and the spectre of a Greek default may even reignite a long-stalled drive towards greater co-operation.

The fears being peddled about flagging confidence in the euro or a break-up of the eurozone are mostly nonsense. This is an overvalued floating currency; its depreciation would be a good thing for its slow-growing members. As for a break-up, no country can be forced off the euro, nor would one voluntarily opt for the resulting chaos.

Still, a Greek sovereign default would cause Europe-wide harm (beyond bruising but insignificant embarrassment). The repercussions would travel through losses taken by institutions owning Greek assets, most importantly Greek banks. Less inevitable but more damaging would be a panic in other sovereign debt markets.

The ideal outcome would be that markets calm down. But hoping for serenity is no policy. EU leaders must decide – now – what to do in an emergency where Greece cannot refinance its debt. It must do so in ways that make the problem less likely to recur in future.

Part of the bargain to make the single currency a reality were rules designed to reassure Germany it would not have to bail out the likes of Greece. But this discipline was never credible – Greece cheated its way into the euro and even Germany flouted the rules when it suited. The casualty was market discipline: markets see a Europe willing to let countries go to the brink but politically bound to save them from going over.

The EU's immediate priority is to stave off disaster without undoing the discipline that remains. It must ask the IMF to be prepared to step in should bond markets abandon Greece. While the EU can provide the funding, only the IMF can set conditions as credibly as markets. It is high time for Europe to stop being so prickly on this – after all well-run Poland already enjoys an IMF credit line.

Second, it must prevent contagion to other countries' debt. An explicit programme for assistance in a refinancing crisis – not for Greece, but for euro members with a good fiscal record – would eliminate self-fulfilling market panics.

Third, such a programme should only be a first step. Until now euro members were not ready for fiscal co-operation. Clinging to a fiction that they would let one of their own fall undermined their credibility. Markets are calling their bluff.

Euro members must start to build an explicit framework to govern their fiscal interdependence. This crisis is a result of failed policies – but it presents an opportunity for setting them right.

A blocked exit

The Fed knows how to tighten, but will bide its time

Ben Bernanke has sketched out a route to the exit, but does not intend to use it for a while. The chairman of the Federal Reserve released testimony yesterday that set out plans for removing the novel and extraordinary monetary props with which his central bank has shored up the sickly US economy during the financial crisis.

In September 2007, the Fed started to cut interest rates from 5.25 per cent. By the end of 2008, it neared zero. Still, the monetary authority went further, buying securities to press new money into circulation. By the end of March, when its asset-buying programme is due to finish, the Fed will have bought $300bn of Treasuries and $1,400bn of mortgage-linked assets.

This extreme loosening was – and is – justified: the Fed faced a credit crisis, a deep global recession and rising unemployment. But it will, at some point, be necessary to unwind these measures and disposing of such a portfolio without causing collapses in prices will be a slow process. So Mr Bernanke has explained other tricks he can use to soak up excess money.

The Fed can use reverse repos – selling a security to financial institutions along with a promise to buy the asset back at a later date. In addition, the central bank can pay interest on the reserves held by banks with the Fed, and offer "term deposits" – a measure equivalent to a certificate of deposit for banks – to constrain credit growth.

So, even though Mr Bernanke has loosened more than any Fed chairman before him, by presenting a credible plan to tighten, he has saved his anti-inflationary credentials. Markets do not anticipate a rise in the federal funds rate for eight months, but expectations for future inflation remain subdued, averaging only 2.3 per cent over the next 10 years.

A further reason for markets' sangfroid about inflation, however, is that they agree with Mr Bernanke's assessment that "exceptionally low" interest rates will be necessary for some time. The US has a large output gap that will weigh on inflation. The outlook for growth is weak.

Mr Bernanke also announced that the Fed might soon start scaling back its remaining financial liquidity crisis measures. But the financial sector is still in poor shape and a drag on growth. The banks are fragile, and so credit conditions are tight. Furthermore, regulatory reform efforts are exacerbating this weakness by encouraging banks to deleverage.

It would be tempting to allow banks to run ahead with thin capital cushions. But growth built on such shallow foundations would be dangerous, leaving the US vulnerable to further crisis. Sustainable prosperity would return more quickly – and Mr Bernanke would reach the exit sooner – if banks were made to come clean about their losses and raise new capital.

Send for Jeeves

Rothschild breaks with tradition as it splits the top jobs

It has been a succession planning issue long in the making: lacking a Rothschild of the right age and seniority, the banking dynasty has chosen its first non-family chief executive.

The successful candidate is the closest the Rothschild group has to a family retainer. Nigel Higgins joined the group after graduating in 1982 and has been there ever since, serving as co-head of the investment banking business for the past decade.

As excursions into diversity go, Mr Higgins' appointment may not seem a giant leap. But it is a big step for a business more than 200 years old that built its European success on five banking houses bound by brotherly ties. Family was so important that in 1901, after more than 100 years of doing business in Frankfurt, the Rothschilds closed their banking house in their home town because there was no male heir to take it on.

Mr Higgins' new role is also a break with the past because it involves splitting the jobs at the head of the group: David de Rothschild, currently in charge, will become executive chairman.

Since the Switzerland-based holding company is controlled by the family, it is fair to assume that dividing the roles is not being carried out to appease corporate governance gurus. There is a strong argument that developing and running a group with about 900 investment bankers worldwide needs more than one person at the helm. But this did not happen overnight. Perhaps the slow recognition that change was required is the price of the Rothschilds thinking not in years but in generations.

One benefit of the Rothschilds scouring the gene pool for talent is that it avoided the need for headhunters. A flick through the family album was generally enough. While there will surely be other Rothschilds heading the group in future, the leadership split makes it possible to mix family and outsiders in the top jobs. But all, presumably, will still have Rothschild in their DNA.

Letters

Vital that Sudanese leaders show political will

From Baroness Kinnock of Holyhead.

Sir, As your editorial "Sudan referendum must go ahead" (February 3) made clear, the coming year is a crucial one for Sudan. The Comprehensive Peace Agreement (CPA) has held the peace but significant challenges remain to consolidate this, including in Darfur. What happens between now and the referendum in January 2011 will shape the country's foreseeable future. Improving governance – making it more inclusive and responsive to all of Sudan's people – and ensuring the equitable distribution of Sudan's resources lie at the heart of this. Holding credible elections in April this year will be an important step on the path of democratic reform.

Ultimately all this can be delivered only with political will from Sudan's leaders. I visited Sudan last month to emphasise the importance of this, and of resolving difficulties through dialogue not violence. I also raised many of the issues with regional and international leaders at the recent African Union Summit in Addis Ababa.

The UK commitment to Sudan's people is strong – including more than £200m this year for delivering health, education and water, developing local governments and community level reconciliation, and supporting two major United Nations peacekeeping missions, as well as emergency relief. We are stepping up our political and diplomatic engagement still further during 2010 and will continue working actively to ensure the wider international community does the same.

Glenys Kinnock,
Minister of State,
Foreign and Commonwealth Office

Such sage advice should be printed in the tabloids

From Mr Mark Phillips.

Sir, I've long held the same view as Michael Skapinker ("Staff ownership can save a company's soul", February 9) – despite being a stockbroker! – since reading Lotus founder Colin Chapman's autobiography, in which he seemed genuinely shocked that after selling the company his views were not always heard or demands met. And the story of the football clubs is just the same.

The real problem is the level of knowledge in this country not only about basic economics (most people would prefer a 10 per cent pay rise in a 20 per cent inflation environment to a 2 per cent rise in a 1 per cent environment) but also about what happens when a company is sold. The man on the street genuinely doesn't realise that shareholders own the company. The only course of action is to offer Mr Skapinker's article to The Sun!

Mark Phillips,
Scotia Capital,
London EC2, UK

Donors' meagre pledges don't count the true cost of Taliban's reintegration

From Dr Graciana del Castillo.

Sir, The message of Michael Semple's article is absolutely right ("We need to offer the Taliban more than just money", February 5).

Reintegration and reconciliation are indeed a political challenge. Without a political solution they will not succeed. In this regard, an experienced and impartial negotiator, preferably the United Nations, could play a key role.

But it cannot be ignored that reintegration and reconciliation programmes, which require the creation of jobs to absorb a large number of disarming and demobilising groups, are also an economic challenge that will fail without adequate financing.

Venues for reintegration – whether they include joining the national security forces, participation in the political process, or reintegration through the productive economy – all have financial implications.

These seem to be ignored by donors' meagre pledges of $140m at the London Conference for the Peace and Reintegration Trust Fund.

Graciana del Castillo,
Senior Research Scholar,
Columbia University,
New York, NY, US

Spend money on interventions that have an immediate effect PA

Drop distinction between charities and lobbyists

From Mr Keith Johnston.

Sir, It is naive to think that charities and community groups are not lobbying when they book rooms in the House of Commons ("Mine hosts: how members entertained on the House", February 5).

It is high time the false distinction between charities on the one hand and lobbyists on the other is dropped. In parliament they are not two different things.

Whether charity, non-governmental organisation or corporate energy company; they are all lobbyists. The distinction carries with it the danger that charities' arguments are not tested, whereas corporate arguments are shunned. What matters in lobbying is not who you are or who you represent, but the quality of your case.

Keith Johnston,
Chair, Chartered Institute of Public Relations Government Affairs Group,
London WC1, UK

Sceptics' case given unwitting boost

From Mr Andrew Derry.

Sir, Prof Sir Brian Hoskins (Letters, February 9), unwittingly bolsters the climate change sceptics' most convincing case: should we really be diverting scarce resources on the scale required to sufficiently reduce man-made carbon emissions when we are still unsure whether such emissions are the primary cause of global warming?

Such funds can surely be put to better use. As Bill Gates wrote in his 2010 annual letter: "If just 1 per cent of the $100bn goal [specified in the Copenhagen Summit Communique] came from vaccine funding, then 700,000 more children could die from preventable diseases. In the long run, not spending on health is a bad deal for the environment because improvements in health, including voluntary family planning, lead people to have smaller families, which in turn reduces the strain on the environment."

Until the science has proven beyond reasonable doubt that carbon emissions are the primary culprit, let's be broad-minded enough to consider spending money on interventions that might be equally effective in reducing the strain on the world's resources but that also have an immediate, and certain, positive impact.

Andrew Derry,
Edenbridge, Kent, UK

English changes subtly with the values of the moment

From Mr Jonathan Braude.

Sir, Another advantage of the Latin motto is that it generally says what it means ("My brand new motto: Nomina rutrum rutrum", Lucy Kellaway, February 8).

"Virtus non Stemma" was the egalitarian war cry of my old state grammar school, Harrow County School for Boys. Since we were all expected to learn Latin for at least our first year, most of us could translate the phrase literally as "Virtue, not Pedigree". The catchier English rendition preferred by the headmaster was "Worth, not Birth". No doubt, to his mid 20th-century mind, the two translations meant the same thing.

But English, unlike Latin, changes subtly with the values of the moment. Nowadays, "Worth, not Birth" could be the marketing slogan for any of the public schools now supplementing their aristocratic income with the fees of bankers and oligarchs.

Jonathan Braude,
London NW3, UK

From Mr Max King.

Sir, The City motto (or prayer) "Domine Dirige Nos" is even better: "Lord, tell us what to do".

Max King,
London N8, UK

Zuma ought to do the honourable thing and resign

From Mr Melusi Mthembu.

Sir, Matthew Pavitt (Letters, February 10) wonders if the majority of South Africans have accepted Jacob Zuma's apology. As a citizen of South Africa who resides in South Africa, I can assure you that most South Africans (including the African National Congress) who put President Zuma at the helm have not accepted his apology and feel disappointed and betrayed.

Here is a man who promised to create 500,000 job opportunities by the end of 2009 but thus far has only created more children and more scandals. Instead, we have actually lost about that many jobs.

The embarrassment that President Zuma faces from his legion of extramarital offspring should be minuscule compared with the thousands of families he has placed in jeopardy. The unemployment rate in South Africa has increased. Every unemployed South African adult is a potential breadwinner who can no longer provide for his or her family and the implications are far reaching.

President Zuma should do the honourable thing and resign as president of the Republic of South Africa. This is what the majority of South Africans want.

Melusi Mthembu,
Johannesburg, South Africa

FT bent double by 'flexible' ethics

From Mr Bertrand de Speville.

Sir, Your editorial "Secrets and tax" (February 8), defending the German government's paying for stolen property and brazenly fencing it to other governments, must have left many of your readers besides me in wonder at the flexibility of your ethical stance. You were bent double – an unseemly posture for a newspaper of your standing.

Far from advocating that the ends justified the means, you should have allowed yourself at most a plea in mitigation on behalf of the perpetrators – after they had been convicted of several common criminal offences.

Bertrand de Speville,
Principal,
De Speville & Associates,
Richmond, Surrey, UK

Corrections

● Galiform, a kitchen supplier to the building trade, has been nominated as a candidate for Turnaround of the Year in the PLC Awards, not Galliford Try, as wrongly stated in the voting forms published on February 10. A correct form will be published in the FT on Saturday, February 13. We apologise for the error.

● The TV pick of the day published on February 10 wrongly referred to today's programmes and was therefore inconsistent with the accompanying listings. The Great Offices of State and Amadeus: Director's Cut will be broadcast tonight.

COMMENT

Greek protests
Video: Hugh Williamson reports from Athens on the street protests
www.ft.com/worldvideo

Tough love for Athens
José Maria Brandão de Brito says the European Central Bank plan is working
www.ft.com/opinion

● To contribute please e-mail: letters.editor@ft.com or fax: +44 (0) 20 7873 5938 Include daytime telephone number and full address ● For corrections e-mail: corrections@ft.com

Notebook

Robert Shrimsley

Looking to bank some generosity

The Council of Mortgage Lenders has warned ministers of dire consequences for the mortgage market if the government insists on prompt and full repayment of the £300bn in state support shovelled out to banks and building societies.

To the Manager, First Rapacious Bank

Dear Sir,

I write in response to your frankly astonishing warning that you still intend that I should pay back my overdraft in the timely manner we first agreed at the time of the loan. I was even more dumbstruck by your request that not only do you want to be paid back on time but that you also expect to be repaid in full.

Maybe from your blinkered position this seems like a reasonable request but it quite simply defies economic reality and is certain to do more harm than good. I cannot believe you have truly considered my economic ecosystem. For at the same time as you are irresponsibly demanding the repayment of my loan, I am facing increased interest on my credit card bills.

If you persist I will no longer be able to buy a new conservatory, so denying work to local tradesmen and damaging the East Sheen economy. I fear any more blows could choke off the already fragile recovery. We have already lost an organic butcher and now have a Carpetright in the High Street for heaven's sake. We all expect to live near a Carpetright in our 20s but at my stage in life I really had expected something more.

Furthermore, I may not be able to support my daughter's Chinese lessons, my wife's pilates and my own technology addiction. You cannot failed to have noticed that the new iPad is out shortly.

Might I suggest a more, dare I say, macro-prudential route. Instead of maintaining your dogmatic demand for prompt and full repayment let us take a more flexible approach. Rather than repaying you £20,000 plus interest by the end of December, why don't we agree that for the good of the economy, I should repay £7,000 by the middle of 2013 at a lower interest rate so that I can continue to provide much needed liquidity to the local community.

I would also be obliged if you would stand behind some of my other debts, by underwriting a number of Bobby-bonds I have issued to my brother-in-law in return for some cash to tide me over.

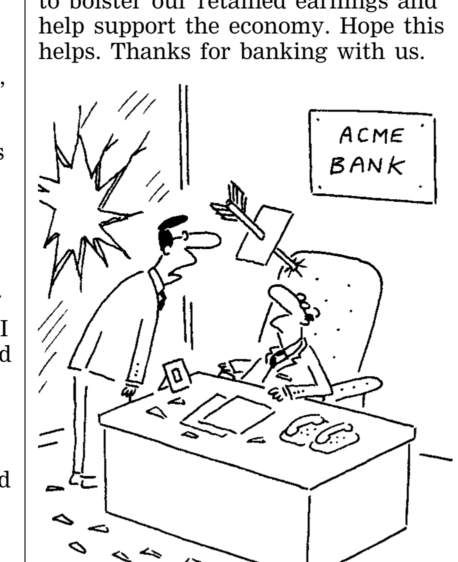
The manager First Rapacious,

Dear Sir,

Thank you for your letter pointing out to us the clear dangers of our unreasonable demands. Now that you have explained things, we can see how wrong we were to want our money back. This really is not what you should expect from a bank. I'm particularly sorry to hear about the Carpetright – to think that was once a Sofa Workshop.

We would be only too happy to reschedule your debt at more advantageous terms to you. Would five years at Libor seem fair?

This will require some adjustments on our part but we are happy to make them. We will be slashing back our bonuses and dividends in order to bolster our retained earnings and help support the economy. Hope this helps. Thanks for banking with us.



'It's a final demand for your Robin Hood tax'

Addicts anon

Whatever one may say about John Terry he has at least so far refused to plump for the cheating spouse's favourite excuse – that he is a sex addict. Tiger Woods has already begun treatment for the condition, also known as *Casual shag when I'm away from home and think my wife won't find out addiction* or *Self-absorbed sportsman's chorea*.

This shocking complaint – which handily expunges all the patient's responsibility for his actions – has a number of treatments. The most hardline is the shock therapy known as alimony. This can produce quite startling results. Then there is replacement therapy. Modelled on the methadone offered to heroine addicts, this sees the patient give up pneumatic blondes and in return the state provides him with a less appealing alternative – or synthetic equivalent – picked up at a chemist on a monthly basis.

Of course sex is not the only type of wholly genuine illness which can replace personal responsibility. There is *Bonus addiction*, under which people, especially bankers, keep taking huge rewards they do not deserve and know it is wrong to claim. Again we must understand that it is not their fault; it is an illness, and apparently one without cure. Others include *Expenses addiction* – particular to MPs and again not their fault – and its more rare subset *Duck-House syndrome*.

robert.shrimsley@ft.com

Comment

How Toyota engineered its own downfall

David Pilling

Weirdly, Akio Toyoda, scion of the Toyota family, summed it up rather well. "Believe me, Toyota's car is safety," the chief executive of Japan's most iconic company said. "But we will try to increase our product better."

It would normally be unforgivable to mock someone's difficulties in English. But the fact that Mr Toyoda, who earned an MBA in the US, had not been drilled in a word-perfect English apology says much about Toyota's sub-quality response to its recall crisis. In Japan, the apology, like *ikebana* and *haiku*, is an art form. Yet as recently as last Friday, when the Toyota chief made his tangled *mea culpa*, the company was still failing to address the concerns of its customers, 70 per cent of whom live outside Japan.

Watching Toyota's slow-motion pile-up is like witnessing the sequel to Japan Inc's own car crash in 1990 when an economic model, hailed as invincible by management gurus, plunged over a cliff. Then, as now, an obsession with market share led companies to expand too rapidly. Now, as then, legendary business practices – in Toyota's case its just-in-time processes and its *kaizen* philosophy of continuous improvement – had hidden flaws.

Yet the comparison between Japan's overreach and Toyota's current difficulties is not entirely fair. Japan Inc never did become Number One. Toyota, on the other hand, really did win. It put two of its biggest US rivals – General Motors and Chrysler – out of business. In 2008, it sold more cars than GM, making it the world's biggest and most profitable carmaker. But for the largesse of the US taxpayer, Toyota, together with a handful of Japanese and Korean rivals, would have the mass car market practically to itself.

US fears of economic decline will make a bad situation worse. The postponement of this week's congressional hearings into the recall is but a snowy reprieve. Later this month, Toyota will face a public grilling aimed at revealing when it became aware of safety issues and whether it covered them up. Lawyers are already honing their closing statements for what will be a clutch (no pun intended) of class action suits. Ray LaHood, transportation secretary, set the tone. "My advice to anyone who owns one of these vehicles is to stop driving it," he said, adding ominously: "We are not finished with Toyota yet."

The fact that Toyota has now had to recall its latest-model Prius hybrid, largely built and sold in Japan, undermines "anti-Japanese" conspiracy theories. These hold that the owners of Toyota's American rivals (aka the US government) have an incentive to exaggerate safety concerns. Still, car experts have been taken aback by the ferocity of attacks. "The venom in the rhetoric is quite stunning," says Paul Newton, a motor industry analyst at IHS Global Insight. "I rather fancy the fact that they surpassed GM in 2008 and are seen to be hurting proper American companies is part of the issue. This is an opportunity to give Toyota a bit of a kicking."

Those who run the company have been unable to comprehend that its cars could be less than perfect

Toyota, which employs 34,000 people in US plants, has been pretty successful in portraying itself as an American company. But in times of economic distress, there is only so much a Rising Sun company can do to wrap itself in the Stars and Stripes.

There is no denying Toyota has brought much upon its own head. Though recalls are not uncommon, the fact that Toyota let cars go out with faulty accelerators and brakes suggests something is seriously awry. After all, starting and stopping are fairly integral parts of the motoring experience. The inevitable post mortem may well discover that Toyota's quickfire expansion and its almost manic drive to pare the cost of supplies and labour (much of it casual) have compromised quality.

Yet more unforgivable still is the way Toyota has handled the crisis. Its marketing machine has obfuscated for years, refusing to acknowledge that Toyota cars might be at fault. (By some accounts, dodgy acceleration came to light as early as 2002.) Rather than admitting the problem early, Toyota tried to lay the blame on anything or anyone – floormats, suppliers, even drivers. The engineers who run the company from Nagoya, spiritual home of Japan's *monozukuri* (making things) culture, have simply been unable to comprehend that their cars could be less than perfect.

Toyota's PR fiasco neared its climax at the World Economic Forum in Davos when Mr Toyoda, fleeing the attention of a television crew, made his escape – in an Audi. Then came last week's disastrous press conference. Now, the company has drawn a line in the sand. Mr Toyoda began the fightback with a well-scripted apology – in Japanese and in English. In a contribution to The Washington Post, he said he would personally take control of quality-control issues. He pointed out that 80 per cent of Toyota cars sold in the US over the past two decades were still on the road. Few would bet against a Toyota comeback.

Still, in the article, Mr Toyoda boasted that two weeks ago he halted production of eight models by pulling the so-called *andon* cord, a quality-control device with which every Toyota worker can stop production. What he did not say was that he should have pulled the cord months, if not years, ago.

david.pilling@ft.com

A Greek crisis is coming to America

Niall Ferguson

It began in Athens. It is spreading to Lisbon and Madrid. But it would be a grave mistake to assume that the sovereign debt crisis that is unfolding will remain confined to the weaker eurozone economies. For this is more than just a Mediterranean problem with a farmyard acronym. It is a fiscal crisis of the western world. Its ramifications are far more profound than most investors currently appreciate.

There is of course a distinctive feature to the eurozone crisis. Because of the way the European Monetary Union was designed, there is in fact no mechanism for a bail-out of the Greek government by the European Union, other member states or the European Central Bank (articles 123 and 125 of the Lisbon treaty). True, Article 122 may be invoked by the European Council to assist a member state that is "seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control", but at this point nobody wants to pretend that Greece's yawning deficit was an act of God. Nor is there a way for Greece to devalue its currency, as it would have done in the pre-EMU days of the drachma. There is not even a mechanism for Greece to leave the eurozone.

That leaves just three possibilities: one of the most excruciating fiscal squeezes in modern European history – reducing the deficit from 13 per cent to 3 per cent of gross domestic product within just three years; outright default on all or part of the Greek government's debt; or (most likely, as signalled by German officials yesterday) some kind of bail-out led by Berlin. Because none of these options is very appealing, and because any decision about Greece will have implications for Portugal, Spain and possibly others, it may take much horse-trading before one can be reached.

Yet the idiosyncrasies of the eurozone should not distract us from the general nature of the fiscal crisis that is now afflicting most western economies. Call it the fractal geometry of debt: the problem is essentially the same from Iceland to Ireland to Britain to the US. It just comes in widely differing sizes.

What we in the western world are about to learn is that there is no such thing as a Keynesian free lunch. Deficits did not "save" us half so much as monetary policy – zero interest rates plus quantitative easing – did. First, the impact of government spending (the hallowed "multiplier") has been much less than the proponents of stimulus hoped. Second, there is a good deal of "leakage" from open economies in a globalised world. Last, crucially, explosions of public debt incur bills that fall due much sooner than we expect

For the world's biggest economy, the US, the day of reckoning still seems reassuringly remote. The worse things get in the eurozone, the more the US dollar rallies as nervous investors park their cash in the "safe haven" of American government debt. This effect may persist for some months, just as the dollar and Treasuries rallied in the depths of the banking panic in late 2008.

Yet even a casual look at the fiscal position of the federal government (not to mention the states) makes a nonsense of the phrase "safe haven". US government debt is a safe haven the way Pearl Harbor was a safe haven in 1941.

Even according to the White House's new budget projections, the gross federal debt in public hands will exceed 100 per cent of GDP in just two years' time. This year, like last year, the federal deficit will be around 10 per cent of GDP. The long-run projections of the Congressional Budget Office suggest that the US will never again run a balanced budget. That's right, never.

The idea that the US is a 'safe haven' is nonsense. Its government debt is a safe haven the way Pearl Harbor was in 1941

The International Monetary Fund recently published estimates of the fiscal adjustments developed economies would need to make to restore fiscal stability over the decade ahead. Worst were Japan and the UK (a fiscal tightening of 13 per cent of GDP). Then came Ireland, Spain and Greece (9 per cent). And in sixth place? Step forward America, which would need to tighten fiscal policy by 8.8 per cent of GDP to satisfy the IMF.

Explosions of public debt hurt economies in the following way, as numerous empirical studies have shown. By raising fears of default and/or currency depreciation ahead of actual inflation, they push up real interest rates. Higher real rates, in turn, act as drag on growth, especially when the private sector is also heavily indebted – as is the case in most western economies, not least the US.

Although the US household savings rate has risen since the Great Recession began, it has not risen enough to absorb a trillion dollars of net Treasury issuance a year. Only two things have thus far stood between the US and higher bond yields: purchases of Treasuries (and mortgage-backed securities, which many sellers essentially swapped for Treasuries) by the Federal Reserve and reserve accumulation by the Chinese monetary authorities.

But now the Fed is phasing out such purchases and is expected to wind up quantitative easing. Meanwhile, the Chinese have sharply reduced their purchases of Treasuries from around 47 per cent of new issuance in 2006 to 20 per cent in 2008 to an estimated 5 per cent last year. Small wonder Morgan Stanley assumes that 10-year yields will rise from around 3.5 per cent to 5.5 per cent this year. On a gross federal debt fast approaching $1,500bn, that implies up to $300bn of extra interest payments – and you get up there pretty quickly with the average maturity of the debt now below 50 months.

The Obama administration's new budget blithely assumes real GDP growth of 3.6 per cent over the next five years, with inflation averaging 1.4 per cent. But with rising real rates, growth might well be lower. Under those circumstances, interest payments could soar as a share of federal revenue – from a tenth to a fifth to a quarter.

Last week Moody's Investors Service warned that the triple A credit rating of the US should not be taken for granted. That warning recalls Larry Summers' killer question (posed before he returned to government): "How long can the world's biggest borrower remain the world's biggest power?"

On reflection, it is appropriate that the fiscal crisis of the west has begun in Greece, the birthplace of western civilization. Soon it will cross the channel to Britain. But the key question is when that crisis will reach the last bastion of western power, on the other side of the Atlantic.

The writer is a contributing editor of the FT and author of The Ascent of Money: A Financial History of the World

We are wrong to ignore human rights in Iran

Trita Parsi

Old habits are difficult to break. After years of almost singularly focusing on the nuclear issue, the west has been slow to react to the rapidly deteriorating human rights situation in Iran. While United Nations Security Council members are preparing new sanctions over the nuclear issue, the UN has yet to address Iran's human rights abuses since the fraudulent elections last summer.

Now more than ever, the narrow nuclear focus must be set aside and renewed attention given to the state of human rights in Iran. It is literally a matter of life and death.

On January 28, Mohammad-Reza Ali-Zamani and Arash Rahmanipour were executed for the capital crime of *moharebeh*, or "taking up arms against God". Though the Iranian authorities claimed that the two were involved in anti-government protests following the election dispute, Rahmanipour's lawyer points out he was arrested a month before the elections.

His lawyer was prevented from representing him at his show trial in July and was shocked at the news of the executions, as she was still waiting for word from the appeals court. His father heard about his son's execution on television.

Nine other activists have been convicted of *moharebeh* and are awaiting execution. Hundreds more await trial, though they are denied access to legal representation. Several leaders of the persecuted Bahai minority are also on trial, accused of spying.

Seeking to discourage Iran's Green Movement from taking to the streets today, the anniversary of the 1979 Iranian revolution, hardline elements within the government have introduced a bill to speed up executions.

The international community should not sit idly by as the Iranian government violates its obligations to uphold human rights. A special session at the UN Human Rights Council should be called immediately to bring attention to the rapidly deteriorating human rights situation in Iran.

The pressure by hardliners to execute more prisoners is clearly political in nature. Even the head of the Iranian judiciary, Sadeq Larijani, recognised them as such. "These demands are political in nature and are against the law and *sharia*," he said last week. An international spotlight on the situation in Iran would strengthen pushback against the hardliners who champion violence and abuses.

Contrary to conventional wisdom, the Iranian authorities are sensitive to criticism of their human rights record

Contrary to conventional wisdom, the Iranian authorities are sensitive to criticism of human rights. This is largely driven by Iran's ambition to be recognised as a regional leader.

The very nature of the revolution drives this impulse. Three decades ago, it was Iran – not Washington – which spoke of regime change. The victorious revolutionaries sought to export the revolution to neighbouring countries with the aim of recreating the Middle East in their own image.

Tehran's efforts failed abysmally. No other country followed Tehran's lead, and by the early 1990s, it was clear that Iran's own revolution was in trouble. Iran was broke, war-torn, isolated, and starved of international investment. A leader it was not.

Reacting to these realities, Tehran adopted a new approach. Rather than exporting the revolution, Iran should become a model Islamic state that others would aspire to emulate.

But countries aiming for leadership roles have no choice but to safeguard their records. Just as the Iranian government's violent reactions to election protests further de-legitimised it at home, international focus on Iran's abuses will serve to weaken its regional leadership credentials.

Tehran knows this. This is partly why Tehran spends diplomatic capital seeking to water down resolutions condemning its human rights record at international bodies. It is also why it is quick to deflect attention from its own record by criticising Washington's abuses and Israeli violations.

Contrast this to the behaviour of North Korea or Myanmar, which mostly ignore condemnation of their human rights records.

Criticism of Iran's human rights record should not be confused with interference in Iran's internal affairs. As a signatory to numerous conventions, Iran has a legal obligation to uphold human rights – and the international community has an obligation to speak up when it fails to do so.

Tehran's sensitivity about its record makes it vulnerable. Rather than focusing purely on new sanctions – which more often than not hurt the people rather than the government – the international community must bring Iran's human rights abuses into focus.

The writer is co-founder of the National Iranian American Council

Hurried reforms will not get banks lending

Martin Jacomb

It is easy to see why everyone is blaming the banks for our current enormous travails. They are the obvious scapegoats, and bad lending by many of them has indeed caused enormous damage. But governments, central banks and regulators are also responsible. Governments fostered the idea of living on credit (both public and private); living, in other words, beyond our means. Central banks could have taken steps to stop the US housing bubble inflating; and regulators could have made it much less attractive for banks to lend so freely and dangerously. Each is at fault, for any of the four could have prevented such a catastrophic result.

Now, however, the political imperative of blaming the banks is causing its own damage. It is hindering the vital task of ensuring that the financial sector starts once more to get credit flowing abundantly to those who need it, particularly productive industry. This is not yet happening. Bank managements are having to spend too much of their time and energy examining what regulatory structure they will have to work under and what their responses to the new conditions will have to be. Against this background, it is difficult for banks to get back to making credit decisions in a normal way.

A sharp distinction should therefore be drawn between, on the one hand, the action that needs to be taken right now so as to get the credit markets working properly again and, on the other, the design of a new and fool-proof regulatory structure, which requires much longer consideration and also international agreement. Deference is due to Paul Volcker obviously, and no one should dismiss his ideas without much thought. With his great authority, he advocates prohibitions against banks owning or sponsoring private equity funds and hedge funds, and against proprietary trading; anything, in fact, that puts capital at risk and which is not a response to customer needs. Fair enough. But trying to design an entirely new structure in a hurry is unsatisfactory.

Views on what activities are 'socially desirable' should play no part in regulation and be aired only at dinner parties

And there is no tearing hurry; for banks are going to be risk-averse for a long time to come. Thoughts of making large institutions smaller, or bringing back the Glass-Steagall separation between retail and investment banking, should be laid aside for the moment. Getting rid of the "too big or too interconnected to fail" principle is for now a remote prospect. Even dealing with moral hazard is difficult enough. Views on what activities are "socially desirable" (familiar in command economies) should play no part in the regulatory structure and be aired only at dinner parties. But all should without equivocation abandon provocative bonuses and compensation. Without restraint in this area, banks will find progress difficult.

What is needed is relatively simple. Accepting that international agreement is out of reach for now, action should focus on capital and liquidity requirements. Regulators can be empowered to prevent asset-price bubbles by increasing the capital needed to support lending that looks like inflating a bubble. Standing back while asset prices rise without justifying earnings or income increases is not good enough. It is better to err on the side of caution. Liquidity requirements could also be designed to encourage natural deposits rather than reliance on wholesale markets.

Action taken by the authorities has already enabled banks to rebuild their capital significantly. This is good news. But more needs to be done. The priority is for banks to concentrate on their normal business, with regulators using existing tools to limit unnecessary risk-taking. The threat of new legal constraints is a distraction.

With savings now held largely in institutional hands, and with the benefit of computer-driven communication, a bank should be allowed to sell securities issued by the customer directly to holders of capital, thus avoiding the cost of bank intermediation. Of course the sale must be outright, with the bank retaining no liability. But to prohibit the process (as per Glass-Steagall) introduces unnecessary cost. It would not be difficult to design capital requirements in such a way as to ensure that the bank does not retain the security (and with it the risk) on its own books longer than necessary, and thereby preclude the disastrous excesses that the US housing subprime fiasco exposed.

Sir Martin Jacomb has held several senior positions in the financial sector. A former director of the Bank of England, he is currently chairman of Canary Wharf Group and Share plc

Business Life

The dance professionals

The Brazilian samba schools behind carnival are discovering the art of management, writes **Jonathan Wheatley**

Step change: a dancer performs at carnival in São Paulo; a mask worn for the annual Rio de Janeiro event (below) Reuters

Getting close to a samba school drum section is, literally, a moving experience. The bass drums set your body vibrating and the high-pitched tambours assault the ears and leave them ringing. Before you know it, you're swaying along to the rhythm.

Last Sunday, several of São Paulo's samba schools were rehearsing for the carnival celebrations that start tomorrow, when they will begin their annual parades of fabulously exuberant displays in a hard-fought competition for the local championship. Although it was not a dress rehearsal – the magnificent costumes and floats are kept secret until the big night – thousands of fans came to see them dancing down the city's Sambódromo, a purpose-built, floodlit avenue bordered by grandstands put to full use just one weekend a year.

Samba schools are frequently likened to football clubs. They compete in championships often divided into leagues (there are five in São Paulo), where annual parades are scored by nit-picking panels of judges. They attract fanatical supporters, many of them ready to dedicate their free time to support the schools' activities. And, like Brazil's football clubs, samba schools are non-profit organisations whose boards of directors, by law, cannot be paid. This means they tend to rely on love, passion and selfless dedication rather than discipline and process.

But, just as many football clubs have evolved from community-based institutions into professionally run organisations, many samba schools are under pressure to improve their performance by introducing management tools developed in the business world. Rodolpho Pricoli Filho, president of Unidos do Peruche, one of São Paulo's most traditional samba schools, is one person strongly encouraging this change of approach.

"Lots of people [work for a samba school] for love but love is not enough," he says.

"Why have we been demoted twice in the past few years? People need to be professional. You need to be able to demand results. In a company you pay for results. In a samba school people work for love. This really causes some problems."

As president of Elevadores Ergo, a lift company with annual sales of about R$2m ($1.1m, €785,000, £690,000), Mr Pricoli is well placed to talk about the difference between a company and a samba school.

"Some schools have made the transition," he says. "Look at Vai-Vai [one of São Paulo's biggest schools]. They're totally professionalised."

Over at Vai-Vai's *barracão* – the huge sheds where samba schools build their carnival floats – Lourival Almeida, carnival director, tells a different story. "The most important thing that every company wants of its customers and its workers, is loyalty, love for the brand," he says. "Samba schools have this to spare. People dedicate themselves out of love."

Indeed, like most samba schools, Peruche and Vai-Vai boast passionate and dedicated workers prepared to put in long hours for little or no pay. But being an amateur organisation can also bring problems. It is difficult, for example, to enforce discipline on directors when they are not paid, which, in turn, makes it very hard to attract the right quality of people.

Marcelo Cotrim, vice-president of Peruche, says the school is coming out of a difficult period. "Our president is one of the good guys," he says. "This year he took out a personal loan to help pay for carnival. But we used to be led by some bad guys – people more interested in power, money and women."

The money involved is significant. São Paulo schools in the top division get R$507,000 a year from the city; second division schools get R$287,000, falling to R$45,000 in the fifth division.

Vai-Vai spends R$2.5m on its carnival, plus R$50,000 a month on its other activities. Peruche will spend about R$1.5m on this year's event, with R$600,000 coming from sponsorship, hiring out the school's premises, ticket sales and so on, and about R$225,000 from selling costumes to some 1,500 supporters who will parade along with the school's members, many of whom also pay for their own costumes. But Mr Pricoli has had to dip into his own pocket for some of the rest.

Mr Almeida at Vai-Vai points to an array of revenue sources. For carnival, as well as the city grant, there are television rights and sales of tickets, costumes and merchandise. The school's dancers and drummers are hired out for social and corporate events and its headquarters in São Paulo's downtown Bexiga district puts on shows and serves *feijoada* lunches on Saturdays.

It also has agreements with the state and city governments to train teachers in music and capoeira, a Brazilian combination of dance and martial art. Vai-Vai's headquarters also acts as a social centre for the community, directing people to health services, for example, and helping keep young people busy.

All this takes a lot of management. "We have a non-professional command structure but below this is a very professional organisation," says Mr Almeida.

Putting on a carnival parade alone is a daunting task. Peruche's effort this year will consist of 23 different *blocos*, or groups, each with 70 to 80 people in that *bloco's* costume, 200 drummers, four main floats, a lead group with its own smaller float, and several *destaques*, couples and individuals in especially elaborate costumes, dancing on the ground and on the floats.

Work on choosing a theme, devising a script and designing costumes and floats begins just weeks after the previous year's parade.

Five or six months before the event, an army of metalworkers, carpenters, sculptors, seamstresses, painters and other artisans is put into action.

Team leaders are hired for a fixed fee to produce costumes for one *bloco*, for example. Out of this amount, they must pay for and hire their own workers. For a task taking two to three weeks at Peruche, for example, a team leader will receive R$2,000-R$2,500.

"Our carpenters work in other areas too, but I can guarantee you it's not with the same passion," says Mr Almeida at Vai-Vai. "Here you see your work becoming a work of art, recognised by thousands of people."

Many workers act on their own initiative, often deciding for themselves how to turn a drawing into a costume or 3.5 metre-high sculpture. Usually, it works, though sometimes things go wrong, with costumes not turning up on time or floats that cannot withstand Brazil's often torrential summer rains. Often it is the management structure that makes the difference between a winning school and a losing one. Vai-Vai's nine-member board, made up mostly of professionals and company executives, meets every Monday throughout the year from 8pm until the meeting finishes. No-shows are rare.

By contrast, at Peruche, Mr Pricoli is struggling to generate the same level of dedication. His board has 20 members, of whom four have failed to attend meetings for most of the past year. "They only want to be directors so they can get a good position in the parade," he says. "If they show up, we won't let them in."

The "professionalism" that Mr Pricoli so admires at Vai-Vai is partly a result of that school's success in the competition. Vai-Vai has been champion 15 times, most recently in 2008, and has never been demoted.

Peruche, meanwhile, was champion five times in the 1950s and 1960s but in the past decade has been demoted to the second division three times, winning promotion each subsequent year. After demotion last year, it hopes to bounce back again this weekend.

Success breeds success, through bigger sponsorship deals and other revenues. Mr Pricoli, who was elected president of Peruche in 2008 after being involved with the school for 15 years, is trying to bring his business experience to bear on the school's directorate.

"In a company you have control," he says. "The product is in your hands. It's much simpler. In a samba school there is a new committee every year. It's not like a production line."

How will he turn Peruche round? "We're trying to bring in good people to take part," he says. "That's important for the social projects as well as carnival. And then we have to go after sponsorship and other help from our business friends."

A history of *carnaval*

Carnival, or *carnaval* in Portuguese, has its roots in the Entrudo celebrations of the 17th century, a kind of running street battle engaged in by Portuguese immigrants in Rio de Janeiro. As this evolved into more sophisticated closed balls, descendants of African slaves began holding their own street celebrations. The barriers between the two *carnavals* broke down in Rio during the 1920s and 1930s and the first samba schools, or clubs, were formed.

Different cities have different carnival traditions. In Rio and São Paulo, it is mostly a spectacle, with parades in the *sambódromo*, purpose-built stadiums designed by Oscar Niemeyer, Brazil's most famous architect.

São Paulo's first samba schools came together in the 1920s and 1930s, although they became legal non-profit organisations only from 1950.

AUDIO SLIDESHOW

On FT.com, watch and listen to the samba schools prepare for carnival **www.ft.com/samba**

The review

Wall St maths geniuses whose models did not add up

The Quants
How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It
By Scott Patterson
Crown Business, $27/ Random House, £12.99

There are many dramatic moments and a good dose of schadenfreude in Scott Patterson's *The Quants*.

Patterson, a Wall Street Journal reporter, provides a riveting account, as the subtitle promises, of the rise and fall of a group of traders, most of them masters of mathematics, poker and the universe.

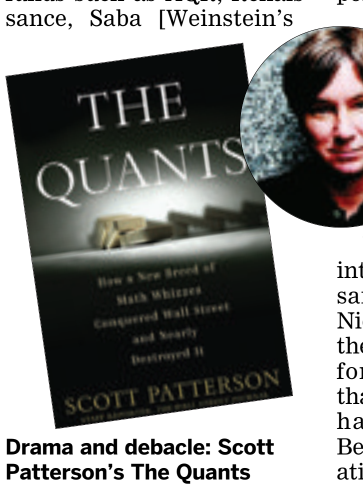
They are some of the brightest minds in finance, dubbed "quants" because they specialise in quantitative, maths-based finance.

Ken Griffin of Citadel, Cliff Asness of AQR, Deutsche Bank's Boaz Weinstein, the elusive Jim Simon of Renaissance Technologies and the invisible Pete Muller, who ran PDT (an in-house proprietary trading group at Morgan Stanley), were among the most powerful market players on Wall Street – at least for a while.

At their peak, these traders were a force with which to be reckoned. Between them they controlled about $150bn (€109bn, £96bn) and, because many used lots of borrowed money as well, they collectively had assets of as much as $1,000bn. But many of them were then crushed in the market meltdown, having failed to factor in just how vulnerable their models were.

Quants are a breed of trader that spends little time on such variables as the quality of a company's management. Instead, they concentrate on relationships and patterns in an effort to predict the direction of asset prices, which may in turn lead them to discover "inefficiencies" and "mispricings" on which to capitalise. There is, of course, an implicit assumption that such inefficiencies and mispricings will be corrected because markets are ultimately efficient.

"Even as the mortgage market imploded, quant funds such as AQR, Renaissance, Saba [Weinstein's group at Deutsche] and Citadel believed they were immune to the trouble," Patterson writes, "either because they didn't dabble in subprime or because they believed they were the smart guys in the room and had either hedged against losses or were on the right side of the trade and were poised to cash in."



Drama and debacle: Scott Patterson's The Quants

To a novice in this high-powered world the faith in the models is almost touching. There were plenty of signs along the way that the models were anything but infallible. Equally intellectually endowed cassandras, such as Nassim Nicholas Taleb, warned that the models failed to account for sudden price swings that change everything, as had the mathematician Benoit Mandelbrot a generation earlier. No matter. It was as if the models had a life of their own, apart from the humans who programmed them.

There is a wonderful description of a Goldman Sachs quant fund that almost imploded in the summer of 2007. Global Alpha "was trapped in a self-reinforcing feedback loop", Patterson says. As the fund's model dictated ever more selling, that caused greater volatility in prices, which then forced the model to cause even more selling in a technology-driven death spiral.

At the end of the summer, chastened Goldman portfolio managers told their investors: "There is more money invested in quantitative strategies than we appreciated." Readers, like investors, might find this a fairly stunning admission of a lack of common sense.

The whizzes who studied market relationships so exhaustively failed to grasp some elementary truths, such as that distress in one market can lead to selling in an entirely different and hitherto unrelated market. That was the main lesson from the 1998 implosion of quant fund Long Term Capital Management but it was soon forgotten.

Some of the characters in *The Quants* are almost caricatures in their lifestyle and behaviour. There are the near-mandatory references to private jets, high-stakes poker games and temper tantrums. Asness, for example, destroys his computer screen and his staff fear he has gone mad.

If there is a weakness, it is that Patterson could have been more ambitious. He draws no larger lesson from the debacle he has so vividly conveyed, whether for investors or for regulators.

Henny Sender

Martin Lukes

martinlukes Hello Blighty!!!!!!! Just landed at Heathrow. Ten-hour flight with triplets – whoa!! If you can do that you can do anything . . . !!!!
5 days ago from twitterfeed

FROM: Martin.Lukes@hotmail.com on 06/02/2010
TO: Phyllis.Lukes@pt-home.co.uk
SUBJECT: See you anon!!!

Hi Mum – we're queuing at passports. Will try to slip through media scrum and into cab, so should be with you soonest. Have slight issues around cash flow. Have you got £60 out to pay for cab?
Ta muchly and God bless,
Marty

martinlukes News flash!! ML's first impressions of UK economy: the recession is over!!! Terminal Five bustling!!!!!!!!!!!
5 days ago from twitterfeed

martinlukes Cab driver asks if I want a blank receipt, and I say no and explain it's not Integethical™. He stares and says: I can see you're not an MP!!
5 days ago from twitterfeed

FROM: Martin.Lukes@hotmail.com on 07/02/2010
TO: Jenny.Withers@a-bglobal.com
SUBJECT: My Carly

Hi Jens – We're back! Would it be convenient if I popped over soon to see Carly? Can't wait to reconnect with my darling after two long years . . . !!!
Hope to catch a glimpse of yourself, too. Would appreciate a brief dialogue around a couple of financial issues.
God bless, Martin

FROM: Martin.Lukes@hotmail.com on 07/02/2010
TO: Graham.Wallace@f2s.com
SUBJECT: BLAST FROM THE PAST!!!!!!

Hi Graham!
Long time no hear. I hope that the issues between us are all water under the bridge and that there is forgiveness – on both sides!! Would very much enjoy a couple of jars at some point to catch up (though am currently out in the sticks in High Wycombe chez ma mere) but for now just a quick query. Have you got the co-ordinates for that employment lawyer who tried to take us to the cleaners for constructive dismissal? I remember him as being pretty effective!!!
All my very bestest and God bless,
Martin

?InsideOut!™
If you can keep your head

February 9 2010
Tags: Brand ambassador, focus group

First up, apologies!!! I've now been back in my alma mater for four days and have neglected all my loyal fans of the blog . . . I know you'll be longing for your "fix"!!
You'll see that the blog brand is still "?InsideOut!™" – I will be rebranding it going forward, but there are so many other mission critical items on my checklist needing my creovative™ input that my cup runneth over!
Currently I'm working on the pre-launch agenda of my consultancy business, Integethical Footprints, or IF for short. I've already conducted some informal focus groups and found that it is a go-to brand for anyone – from individuals to major corporations, political parties and even countries! I'm also in advanced talks with a leading high-profile individual to be a brand ambassador . . .
Further apologies for being so secretive – I'm sure you'll understand that I don't want any imitators to monetise my thought capital at this critical moment in time!!!
Keep it authentic and God bless,
Martin

FROM: Martin.Lukes@hotmail.com on 09/02/2010
TO: Hector.Sants@fsa.org.uk
SUBJECT: If you can keep your head!!!

Dear Hector,
Just a quickie reach out to offer commiserations and make a suggestion. You'll recall that we met in 2007 at the time of my wrongful conviction on insider trading, and at the time you were not terribly open-minded re: my innocence!!
However, I assume we are now both older and wiser (!) – a lot can happen in two years, and now obviously our positions are rather more similar. Indeed, I understand that by the summer you'll be out of a job and have "no particular plans".
I am currently setting up an exciting, mould-breaking consultancy that will assist companies, political parties, banks, countries – and individuals – to walk their ethical talk in the fullest sense of the word.
Worry not – all the creovative™/entrepreneurial/thought leadership side will be supplied by my good self, but I am looking for non-execs who could bring to the party some gravitas and financial contacts that might be able to assist around funding, etc. If you've got a window in coming days/weeks, would be very happy to supply further information.
All my very bestest, Martin Lukes

FROM: Martin.Lukes@hotmail.com on 09/02/2010
TO: Roger.Davis@DLW.com
SUBJECT: Wrongful dismissal

Dear Roger,
Good to talk to you on the phone this morning. I thought it might be helpful to send you a couple of pointers ahead of our meeting tomorrow to ensure we are on the same page. I forgot to say that I assume there are no issues around you taking on this case on a contingency basis. It will be extremely high profile and the likelihood of me winning a case for wrongful dismissal is surely high.
All my bestest, Martin

FROM: Martin.Lukes@hotmail.com on 09/02/2010
TO: Jenny.Withers@a-bglobal.com
SUBJECT: Re: My Carly

Jens – it was great to see Carly but was very disappointed to find she is routinely looked after by a nanny at 7.30 in the evening. I hope you won't mind if I say not only is this not good for my daughter, it isn't good for a-b glöbâl. Remember the 80:20 rule!
I was even more disappointed – shocked even – when Carly did some artwork and drew pictures of both of us. She drew you with a briefcase, which sadly reinforces my impression that she sees you more as a professional than as a mother. But she drew me with a sack. When I asked her about it, she said: because you are a robber. What the f*** have you been telling her?? Martin

In denial about Englishness

Nigel Andrews
FILM

The essential exam question regarding author Christopher Isherwood, a near-lifelong Englishman abroad (Berlin, then California), is: "Does his Englishness enhance or weaken the reach and resonance of the writing?" The question is central to **A Single Man**, book and film. The reticent irony, the sly malice, the shy passion: all are taken on by couturier-turned-filmmaker Tom Ford, although "taken on" – to split another hair – also has two meanings.

Yes, the ex-Gucci fashion designer takes on Isherwood's Englishness as a reality. George (Colin Firth) is a gay Limey teaching literature in a US university. His best female friend is English, even if played by an American (Julianne Moore), and although the crash-slain boyfriend whose death starts the story is American, he is played – as if to keep all bi-continental nuances spinning – by an Englishman (Matthew Goode).

But does Ford take on the story's Englishness as a challenge, as an invitation to find its deep-level universal functionality? Without Isherwood's narrating tone, much of the film betrays awkwardly sliding tectonic sensibilities, as if negotiating a San Andreas fault of conflicted Anglo-Americanism. We can believe Colin Firth as a repressed Brit, so we believe the deeper, quieter truth of his grief. But we disbelieve, or I did, the Hollywood show he sometimes puts on. His angry tirade during a lecture, message-mongering with stuff about "fear of the invisible minority", is forced. Later a serio-comical suicide attempt is at once silly and portentous.

Visually, Ford is unsure whether to play up the phlegmatic side of his hero's story – dressing Firth for his teaching day in formal commuter suit and tie – or to go for engagement, even expressionistic engorgement. (A giant poster of *Psycho* hovers over the car park where Firth meets a pick-up who will become invasive in his life.) The best scenes in *A Single Man* are those in which Isherwood's gnomic ambivalence of tone is suddenly, fortuitously caught. Firth is marvellous whenever feeling is held back, like the water retained in a horizon-lipping California pool. And

Transatlantic nuances: Colin Firth and Julianne Moore in 'A Single Man'

Ford is good, even innovative, in those scenes where he near-subliminally varies colour, tone and texture from shot to shot, in subtle correspondence with the changing emotions. I'm not sure I've ever seen this done before, at least for sustained sequences. Way to go.

The moon is full all the time on the Yorkshire moors, if you believe werewolf cinema. Every night brings howlings, rendings, metamorphosings. **The Wolfman** is a barely mutant version of the *The Wolf Man* (1941), released in the same year as *Citizen Kane* but more influential. (How many lycanthrope films can you count compared with megalomaniac press-tycoon biopics?) Benicio del Toro looks startlingly like Lon Chaney Jr as the scion of a landed family led by Anthony Hopkins. Even the gypsy subplot is replicated, though I held my hands to my ears every time Geraldine Chaplin ventured her Romany accent.

Digital delirium makes up for lack of plot novelty. Whomping exterior sets – the spooky manor house, the waterfall – are pixel-painted or CG-enhanced. Computerised transformation scenes chart each stretch of skin, elongation of jaw, creep of fur. Nothing can save some of the dialogue, which sounds like a bad night at the village rep ("Yes, he's been quite seriously injured, Inspector"). But when characters open their mouths in werewolf films you aren't looking to inspect their words.

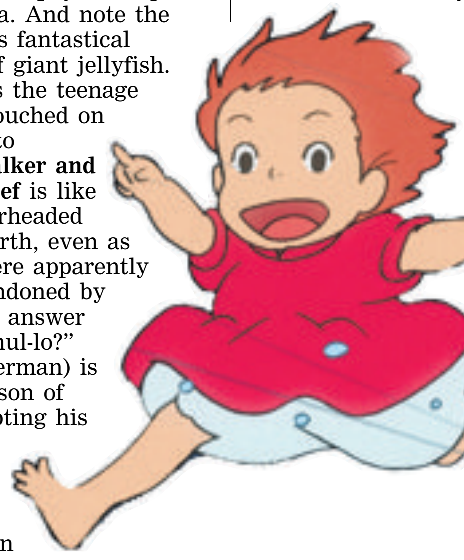
The acting is okay, and in one case, Hugo Weaving's Inspector, better. The ex-*Matrix* Australian actor has somehow found the moustache, the cadences, the very body language of the classic Victorian Scotland-Yarder. It is a perfect study in articulated stiffness and melodiously portentous locution, a hybrid – sign him up now for Conan Doyle and Wilkie Collins – of Inspector Lestrade and Sergeant Cuff.

Hayao Miyazaki's **Ponyo** is absurdly delightful, a prestidigitation of line and colour from the Japanese animator-director of *Spirited Away*. A fish with a little girl's face spreads delight in a coastal village. We recognise, if we want, a fable about art's power to enchant and the storyteller as epiphanic visitor. We also recognise a Miyazaki riff on *The Little Mermaid*.

The girl-fish is a ball of energy with popping eyes, russet-gold tresses and stick limbs purpose-grown to escape Fujimoto, the evil magician who rules the sea depths. Once Ponyo befriends the five-year-old boy Sosuke in his cliff-top home shared with mum, who screeches daily down the coast road to her work at an old people's home, everything scintillates. The oldies themselves are transformed by a rejuvenating tsunami, pictured as a surge of giant leaping fish, shaped and coloured like waves.

Soft on climate cataclysm? Not Miyazaki. Nor on the causes of it. Planetary wastefulness is picked up on early. The sea's depths contain a nightmare litter of human detritus. Evil trawlers scoop up the living and the dead in a greedy, undiscriminating booty. Lecture over – though it never quite is, nor should be – the film becomes all fizz, enchantment and visual wit. Note the water-spraying canister Fujimoto carries about, to keep himself humidified, when he pays a disguised visit to terra firma. And note the Queen of the Sea's fantastical pavilion formed of giant jellyfish.

"Hi, mom," says the teenage demigoddess, debouched on Mount Olympus, to Athena. **Percy Walker and the Lightning Thief** is like that. There are airheaded adolescents on Earth, even as we speak, who were apparently spawned and abandoned by Greek gods. Don't answer back "as if!" or "hul-lo?" "Percy" (Logan Lerman) is actually Percy Jackson, son of Poseidon, interrupting his high-schooling to retrieve Zeus's lightning bolt, which has been stolen from heaven by someone called Luke. (Hul-lo? Aren't we mixing creeds? Luke? Lucifer? Another mythology?) Again, digitisation reigns – spectacular visual effects – while the dialogue drizzles and sploshes. But get ready for a franchise. This is based on the first in a series of kids' books by Rick Riordan.



Hayao Miyazaki's 'Ponyo'

Robert Kenner's **Food, Inc** is the week's consciousness-raising documentary. How does meat reach our supermarkets? Or our fast-food outlets? Do we want to know? Is there any excuse for not knowing?

Basically, millions of cows, pigs and chickens are treated like Auschwitz inmates, kept in overcrowded sheds, weakened to become vessels for communicable disease (especially e-coli) and fed – though barely that – for slaughter. Ankle-deep in their own manure, they are then hoisted ankle-high . . . Well, you get the point. Guiltily, we still eat burgers, bangers and that boneless, translucent stuff called supermarket chicken. Although we have heard much of this before – Eric Schlosser's source book *Fast Food Nation* inspired Richard Linklater's same-name didactic comedy – gorges can still rise every time the same finger is put down the same throat.

What to do? Plant a garden. Buy organic. Or become a farmer yourself, like the chap raising free-range poultry. Even here we are asked not to blink as chickens are beheaded before our eyes. We should all be veggies really. But then, have you heard what they do to corn before it reaches our tables . . . ?

Finally, your riddle of the week. Why is **Valentine's Day** like outer space? Because it's a big nothing filled with stars. The stars include S. MacLaine, A. Kutcher, J. Roberts, J. Foxx and many more. The nothing is the spectacularly witless and charmless vacancy of a rom-com in which they appear.

A Single Man (12A) ★★★☆☆
Tom Ford

The Wolfman (15) ★★★☆☆
Joe Johnston

Ponyo (U) ★★★★☆
Hayao Miyazaki

Percy Walker and the Lightning Thief (PG) ★★☆☆☆
Chris Columbus

Food, Inc (PG) ★★★☆☆
Robert Kenner

Valentine's Day (12A) ★☆☆☆☆
Garry Marshall

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This Evening's Television

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6.00 **BBC News.**
6.30 **Regional News Programmes.**
7.00 **The One Show.**
7.30 **EastEnders.** Ronnie packs her bags as DCI Marsden claims to be closing in on Archie's murderer.
8.00 **Material Girl.** Tensions run high on the day of the catwalk show. Marco hatches a plan to avoid a clash with Davina's show, and Ali is shocked to run into her estranged mum.
9.00 **Silent Witness.** Part one of two. Nikki investigates the murder of a teenage girl and suspects the attack is gang-related. R
10.00 **BBC News.**
10.25 **Regional News and Weather.**
10.35 **Question Time.** Topical debate from Belfast, chaired by David Dimbleby.
11.35 **This Week.**

BBC 2

6.00 **Eggheads.** Quiz.
6.30 **Priceless Antiques Roadshow.**
7.00 **The Culture Show.** Mark Kermode meets director Tom Ford, who discusses his film 'A Single Man'.
8.00 **Simon King's Shetland Diaries.** Spring brings an influx of wildlife.
9.00 **Mock the Week.** Topical comedy quiz show, hosted by Dara Ó Briain.
9.30 **Rab C Nesbitt.**
10.00 **Bellamy's People.** The presenter asks a staunch Christian, two young rappers and three extremely drunk girls what is wrong with British society.
10.30 **Newsnight.** Analysis of the day's events.
11.20 **The Persuasionists.** After a disastrous campaign, Clive challenges the team to test their creativity.
11.50 **The Culture Show.** R

Lucy Montgomery gives her opinion on society at 10pm

ITV1 London

Lance Corporal Lisa West dodges bombs at 10.35pm

6.00 **London Tonight.**
6.30 **ITV News and Weather.**
7.00 **Emmerdale.**
7.30 **Facing the Enemy: Tonight.** Offenders meet their victims. Fiona Foster reports
8.00 **Emmerdale.**
8.30 **Coronation Street.** Gail calls David up to the Lakes, where she tells him the full story of Joe's scheme.
9.00 **The Bill.** A desperate woman barricades herself into her estranged husband's house.
10.00 **ITV News at Ten and Weather.**
10.30 **London News and Weather.**
10.35 **Road Warriors.** Lance Corporal Lisa West makes a supply run into an Afghan area known as IED alley.
11.35 **The Krypton Factor.** R

Regional variations apply

Channel 4

6.00 **The Simpsons.** R
6.30 **Hollyoaks.**
7.00 **Channel 4 News.** Including sport and weather.
8.00 **My Dream Farm.** Monty Don advises Kierti Vaidya, who gave up her city life to rear alpacas in Warwickshire.
9.00 **Leaving Home at 8.** Cutting Edge follows four eight-year-old girls in their first year at boarding school.
10.00 **Alan Carr: Chatty Man.** Actress Daryl Hannah talks about her new film, former *Skins* star Nicholas Hoult discusses his role in *A Single Man*, and Mika performs his new single.
10.50 **Derren Brown: Something Wicked This Way Comes.** The illusionist's Olivier Award-winning show at the Old Vic, London. R

Four young girls leave home for boarding school at 9pm

Five

6.00 **Home and Away.** Alf hands over control of the bait shop. R
6.25 **Live from Studio Five.**
7.30 **Zoo Days.** The panda cubs come out to play. R
8.00 **Build a New Life in the Country.** Charlie Luxton travels farther than usual to visit a couple building an open-plan home on the Caribbean island of Barbados, where they face hurricanes and labour difficulties.
9.00 **Extreme Fishing with Robson Green.** The actor continues his journey in Sri Lanka. He heads for the seaside town of Koggala to join the Weligama stilt fishermen, and tries to capture a mahseer in the Mahaweli river.
10.00 FILM **Scream 3.** A killer strikes on a film set. Stars Neve Campbell and David Arquette.

Cable & Digital

BBC3
7.00 Doctor Who. 7.45 Doctor Who Confidential. 8.00 Snog, Marry, Avoid? 8.30 Hotter Than My Daughter. 9.00 Dancing on Wheels. 10.00 EastEnders. 10.30, 11.00 The Real Hustle Undercover. 11.30, 11.55 Family Guy.

BBC4
7.00 World News Today. 7.30 Only Connect. 8.00 Light Fantastic. 9.00 The Great Offices of State. 10.00 Newswipe with Charlie Brooker. 10.30 Later Latin. 11.30 Tell No One.

E4
6.00, 6.30 Scrubs. 7.00 Hollyoaks. 7.30 How I Met Your Mother. 8.00, 8.30 Friends. 9.00 The Big Bang Theory. 9.30 How I Met Your Mother. 10.00 Skins. 11.00 Glee.

More4
6.35 Deal or No Deal. 7.25 Grand Designs. 8.30 The Daily Show with Jon Stewart. 9.00 The Good Wife. 10.00 Brothers & Sisters. 11.00 The Closer.

Film4
7.10 Baby's Day Out. 9.00 The Godfather: Part II.

TCM
8.15 The Screening Room. 9.00 Posse. 11.15 Audrey Rose.

Sky Sports 1
7.00 Live Premier League Darts. 10.30 Time of Our Lives. 11.30 SPL Round-Up.

History
6.00 Rome: Rise and Fall of an Empire. 7.00 Britain BC. 8.00 Oil Riggers. 9.00 Deep Sea Salvage. 10.00 Deep Wreck Mysteries. 11.00 Hitler's Canadians.

Sky Arts
6.00 Artland USA. 7.00 Simon Schama's Power of Art. 8.00 Rod Stewart: The Dave Fanning Interview. 8.30 Iggy Pop: The Dave Fanning Interview. 9.00 From the Basement. 9.50 Tierney Gearon: Double Exposure. 10.00 In Treatment. 10.30 Art Race. 11.00 Pixies Live at Eurockeennes.

Discovery
6.00 Deadliest Catch. 7.00 Mythbusters. 8.00 How Do They Do It? 8.30 How It's Made. 9.00 Extreme Engineering. 10.00 Swords: Life on the Line. 11.00 Bear Grylls: Born Survivor.

Pick of the Day

"A secret world," intones the sinister voice over nocturnal London, where those dealing with "money, power and crime . . . seek jealously to guard their secrets". Not Jack the Ripper's Whitechapel but Jacqui Smith's Whitehall. **Great Offices of State** (BBC4 9pm) opens with the Home Office's battles between mandarins and ministers: Charles Clarke dumps on his own Sir Humphrey figure, Jack Straw "groaned" at Blair appointee John Birt. The graveyard of reputations. Fascinating.

Amadeus: Director's Cut (Sky Modern Greats 10.15pm): brattish Mozart has genius, devout Salieri mediocrity.

Martin Hoyle

THE LEX COLUMN

Thursday February 11 2010

BHP Billiton

As significant as what BHP Billiton announced yesterday was what it didn't. Half-year results for the world's largest miner were better than expectations on almost every line: net income up 134 per cent, abundant free cash flow, net gearing less than half of the group's 10-year average. But there was no news of a widely anticipated share buy-back.

The big question now is what Jacques Nasser, succeeding Don Argus as chairman early this year, does with the sector's best-looking balance sheet. Investment in the business, rather than outside it, looks the smartest option.

Mr Nasser will be keen not to do anything rash. He inherited a $24bn cash pile when he took over as chief executive of Ford in 1999, but subsequent deals – including buying BMW's Land Rover unit and Volvo cars for a combined $9.2bn – were considerably less successful than the cost-cuts that earned him the nickname "Jac the Knife". And BHP, in truth, has got out of the deal-making habit. Discretionary spending outside the core business in the past two years has been limited to advisers' fees for the feint at Rio Tinto, and to banks, for blocking out billions of dollars to fund a bid that never was. Divestitures over that period outnumber acquisitions by two to one. Moreover, there are still question marks over regulatory approval for BHP's iron ore joint venture with Rio, and how much BHP must pay Rio to settle it.

For all those reasons, cash thrown off by the business is better directed back into it. Capital spending should be up by almost two-thirds next year; in addition, BHP has identified 40 longer-term projects, 18 of which could each consume more than $2bn. The group's ability to reinvest in its premier assets while bringing new ones on stream, almost regardless of the cycle, has become its most important competitive advantage. Mr Nasser should not squander it.

ArcelorMittal

Come on baby, light my fire. Steel companies are restarting furnaces as demand from the construction and automotive industries returns to markets outside China. Destocking in developed markets has given way to restocking. But caution abounds. Take ArcelorMittal, the largest steelmaker that, with over half its production in Europe, the US and Canada, is a proxy for the recovery outlook. It made earnings before interest, tax, depreciation and amortisation of $2.1bn in the fourth quarter, lifting full-year ebitda to $5.8bn – about 75 per cent lower than 2008 – but expects to earn only $1.8bn-$2.2bn in the first quarter of 2010. Although running at about three-quarters of capacity and shipping more steel after last year's 29 per cent drop, it is battling to pass on higher ore and coking coal costs. Investors, who had counted on stronger restocking, marked down the shares by almost 7 per cent.

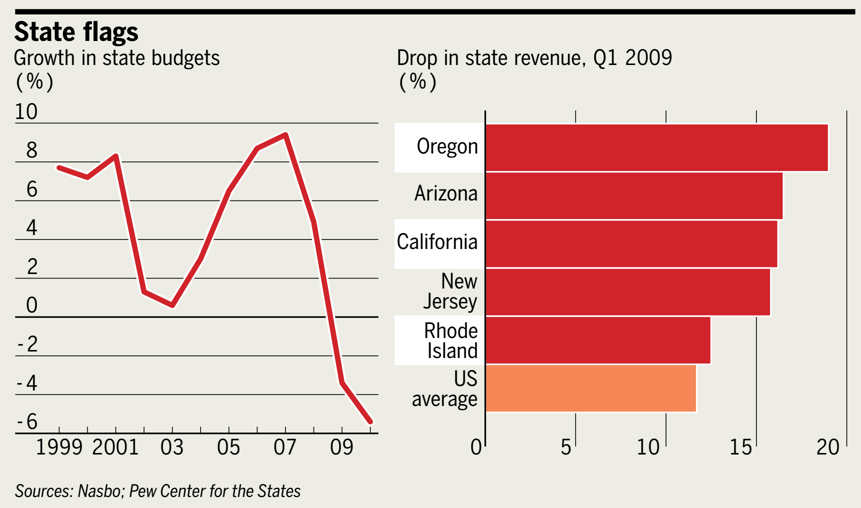
The reaction may be overdone. Credit Suisse, for one, forecasts a 14 per cent recovery in demand this year. Moreover, ArcelorMittal starts the year in better shape to seize on it. It demonstrated its operational flexibility through $2.7bn of fixed cost savings last year, more than half its 2012 target. It also quelled concerns about its net debt, which almost breached a covenant of 3.5 times ebitda. ArcelorMittal slashed net borrowing to $18.8bn, or 3.2 times ebitda, and negotiated a covenant ceiling of 4.5 times.

Now, even if the lower end of its first-quarter ebitda guidance is annualised, $4.1bn of debt due this year is repaid and its planned $4bn capital expenditure is financed, net debt would be only 2.6 times ebitda. ArcelorMittal has tamed its balance sheet and pared costs. Now it must wait for a recovery cycle to ride.

Owe say can you see

Connecticut's Lisbon, New York's Rome, Georgia's Athens and Iowa's Madrid might lack the sense of crisis felt lately in their European namesakes but America's states and municipalities could yet spark equally vexing problems for the US. Like the eurozone's members, America's states have no currencies of their own to devalue and must tread cautiously between entrenched public sector unions and irate taxpaying voters. Furthermore, just as those betting on the health of the euro once worried only about the health of its financial centres without fully appreciating looming weakness at the periphery, the budgetary strains in America's 50 states and 52,000 municipalities get too little attention.

Though not as profligate as some peripheral European nations, US states spent freely before the recession. In the 30 years to 2008, spending grew at a compound annual rate of 6.7 per cent, well above inflation. Even after cutting an estimated $256bn from their 2009 to 2011 budgets, substantial gaps remain, with several states recently identifying other shortfalls. Even this understates the problem, though, as actuaries have identified pension deficits as high as $3,000bn, or double all annual state spending.



Sources: Nasbo; Pew Center for the States

Like Europe's "no bail-out clause", an explicit federal lifeline is taboo, although states receive plenty of cash from Washington. The 2011 federal budget sets aside $646bn for state transfers, including an extra $85bn for Medicare. Then there is the estimated $39bn in forgone revenue through the tax exemption for $2,800bn in municipal debt.

But the extra stimulus that has recently covered shortfalls will soon ebb, leaving budgetary holes that will bruise states and might tempt cities into Chapter nine bankruptcy. With residents free to relocate, there is a limit to how deeply services can be cut or taxes raised.

Timothy Geithner, Treasury secretary, recently scoffed at the prospect of America losing its triple A credit rating. But most of its constituent parts already have, and could even default.

Going concern

Every company that has ever existed has failed – except for the ones still around. This might seem obvious but it highlights a criticism of the "going concern" principle – the assumption that a business will continue to operate for the foreseeable future. It is short-sighted to assume that companies will exist forever. After all, only half of new companies are destined to survive for five years. And it is not just start-ups that suffer. Last week, the auditors of accountants Vantis and of the holding company for British record label EMI questioned the ongoing viability of their businesses. This doesn't mean bankruptcy is imminent but it puts stakeholders on notice that something is badly wrong.

In spite of its faults, the assumption of longevity is essential to ensure that banks continue to lend, suppliers send provisions, and employees feel secure so they don't jump ship: just saying a company might not be a going concern can become a self-fulfilling prophecy. The problem, though, is the presumption of innocence. In other words, directors and auditors have to find a reason why a company should not be a going concern rather than why it should be. If the burden of proof was reversed, investors might gain a greater insight into their company's health.

In the wake of EMI and Vantis, more warnings may emerge. Liquidations in England and Wales reached almost 20,000 last year, the most since 1993 according to Insolvency Service and Companies House. And while insolvencies have fallen slightly in the past two quarters, they tend to lag behind recessions. Retailers, which have just passed the peak Christmas sales period and face a possibly bleak year, may be particularly at risk. With most full-year audits nearing completion, more directors might be signing off on their company's viability with a heavy heart.

Reckitt Benckiser

Reckitt Benckiser continues to wipe the floor with the opposition. The consumer products group's 8 per cent underlying revenue growth for 2009 – including 10 per cent in the fourth quarter – was among the strongest in the decade since the company was formed, defying the downturn. Its strong innovative focus, unremitting cost-cutting and famous take-no-prisoners internal culture is hard to beat. But it now faces a more stubborn stain on the outlook.

Reckitt's recent growth has been supercharged by Suboxone, a booming heroin addiction treatment produced by its small pharmaceutical division; the drug's £345m US profits last year accounted for 18 per cent of Reckitt's group total. Suboxone lost exclusivity in the US last October, so generic competition is only a matter of time. Four-fifths of the drug's US profits could evaporate in the year after a competitor emerges. Uncertainty over when this will happen means Reckitt is giving no overall group targets this year.

The performance of Reckitt's "base" business, excluding pharma, remains impressive, with full-year and final-quarter sales growing 6 per cent. And Reckitt's "base" targets for 2010 – 5 per cent sales growth and 10 per cent operating profit growth – look robust but feasible. Still, the group is no longer as far ahead of its peers as in recent years; Reckitt's fourth-quarter base volume growth was similar to Unilever's, though the latter had cut prices heavily.

With Reckitt throwing off buckets of cash – £1.1bn net debt in 2008 swung to £220m cash last year – bolt-on acquisitions could soup up growth, though Bart Becht, chief executive, plays down prospects for large-scale consolidation. A 25 per cent dividend boost means Reckitt is now paying out half its earnings to shareholders, outstripping competitors. But without an acquisition, and if cash continues to pile up, pressure for share buy-backs may grow.

LEX ON THE WEB

For additional Lex notes on **New York Times**, **Kabel Deutschland**, **Slow Sprint** and **Endemol** go to **www.ft.com/lex**
For BlackBerry, go to **www.ft.com/mobile**

TODAY ON FT.COM

On the march

Video: Hugh Williamson reports from Athens on the street protests held by civil servants against the Greek government's austerity measures

www.ft.com/worldvideo

View from the Markets

Video: Mike Amey of Pimco on volatility but eventual stability for Greece, possible turbulence ahead for UK bonds and avoiding over-leveraged countries

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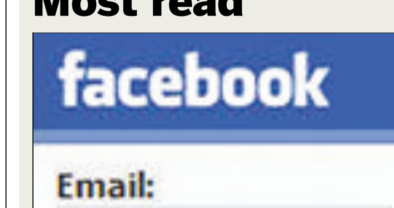
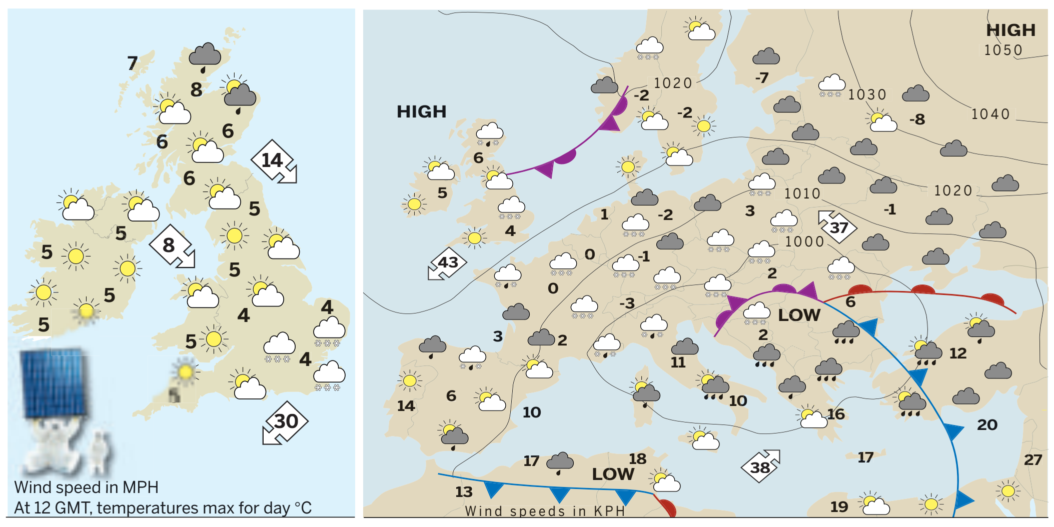


1 Google prepares Facebook assault
2 Berlin opens door to Greek bail-out
3 Traders make $8bn bet against euro
4 Greek rescue hopes help bourses regain poise
5 Sants resignation leaves confusion at FSA

WEATHER



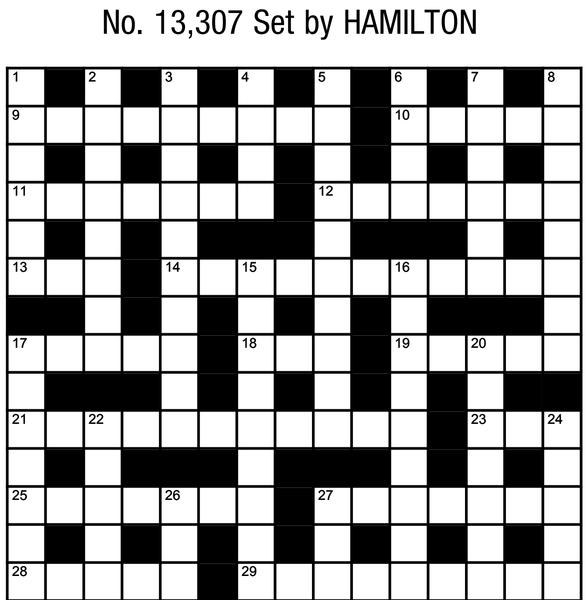
Forecasts by MeteoGroup

Today's temperatures Maximum for day °C & °F — Warm front, Cold front, Occluded front

Abu Dhabi	Sun	25	77
Amsterdam	Cloudy	1	34
Athens	Fair	16	61
B'ham	Fair	4	39
Bangkok	Sun	35	95
Barcelona	Fair	7	45
Beijing	Sun	1	34
Belfast	Fair	5	41
Belgrade	Sleet	5	41
Berlin	Cloudy	-2	28
Brussels	Snow	0	32
Budapest	Snow	2	36
Buenos Aires	Sun	32	90
Cardiff	Sun	5	41
Chicago	Sun	-2	28
Cologne	Snow	0	32
Copenhagen	Fair	-1	30
Delhi	Sun	23	73
Dubai	Sun	24	75
Dublin	Sun	5	41
Edinburgh	Fair	6	43
Frankfurt	Snow	1	34
Geneva	Snow	-3	27
Glasgow	Fair	6	43
Hamburg	Cloudy	-1	30
Helsinki	Cloudy	-7	19
Hong Kong	Fair	25	77
Istanbul	Shower	12	54
Jersey	Snow	4	39
Lisbon	Sun	14	57
London	Snow	4	39
Los Angeles	Sun	18	64
Luxembourg	Snow	-3	27
Lyon	Snow	-1	30
Madrid	Fair	6	43
Manchester	Fair	5	41
Miami	Sun	17	63
Milan	Sleet	4	39
Montreal	Sun	-1	30
Moscow	Fair	-8	18
Mumbai	Sun	30	86
Munich	Snow	-3	27
New York	Fair	4	38
Nice	Sleet	7	45
Paris	Snow	0	32
Prague	Snow	-4	25
Reykjavik	Drizzle	7	45
Rio	Thunder	36	97
Rome	Cloudy	11	52
San Francisco	Fair	15	58
Stockholm	Sun	-2	28
Strasbourg	Snow	-1	30
Sydney	Sun	30	86
Tokyo	Sleet	7	45
Toronto	Sun	-3	27
Vancouver	Rain	10	51
Vienna	Snow	-1	30
Warsaw	Snow	3	37
Washington	Sun	3	38
Zurich	Snow	-3	27

CROSSWORD

No. 13,307 Set by HAMILTON

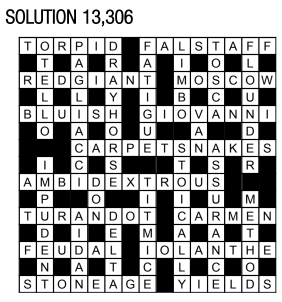


JOTTER PAD

ACROSS
9 A measure of success for new arrivals? (5,4)
10 Something of value received appreciation in Poland (5)
11 Seers to be murdered by Ancient Greek (7)
12 Anger about current riotous behaviour (7)
13 Sentimentality can be almost pleasurable (3)
14 Significance of speaking flippantly for a short time (11)
17 Riddle of how four became separated in diocese (5)
18 Bird was grounded in Samoan forests (3)
19 Wished for constant direction for daughter (5)
21 Initially, Tendulkar set about opening bowlers, deterring them here! (5,6)
23 Container for cigarette ends with sections missing (3)
25 Hamilton is upstanding? Quite the opposite! (7)
27 Out of work? Ring back? It's not on . . . . (4,3)
28 . . . . rang, but not at first, having improved (5)
29 Light flan cooked at supper time (9)

DOWN
1 Old boy with desire not to be square? (6)
2 Shocking announcement of past expansion (8)
3 Article on European member in audition for play (3,7)
4 Goes on about a scary movie (4)
5 Mechanism giving clarity to backing on court case (7,3)
6 Inverted charts give out inappropriate information (4)
7 Staff carry it regularly on a journey (6)
8 Sportsman saw this boy could do no wrong! (4-4)
15 Sentimental place more laymen turn to? (6,4)
16 Be grateful for respect (10)
17 Bide one's time until it starts to come into view (3,5)
20 Reg leaves local – not put on or imaginary (8)
22 There's little room in a German winter coat! (6)
24 How to confuse a regulator? (6)
26 Dire, distressing journey (4)
27 Sign of love one gives openly at first (4)

SOLUTION 13,306



FINANCIAL TIMES

COMPANIES & MARKETS

Thursday February 11 2010

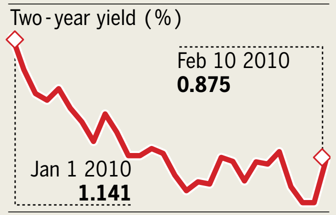
The Achilles heel of the eurozone The corporate debt threat **Page 32**

Week 6

News Briefing

US government bonds

Two-year yield (%)



Source: Thomson Reuters Datastream

Two-year yields rise after Bernanke statement, Page 34

UK companies

IDC buyers prepare
Private equity and trade groups to bid for financial data group majority-owned by Pearson. **Page 18**

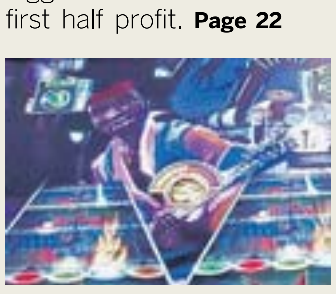
Reckitt eyes deals
Household goods group seeks targets for growing cash pile. **Page 19**

Matalan sale called off
Private equity bidders not prepared to offer £13m asking price. **Page 18**

Lombard
Kraft's factory jobs promise was always a risky tactic. **Page 18**

International companies

Crisis year at Peugeot
Carmaker records its biggest loss but forecasts first half profit. **Page 22**



Off key
Guitar Hero sales slide causes $409m writedown at publisher. **Page 21**

Google provider hint
Network pledge raises strategy questions. **Page 23**

CME in Dow deal
Futures exchange to take control of index business from News Corp. **Page 21**

European View
Dilemma over Germany's old nuclear plants. **Page 22**

Markets & Investing

London
Life assurers bounce off lows as the fragile rally continues. **Page 34**

Oil hopes dashed
Leading trader pours cold water on talk of big price rises. **Page 33**

Endemol backs down
Big Brother maker yields to lenders over debt buyback gains. **Page 32**

Toxic teaser
How the old model of valuation based on market price is changing. **Page 33**

Travelport float is called off

Blow to Blackstone as investors fail to respond

Decision casts cloud over IPO market

By Kate Burgess, Miles Johnson and Martin Arnold

Travelport, the US travel group, last night pulled its £1.2bn London flotation after failing to win the support of investors amid turbulent markets.

The decision to put off Travelport's initial public offering – the biggest in the UK for two years – will be a blow to majority owner Blackstone, the private equity group which had hoped the listing would set the tone for a series of IPOs it had planned for this year.

Travelport shares were first priced in a range of 210p to 290p valuing the group at up to £2.16bn.

But people close to the deal saw the price falling to below 180p last night, prompting the decision not to go ahead with the IPO this month.

Jeff Clarke, Travelport's chief executive, blamed market volatility for the decision.

"Since we announced our intention to float, there has been significantly increased volatility and uncertainty in global equity markets, as a result of macro circumstances unrelated to our business," he said.

Blackstone had aimed to raise $1.9bn (£1.2bn) to halve Travelport's debt to $2.3bn and allow the private equity group to cut its stake from 70 to 40 per cent.

But one of the UK's biggest investment groups said: "It was on an expensive p/e ratio and highly geared. That is not a viable combination and it wasn't a compelling proposition."

Travelport's struggle will be watched by other groups planning London IPOs including Merlin, the Blackstone-controlled owner of Madame Tussauds, and fashion group New Look.

The lacklustre response by investors to Travelport highlights their scepticism about IPOs of highly indebted private equity-owned companies as buy-out groups seek exits.

Mark Spinner, head of private equity at law firm Eversheds, said: "There are a number of the larger buyouts that will be coming up to key milestones in terms of their debt structures which might ordinarily look to the IPO market as a means of raising the capital required to comply with their repayment obligations.

"If the IPO door slams shut, [they] will find it a real challenge to restructure their borrowings and we could see a number of them fall into the hands of the banks."

The remaining 30 per cent of Travelport is split equally between One Equity Partners, Technology Crossover Ventures and the group's managers.

Travelport businesses include Worldspan and Galileo, which provide computerised reservations, and Gullivers Travel, a wholesaler of accommodation, travel and tours.

Credit Suisse, Deutsche Bank, UBS, Barclays and Citigroup were acting as Travelport's joint bookrunners. UBS was also acting as sponsor. They and Blackstone declined to comment.

The Short View
John Authers

There is still no easy way out. The crisis of confidence in Greek debt has eased, now that the European Union appears ready to help. The extreme price of insuring Greek debt fell sharply as a result.

But this only gave way to the reality that the eurozone, and the rest of the world, still face intractable problems.

In Europe there are two problems. First, Greece is suffering a strike by public sector workers protesting against the austerity measures the government is proposing. This is a reminder that cutting government deficits is painful, and politically difficult.

Second, it might just have been better not to offer the Greeks any help. German central banks earned a reputation for rigid orthodoxy, and the European Central Bank, still based in Frankfurt, inherited it. Now, it appears to be caving in to pressure.

Many believe the credit crisis was exacerbated by the Federal Reserve's willingness to aid stricken institutions over the years, so this is not encouraging. The euro continued to fall.

In the US, there is another dilemma for another central bank. The market's recovery owes much to the exceptionally easy monetary policies that the Fed has been pursuing. These cannot last forever.

Getting out of easy money will require as much creativity as getting into it in the first place. Thus, the Fed's chairman Ben Bernanke thought out loud yesterday about how to exit, with the main options being to raise the discount rate at which the Fed lends directly to banks, and to manipulate the interest rate it pays on reserves.

He has thought out loud on these subjects in the past, and it was hard to see anything new in his testimony. But it briefly sent stocks down and strengthened the dollar. The mere reminder that the day will come when governments do not make life easy was enough to scare markets.

There will be an exit. But there is no easy exit.

Video: www.ft.com/shortview

China charges Rio staff with bribery

By Patti Waldmeir in Shanghai

China has charged four employees of Rio Tinto with bribery in a move that could complicate efforts to reach a deal in iron ore pricing negotiations and exacerbate tensions between foreign business and China.

The official Xinhua news agency said the men, who include Australian Stern Hu, have been charged with bribery and violating commercial secrets. Under Chinese law, Beijing had until February 25 to indict or release the men, who have been held since July. Xinhua did not say when they might be brought to trial, but they are unlikely to be tried in public, legal sources said.

The case has harmed relations between China, the largest importer of iron ore, and two of the world's largest producers, with miner Rio Tinto and BHP Billiton refusing to conduct negotiations for 2010-11 prices on the Chinese mainland.

The indictment of a foreign employee of a large multinational has also raised concerns among foreign executives in China that what they consider as normal commercial give-and-take could be seen as a crime.

Foreign businesspeople have noticed an increasing assertiveness from the government, Chinese business partners, suppliers and other interlocutors since China emerged so strongly from the global financial crisis.

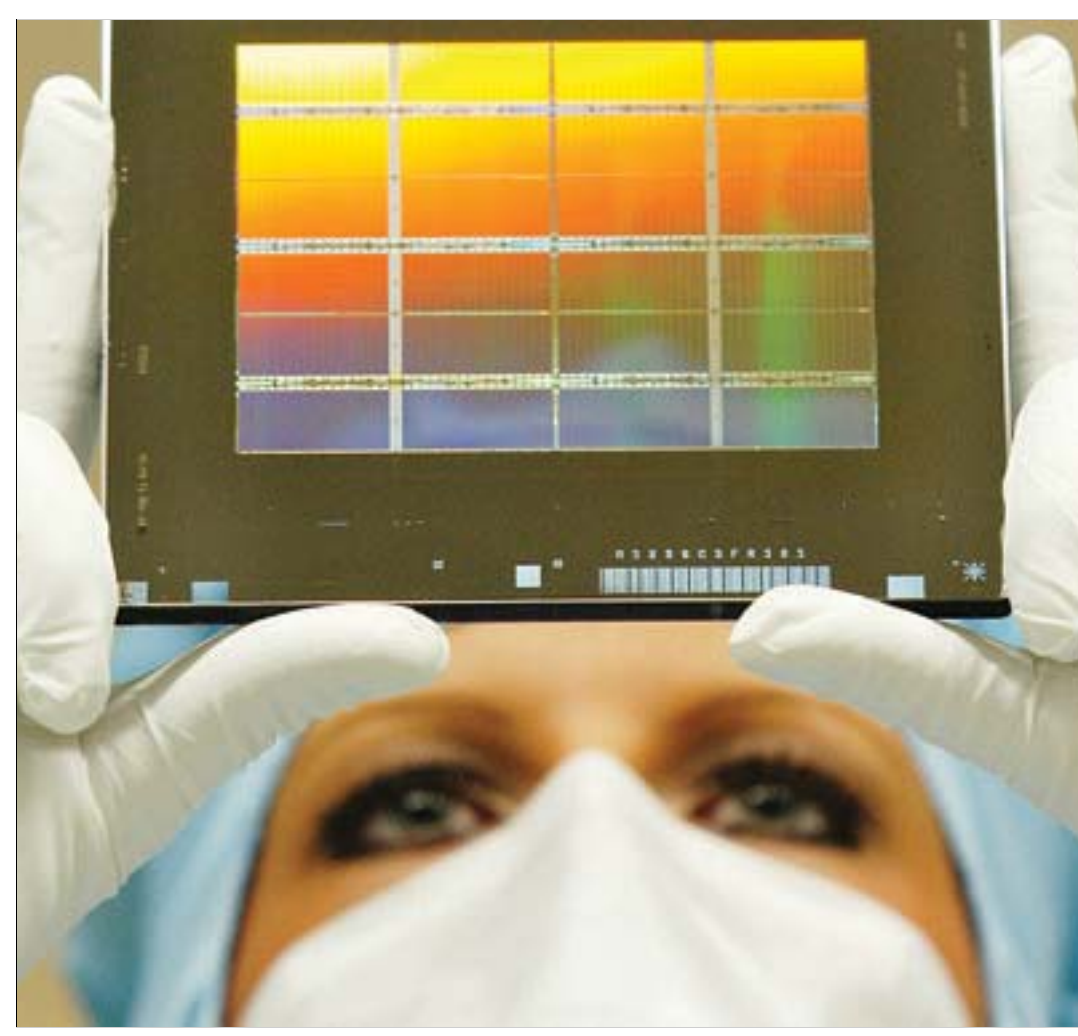
Xinhua cited the Shanghai prosecutor's office as saying the four "exploited their positions to seek gain for others, and numerous times either sought or illegally accepted massive bribes from a number of Chinese steel firms". The prosecutor appeared to accuse the men of giving and of taking bribes: "Many times they used personal inducements and other improper means to obtain commercial secrets from Chinese steel firms, causing serious consequences for the steel firms."

Xinhua said: "The Shanghai Municipal First Intermediate People's Court has accepted this case according to the law." Courts and judges in China are controlled by the ruling Communist party.

The announcement comes as pressure mounts to begin negotiations for the 2010-11 iron ore contract year, which begins on April 1. China has held no substantive talks with the miners on setting a new price. Last year's iron ore contract price talks failed to set a price for China, because of differences between China's steel industry association and foreign miners.

Lex, Page 16
BHP link-up with Rio, Page 20

Day of reckoning Infineon board crisis



A technician in Dresden holds an optical photomask, the product of a joint venture in which Infineon is a partner. The German chipmaker could see its chairman-designate blocked today by shareholders in what would be a milestone for corporate governance in the country. The campaign to bar Klaus Wucherer from the chairmanship is led by Hermes, the UK fund manager. **Report, Page 23** AP

UBS withholds SFr300m of cash bonuses after targets are missed

By Haig Simonian in Zurich and Megan Murphy in London

UBS, one of the banks hardest hit by the financial crisis, will not award senior staff SFr300m (£180m) in cash bonuses after failing to hit internal profit targets – a stark sign of how pay reforms are hitting bankers' wallets.

Like many big banks, UBS has overhauled its bonus structure to more closely align pay with long-term performance. This includes the introduction of a novel "malus" [opposite of bonus] system and allowing the bank to claw back payments if results fall short of targets.

It emerged yesterday that UBS will not disburse about SFr300m – nearly 10 per cent of its total bonus pool – to senior staff because the bank failed to make a net profit for 2009, a condition of its so-called "conditional variable compensation plan".

Oswald Grübel, chief executive, said he expected affected executives, including many of the bank's top earners, to be "realistic" about pay given the highly charged climate.

"Bank salaries and bonuses are politically influenced and have become a controversial public topic as never before," Mr Grübel told employees.

UBS insiders said the fact that the plan would not pay out this year did not come as a huge surprise, given the bank's ongoing struggle to recover from record outflows at its once-powerhouse private bank and more than $50bn of subprime mortgage-related writedowns.

About SFr2bn of UBS's net loss for 2009 is also attributable to an accounting charge on the rising value of its own debt.

The CVC plan, announced last February, set aside SFr900m in cash to be paid out in three equal tranches in 2010, 2011 and 2012, on condition that the group returned to profitability under European accounting standards and received no further bail-outs from the Swiss government.

The bank said the decision not to pay out this year would not prejudice prospects for 2011, but stressed the sums allocated would not be carried forward.

www.ft.com/ubs

Companies and sectors in this issue

Companies

Sectors

Kraft's factory jobs promise was always a risky tactic

Andrew Hill
LOMBARD

Almost everybody seems to have behaved disingenuously in respect of Kraft's "pledge" – now discarded – to keep the old Fry's Somerdale factory open after the US group's takeover of Cadbury.

Closure of the plant near Bristol was Cadbury's decision, confirmed in January 2008. Only a month later workers at the plant voted to end their official campaign to keep it open. By last summer they were merely trying to secure a pay increase from Cadbury that would, as a Unite union official told the Bristol Evening Post, "enhance their last earnings with the company before their factory closes and production goes to Poland [and] boost their final redundancy pay". In other words, the die was cast before Kraft made its hostile approach last September. Irene Rosenfeld, Kraft's chief executive, should have left well alone. Instead, Kraft said it "believed it would be in a position to continue to operate the Somerdale facility".

For a while it served everybody's purpose to construe this vague declaration as a promise – or allow others to construe it as such. It gave Kraft a card to play in any negotiation with the UK government. It gave the unions leverage in their attempt to preserve jobs, whatever the outcome of the bid. It gave false hope to factory workers who hadn't resigned themselves to their fate. It even gave Cadbury another way of underlining, privately, that Kraft didn't understand its business (how could Kraft keep Somerdale open and still realise promised savings?).

But now Ms Rosenfeld has had to concede the plant must be closed as per Cadbury's original plan, the extent of Kraft's tactical error is obvious. It has wider implications, too. Even if the Somerdale undertakings weren't cynical, the way they were used invites cynicism. That pollutes any sensible discussion about the advantages – of which there are many – and disadvantages of Britain's open market in corporate control.

Having to close the plant won't make much difference to the scale of Ms Rosenfeld's main task, which has more to do with the prospects for Kraft-Cadbury in Brazil or India than in Bristol or Bournville. What little she will save by closing Somerdale, she may now have to divert to investment in jobs elsewhere in Britain. That would only be right. But the Kraft boss has started her job as steward of Cadbury's UK legacy with Creme Egg all over her face.

Tailored for Matalan

When John Hargreaves was bidding to take Matalan private in 2006, relations with the rest of the discount clothing retailer's independent directors got so bad that they obliged the founder chairman to stay away from the Skelmersdale headquarters. The saga culminated with an offer from Mr Hargreaves that valued the whole group at £817m, the minimum the non-executives had said they could accept. It's no wonder, therefore, that Matalan has not been running the fashionable "twin-track" approach to a sale, in which an initial public offering is considered alongside a trade or private equity sale. Institutional investors have short memories. But the idea that they might have swallowed a chunk of Matalan, at a premium to the 2006 buy-out price, even with the involvement of the founder reduced, would have stretched even the most creative investment banker's presentational skills.

The story, instead, is that Mr Hargreaves didn't need to sell his company, even though private equity bidders were prepared to go as high as £1.3bn. That will send a ripple through the market for other retailers currently in private hands. What price New Look if Matalan can't find a buyer? The parallels may be as stretched as a £3 Matalan crew-neck t-shirt, however. Mr Hargreaves proved he was a one-off in the manner of the Matalan buy-out two and a half years ago. Unlike New Look's private equity owners, he and his family have no limited partners standing behind them demanding cash back from earlier deals. Just as the history of Matalan makes it hard to imagine it now relisting, it may also make it hard to read much into its "failed" auction.

How tax managers manage

Advancing dividend payments when tax changes are in the offing is not unusual: fashion retailers, water utilities and industrial flooring suppliers have all done it ahead of the latest changes to top rate tax. But at companies such as Rathbone Brothers and Hargreaves Lansdown, the policy makes sense twice over: paying a "second interim" or special dividend is good for wealthy retail investors and shows clients that when it comes to tax planning, wealth managers and investment advisers practise what they preach.

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To comment, visit www.ft.com/lombard

Potential IDC buyers ready for first round

MEDIA

KKR seen as the initial frontrunner

By Salamander Davoudi, Andrew Edgecliffe-Johnson and Martin Arnold

At least seven private equity firms and two trade bidders are preparing to submit first-round bids for Interactive Data Corporation, the financial data group majority owned by Pearson.

Likely first-round bidders are understood to include Kohlberg Kravis Roberts, Carlyle, Hellman & Friedman, Bain Capital, Apollo, Permira and Providence.

Interested trade bidders include Thomson Reuters, the news and market data company, and McGraw-Hill, the media group.

Bids are expected in the next week.

Pearson, which also owns the Financial Times, confirmed last month that IDC was reviewing strategic alternatives. The company declined to comment.

Offers are likely to come in at a premium of between 15 and 25 per cent to IDC's undisturbed share price of $25.40 on January 14, according to bankers close to the process. This would value the company at between $2.7bn and $2.9bn (£1.86bn).

But Barclays Capital said this week that it could fetch $33 per share. That would value the company at $3.1bn and Pearson's 62 per cent stake at $1.9bn.

One media banker said: "KKR is a frontrunner and the improved US financing situation has given them confidence." Data providers make attractive targets for buy-outs as they have long-term contracts which provide stable revenues.

A person familiar with the auction said: "Because it's one of the first major assets for sale in media [since the credit crunch], everybody in private equity is taking a look. You're not going to have a sense of who's real until the second round."

An IDC acquisition could help McGraw-Hill's recent efforts to expand its Capital IQ research and analysis business.

Such an expansion would lower its reliance on Standard & Poor's, which has been hit hard by scrutiny of the role of ratings agencies.

For Thomson Reuters, the acquisition of IDC would bulk up its Enterprise Data Management business. However, it is integrating the 2008 merger of Thomson Corporation and Reuters and may be wary of increasing its exposure to financial services, analysts have said. The company may also face antitrust issues.

Bloomberg, which has made only three small acquisitions in its history, has said it is not looking at IDC.

The price of £1.5bn, which was initially mooted for the discount retailer, has proved too ambitious Alamy

Matalan sale dropped after offers fall short

GENERAL RETAILERS

By Andrea Felsted and Martin Arnold

John Hargreaves, the founder and controlling shareholder in Matalan, has abandoned the sale of the privately owned discount retailer after failing to clinch a high enough price from private equity bidders.

TPG and Advent International were leading the race to take control of Matalan, although Warburg Pincus also remained interested.

However, one person familiar with the auction said none of the three remaining private equity groups was prepared to offer more than £1.3bn for the company, and this was unacceptable to Mr Hargreaves.

When the auction kicked off in October, £1.5bn was mooted as the potential value of Matalan. However, over recent weeks, it has become increasingly clear that this was too ambitious. Two bidders, Blackstone and BC Partners, dropped out of the process.

The retailer drafted in Goldman Sachs to work alongside PwC, its long-standing adviser, on the sale. Matalan said it had "closed down the potential sale process for the business" but declined to comment further, as did all other parties.

The retailer, which has enjoyed strong trading as consumers hunted bargains, could now look at other options.

However, an initial public offering is unlikely, given Mr Hargreaves' clash with investors and non-executive directors when he took the chain private in an £817m deal in 2006.

A sale of the business now would have made hundreds of millions of pounds for Mr Hargreaves.

The outcome is in stark contrast to that for Pets at Home, the UK's leading seller of pet supplies, which was snapped up by KKR, the US private equity group, for £955m.

It also raises questions about the prospects for New Look, which is looking to list on the stock market in an IPO that could value the fashion retailer at an enterprise value of between £1.7bn and £1.8bn.

New Look faces challenging market conditions and investor concerns that it is looking for a full valuation.

However, people familiar with the situation said it was continuing to press ahead with the planned listing. "The process is on track," they said.

Carl McPhail, New Look chief executive, told the FT last week that the group would not sell if the price was not right.

Ocado, the online grocer, is also poised to appoint investment banks to advise on a £1bn IPO.

Meanwhile, DFS, the sofa chain, is considering floating or seeking third-party investment and has attracted interest from Permira, Cinven and Advent.

See Lombard

De Beers set for $1bn cash injection

MINING

By William MacNamara

De Beers will announce today a $1bn (£641m) cash injection that will help recapitalise the diamond miner and keep its tripartite ownership structure intact.

Anglo American, the global mining company that owns 45 per cent of De Beers, will contribute $450m in an injection similar to a rights issue, although De Beers is privately held. South Africa's Oppenheimer family will follow with $400m and the government of Botswana, site of De Beers' richest diamond mines, will contribute $150m.

The rights issue, which De Beers said in December it agreed in principle, will help the company refinance its $1.5bn in debt due next month.

The recession hit De Beers with exceptional force. The drop in merchant credit and luxury spending exposed flaws in the diamond production chain and caused the world's biggest diamond miner to struggle to record an interim profit.

The rights issue will mark the completion of Anglo's efforts to recapitalise its most troubled affiliates. Anglo Platinum, its 80 per cent-owned subsidiary, on Monday announced a R12.5bn (£1bn) injection structured as a debt-for-equity swap with its parent company.

The platinum and diamond industries have stabilised after steep declines in demand in the last months of 2008 and are recovering from a low base.

People

EDITED BY
Emiliya Mychasuk and Emiko Terazono

Wright man for tough FSA job

A novel suggestion is doing the rounds in the search for a chief financial regulator: why not invite the highly rated **David Wright**, the senior European Commission official responsible for financial regulation, back to London.

Mr Wright was deputy director general for internal markets in Brussels, under director general **Jörgen Holmquist**.

He was displaced when **Jonathan Faull**, a fellow Brit who has been director general of the justice department, was appointed above him as director general.

Mr Faull is yet to shift into the role as part of the new team under **Michel Barnier**, the incoming French commissioner for internal markets.

A drawn-out handover means that Mr Wright remains as acting director general and is proving his worth as a tough Brussels veteran after joining the Commission in 1977.

He might find quitting Brussels after 32 years difficult. But there is no doubt he has all the skills to do a top job at the Financial Services Authority. And coming back to the UK does wonders for Brussels expats – as Lord Mandelson can attest.

Team Mittal

Steel baron **Lakshmi Mittal** usually begins a briefing on the ArcelorMittal results with a snappy prognosis but yesterday he was downbeat. Declaring the "crisis was not yet over", he lamented "slow progress". There was no joy for him at in the QPR match the night before either, as the club in which he owns a stake lost to Ipswich.

Myners job ad

City minister **Lord Myners** began the week by praising a trio of fund managers who happen to be among the most powerful in UK boardrooms: **Michael McLintock** from M&G, **Peter Chambers** of L&G and **Keith Skeoch** of Standard Life. They were models in waving the flag for corporate governance.

He followed up at a National Association of Pension Funds seminar the next day by writing what could be a job description for life after Westminster.

"There would be a very real benefit in establishing an industry-wide institute to speak with one voice on behalf of all institutional investors." It should be independent and "it would need to be chaired by a respected industry leader". He was "encouraged" to hear that the Institutional Shareholders Committee was working on developing a permanent presence and budget.

Robbie serenade

When Universal Music's new chief **Lucian Grainge** leaves for New York to take his post in July, **David Joseph**, the music group's UK chairman, will be the highest ranking executive in its offices in Kensington High Street.

Like Mr Grainge, Mr Joseph is very much an A&R man, known for scouting talent as well as keeping artists happy. He was involved in persuading the Rolling Stones to switch from EMI to Universal in 2008 and is no doubt trying to woo Robbie Williams from the troubled group owned by **Guy Hands**' Terra Firma.

Private jet flight

It came as a surprise that Air Partners, the UK company that charters aircraft for Queen Elizabeth and the White House press corps, was losing its chief executive of 17 years.

David Savile is stepping down from March 31, after 27 years with the world's leading listed air charter broker. Mr Savile says he turned 50 last year and decided that if he was going to do something else, now was the time.

His next job could be in aviation, though the soon-to-be-vacant EasyJet top job is highly unlikely. "But I can imagine doing something completely different as well."

He will be replaced internally by **Mark Briffa**, the chief operating officer, who joined in 1995.

Since Mr Savile started at Air Partners, it has grown from a team of two with turnover of about £1m to a global operation with 250 staff and turnover in 2008 of just over £250m. Sales – and profits – have slumped since, along with many aviation groups.

people@ft.com

Plenty of Cillit Bang for his buck

POWER PLAYER
Colin Day
Reckitt Benckiser

Colin Day, finance director at Reckitt Benckiser, has forged a formidable partnership with Bart Becht, his boss, evident as the impressive pair stood side by side yesterday.

The energetic 54-year-old was in his element as they took questions together on the latest results and every aspect of the business.

Mr Day joined the group in 2000, a year after the merger of Reckitt & Colman and Benckiser when Mr Becht became CEO.

Mr Day is the keeper of Reckitt's war chest for deals, being eyed by bankers. But he indicated he wasn't the type to be easily swayed. Outlining what Reckitt would do with its extra cash, he cautioned: "We are not going to be pressured to do something just because we have a business that generates lots of cash."

Mr Day joined Kodak as a trainee accountant in 1973 but left after a year to join British Gas. After studying for an MBA at Cranfield, he joined money printer De La Rue and made a mark as an executive at the Crosfield Electronics subsidiary.

After a stint at engineer ABB, he joined marketer Aegis in 1994 as finance director. At Aegis, he was involved in 40 acquisitions before switching industries to Reckitt. He is a former director of Imperial Tobacco and EasyJet, where in 2005 he was mooted as a chief executive candidate. He was a Cadbury director during the Kraft bid, and is on the WPP board and an expressed admirer of Sir Martin Sorrell, its chief.

The father of two enjoys flying and golf.

Premier League denies volte-face

TRAVEL & LEISURE

By Roger Blitz, Leisure Industries Correspondent

The Premier League denied that it was going cold on the idea of clubs being bought by foreign owners after Richard Scudamore, chief executive, said a takeover of Portsmouth football club could be launched by local businesses or supporters.

The Premier League's bottom club, which owes £11.5m in taxes, yesterday won a stay of execution at the High Court, but has been given until next Wednesday to produce a statement of financial affairs demonstrating its ability to pay creditors.

Fighting a winding-up petition from Revenue & Customs over £7.4m of unpaid tax, lawyers for Portsmouth, which has had four foreign owners in six months, said it had received interest from two buyers since Tuesday night.

But tax and insolvency experts said a voluntary administration was looking increasingly likely.

Mr Scudamore met Portsmouth fans last week to discuss the club's plight. Minutes from that meeting note Mr Scudamore said that because of the relatively small amount of money it would take to buy the club, Portsmouth was "for the first time in a long while within the grasp of local businesses/local supporters to take over and run the club".

The Premier League said that though the minutes were correct, Mr Scudamore's comments did not mean the league was now cooling on the prospect of clubs being taken over by foreign investors.

"We would never push forward any particular ownership model," the league said.

Privately, the league is exasperated at the failure of successive owners at Portsmouth to grasp the reality of owning a Premier League club, and believes that locally based owners would be easier to regulate.

It emerged yesterday that the league is in control of £4m of Portsmouth's money that could be released to pay tax liabilities. But Gregory Mitchell QC, for the Revenue, which is taking a tough line with indebted football clubs, told the High Court: "It is quite clear this club is insolvent. They have failed to provide any evidence at all as to their solvency."

Reckitt eyes deals with burgeoning cash pile

HOUSEHOLD GOODS

News analysis

Smaller bolt-on acquisitions appear more likely than big 'transformational' mergers, write **Jenny Wiggins** and **Adam Jones**

When Bart Becht, chief executive of Reckitt Benckiser, yesterday reported a 28 per cent rise in 2009 pre-tax profits to £1.89bn, analysts were left asking what the maker of Finish dishwasher tablets and Harpic toilet cleaner was going to do with the company's growing cash pile.

During 2009, Reckitt's strong cash generation meant that it swung from having net debt of £1.1bn to having net cash of £220m. If current trends continue, Colin Day, chief financial officer, forecasts that Reckitt will have a net cash position of more than £1bn by the end of the year.

Graham Jones, analyst at Panmure, said: "The amount of cash that Reckitt generates is phenomenal."

Reckitt has been distributing half of its earnings in the form of higher dividends – 2009's final dividend

Bart Becht: 'we already are in a very consolidated industry'

of 57p was up 19 per cent on 2008 – but Mr Becht has no plans to re-start Reckitt's share buy-back programme, which finished in 2008, or to pay a special one-off dividend.

Instead, he plans to spend money on dealmaking.

Mr Becht has ruled out "transformational" deals such as a speculated merger between Reckitt and the US's Colgate-Palmolive. Yesterday he cautioned that big deals in consumer products were unlikely. "We already are in a very consolidated industry," he said. "It's not very likely to happen."

Smaller bolt-on acquisitions are more likely, especially in healthcare. Consumer healthcare products have profit margins of about 25 per cent as well as decent growth prospects, with many brands performing strongly after 50-100 years on the market, says Morgan Stanley.

Possible targets identified by analysts include the consumer healthcare division of Swiss pharmaceutical group Novartis and the UK's SSL group, which owns Durex condoms and Scholl footcare, but analysts do not expect any hasty moves.

Mark Christensen, analyst at Morgan Stanley, said Reckitt's successful track record on integrating acquisitions, which have included Boots Healthcare International and Adams Respiratory, and paying down debt means it has the luxury of time. "Shareholders trust management given their track record," Mr Christensen said.

Panmure's Mr Jones added: "It would be a very brave shareholder to take [management] on and say 'give us the cash back now'... Reckitt can manage brands better than anyone else on the planet."

Reckitt has suggested it may also make acquisitions in south-east Asia and Latin America that will expand its distribution capabilities. Boots Healthcare gave Reckitt distribution networks in Europe while Adams did the same in the US, but the company remains relatively weak in emerging markets, which account for just more than 20 per cent of total sales.

Reckitt is becoming "more focused" on emerging markets, Mr Becht said yesterday. "The growth opportunity is becoming better and better in developing markets... more and more people are entering the middle class where they can afford our products."

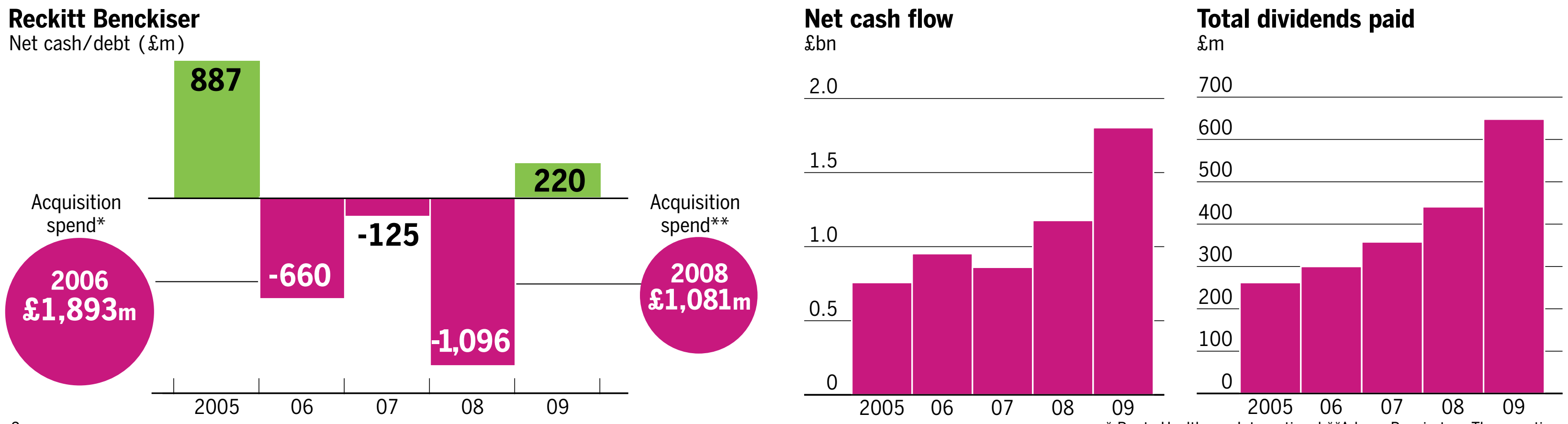
The company's strongest brands in emerging markets include Dettol disinfectant and Vanish stain remover but it sees opportunities for brands such as Finish dishwasher tablets in the future, as people gradually earn enough money to buy dishwashers.

Reckitt's revenues rose 16 per cent in developing markets in 2009 but just 1 per cent in Europe and 7 per cent in North America and Australia. Mr Becht warned Europe would continue to be a "challenging" market. "It's moving sideways," he said.

Reckitt yesterday reported an 18 per cent increase in 2009 sales to £7.75bn, while fourth-quarter underlying sales rose 10 per cent, beating analysts' forecast of 6.3 per cent growth. The 28 per cent rise in pre-tax profits was partially due to a bumper contribution from the company's pharmaceuticals arm, where operating profit almost doubled to £371m.

But the profits of this division could collapse because Reckitt lost the right to be the exclusive US seller of Suboxone, a lucrative methadone substitute, in October. It is waiting to see if – or when – generic competitors emerge.

Reckitt said it was confident of delivering "continued good growth in 2010". Excluding the pharma division, it said it was targeting 5 per cent growth in underlying sales and 10 per cent growth in underlying operating profit. Its shares closed up 53p at £31.87.



Source: company

* Boots Healthcare International **Adams Respiratory Therapeutics

Power brands

Bart Becht, Reckitt Benckiser chief executive, has put product innovation at the core of his strategy, relying on "value-added" products to keep customers buying its brands during the recession, **writes Jenny Wiggins**.

"It is even more important [during difficult times] to sort our brands apart from the cheap stuff," Mr Becht says.

The focus is on regular improvements to Reckitt's 17 so-called "power brands".

This year it is releasing Finish Quantumatic, a detergent that can be clipped on to the racks of dishwashers; Airwick Aqua Mist, a "natural" air freshener that comes in a bottle that does not contain chemical propellants; and Vanish Oxi Action Extra Hygiene, a stain remover that claims to remove bacteria from clothes washed at low temperatures.

It has also brought out the Lysol No-Touch Hand Soap System, a dispenser that "senses" the presence of hands and pumps out soap without requiring physical contact.

AMG agrees $775m deal for Pantheon

GENERAL FINANCIAL

By Kate Burgess and Martin Arnold

Affiliated Managers Group from the US has agreed to buy Pantheon Ventures, the UK-based private-equity fund of funds, for about $775m (£496m) in cash from Russell Investments.

The deal cements AMG's expansion into alternative investments and into Europe and the UK. It is AMG's first purchase of a private-equity manager and its second acquisition of a UK investment group this month. Last week AMG agreed to buy just over half of Artemis, the UK retail fund manager, for between £150m and £200m from BNP Paribas.

AMG has now agreed to take 85 per cent in Pantheon, which has about $22bn under management, with Pantheon managers expected to buy the rest.

The Boston-based group, which runs $231bn in assets through about 31 investment boutiques including Tweedy, Browne in the US, is expanding aggressively having completed five deals in seven months and built an alternative investment business of about $30bn in assets, mostly hedge funds.

Sean Healey, AMG chief executive, said further acquisitions of a big private equity firm were unlikely but small private-equity businesses would be folded into Pantheon.

Alastair Bruce, managing partner of Pantheon Ventures in London, said 21 of the top partners would invest their own money as part of the acquisition.

BHP reaffirms iron ore link-up with Rio

MINING

'Nothing close' to rivalling plan's value

Group profits beat consensus forecasts

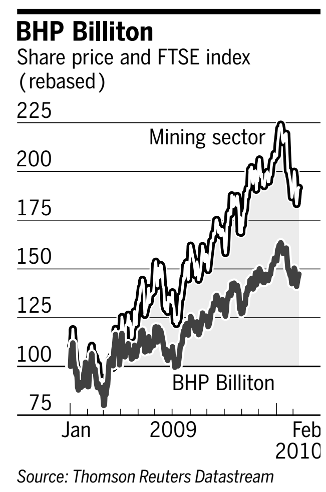
By William MacNamara in London and Peter Smith in Sydney

BHP Billiton said yesterday that no potential acquisition target offers anything close to the value of its proposed iron ore venture with Rio Tinto, its nearest rival.

In its half-year results to December 31, the cash-rich miner continued to set itself apart from the hard-hit mining sector with profits higher than consensus forecasts.

It paid a dividend of 42 cents per share, one cent higher than the interim period last year. Earnings per share more than doubled from 47 cents to 110.3 cents.

BHP's net cash balance of $8.4bn remained plump, although lower than the $10.8bn on June 30. The group drew criticism from analysts who think BHP should use the cash to buy a large company. Names such as Potash Corp of Canada, Woodside Petroleum of Australia and BG of the UK have been mentioned. But Alex Vanselow, chief finance officer, said that in the wider market "nothing comes close" to rivalling the value of combining Rio and BHP's iron ore operations in the Pilbara region of Western Australia. That proposal, first announced in June 2009, is under scrutiny by European competition officials.



Source: Thomson Reuters Datastream

"Rio was the only one worth [pursuing]", Mr Vanselow said, referring to a hostile takeover battle that BHP abandoned in November 2008. "We tried that. What was the part of Rio that was worth the most? The Pilbara. That is what we're getting."

Rio and BHP expect approval for their joint venture company, whose value has been estimated at $116bn, in the second half of 2010. If it is approved in the face of strong opposition from steelmakers, BHP will owe Rio an "equalisation payment" estimated at about $5.8bn.

That is one reason why so much cash remains on its books, said Marius Kloppers, chief executive.

"We are a relatively conservative value proposition," Mr Kloppers said in a conference call. "Given the relative growth in our capital expenditure, the bill we have got to pay Rio and the relatively volatile outlook on the market, we are satisfied about where we are."

The group's share buyback programme was not reinstated, and Mr Vanselow said he would buy back shares when it was clear that the global economy had recovered.

Base metals, iron ore and coking coal businesses performed ahead of market estimates, while the petroleum division disappointed due to lower oil and natural gas prices.

BHP's net debt stood at $7.9bn at the end of 2009 and its gearing ratio was 15 per cent. By contrast Xstrata, a smaller mining group, on Monday revealed net debt of $12.3bn and gearing of 26 per cent, about the gearing that analysts expect for Rio Tinto when it reports today.

BHP and Rio's key argument for their joint venture is that it is "operations-only". They would jointly own a company that would control about 40 per cent of the global seaborne iron ore market but would sell the iron ore separately.

Pre-tax profits rose from $6.9bn last time to $8.9bn in the half year to December. Revenues fell to $22.2bn from $25.4bn.

BHP shares fell 1.5 per cent to £18.57.

Going concern clarifications pose problems for UK plc

ACCOUNTANCY

News analysis

History suggests more companies run into difficulties at the end of a recession, writes Rachel Sanderson

Just as politicians fear that unemployment will rise after the technical end of the recession, accountants have warned that the number of groups receiving going concern clarifications from company directors and auditors could follow suit.

Going concern – a judgment meaning directors and auditors believe a company is viable for at least 12 months – has been controversial in the downturn.

In spite of fears and some public failures, such as Woolworths, more UK groups than expected have managed to weather the crisis and earn this stamp of approval.

But dwindling credit lines that are proving difficult to refinance in illiquid capital markets, the perils of restocking in a weak recovery and the length and depth of economic difficulties are pushing the health of parts of UK plc to the limit.

"History suggests more companies run into going concern difficulties at the end of a recession," says Ian Wright at the Financial Reporting Council, the industry regulator that has taken steps to try to prevent the trend continuing this year.

Early into this reporting season for companies with calendar year-ends, auditors for the holding company of EMI, the music group, and Vantis, an Aim-listed accounting and advisory group, have raised uncertainties about the companies' ability to continue as going concerns.

Queries on cash flow and credit lines sparked auditor concern that they underlined in "emphasis of matter" paragraphs designed to draw attention to key disclosures by directors.

In the case of Vantis, its share price halved in the following days although it has pared its losses.

Accountants say this violent market reaction is due to a misperception that a query over a company's going concern status means it is about to collapse.

It has led John McFall, chairman of the influential Treasury select committee, to refer this week to a long-held concern that a "systemic crisis" could stem from going concern fears.

The FRC has sought to fend off this threat with the publication last October of tighter rules for company directors.

Its revised Guidance for Directors aims to encourage companies to have a plan B if funding gets tight.

For example, a company with freehold property would be fully prepared for a sale-and-leaseback at short notice.

There are early signs it may be working, though the peak reporting period is to come.

Private equity-backed companies, retailers and the media industry remain some of the more vulnerable sectors to going concern queries, say accountants.

Corporate liquidations fell by 1 per cent in the fourth quarter compared with a year earlier, according to the Insolvency Service.

Nevertheless, accountants say having a "going concern" clarification is a lesser evil.

John Flaherty, managing partner of assurance for Ernst & Young in the UK and Ireland, says investors and companies have an emotional reaction to the expression "going concern".

"But it is much better to be disclosed to the market in this way than for the market to find out [about corporate difficulties] six months later.

"That would have a much worse effect on the share price."

See Lex

Woolworths, a public failure during the downturn


Demand for its GPS location services in everything from mobile phones to cars and cameras has helped CSR return to profit

GPS boom helps CSR find sweet spot

ELECTRONIC HARDWARE

By Maija Palmer, Technology Correspondent

CSR, the Cambridge-based semiconductor group, returned to profit in the fourth quarter boosted by the demand for GPS location services in everything from cars to mobile phones and cameras.

However, full-year revenues fell 13.5 per cent to $601.4m (£386m), and pre-tax losses widened from $6.5m in 2008 to $14.2m, reflecting a difficult turnround year.

CSR said it had won back Nokia, the world's largest handset maker, as a customer after two years of being shut out of its designs. Nokia's new smartphone range now contains a CSR chip providing an FM radio and Bluetooth wireless connection. Two other handset customers – thought to be Samsung and LG – also use these chips.

Pre-tax profits for the three months to the end of December swung from a $15.8m loss a year ago to a profit of $21.9m. Revenues rose 41 per cent at $198m compared with the same period last year. Earnings per share of $0.12 compared with a $0.05 loss per share last time.

Shares in CSR, which have more than doubled in value over the past year, rose 24p to 468p.

Demand for GPS chips has been a key area of growth for CSR. The company last year bought Sirf, a US-based maker of location chips, and has seen sales of GPS chips to car-makers and personal navigation device manufacturers rise 149 per cent to $127.3m in the past year.

Joep van Beurden, chief executive, said there would be a further boost from the trend to include mapping services in mobile phones. Nokia and Google have recently launched free turn-by-turn navigation services for handsets.

Mr van Beurden forecast first-quarter revenues of between $160m and $175m. He said the overall market for chips offering "connectivity", whether through Bluetooth, wi-fi, radio or GPS, would grow 15 to 30 per cent this year, and that CSR would benefit.

● FT Comment

Over the past year CSR has focused on cutting costs, wooing back Nokia and integrating Sirf. This is the first time that has shown up in the figures, encouraging analysts to nudge up forecasts for next year. Competition from Broadcom and Texas Instruments will continue to be tough but CSR has proved it is more than a one-trick, Bluetooth-dependent pony. With more than $400m cash it could make more acquisitions to diversify. Analysts tend to look at CSR on the basis of enterprise value over sales, currently just over one and nearly half that of US peers. This is too low for a company on the way to recovery.

Autonomy investors give $1bn US buy green light

SOFTWARE

By Philip Stafford

Autonomy shareholders have given the UK's largest software company by market value the green light to make a $1bn acquisition in the US after backing a £500m ($758m) convertible bond issue.

The search software group raised the funds for the five-year issue, which will offer a coupon of 4 per cent, in several hours in London yesterday. Combined with its gross cash of $242.5m, it gives Autonomy a war-chest of more than $1bn. Shares in the group closed down 88p at £15.22.

Analysts said companies such as Canada's Open Text, MicroStrategy and Fair Isaac were mentioned as potential deals, although they acknowledged that there had been little speculation surrounding previous Autonomy targets such as Interwoven a year ago and Zantaz in 2007.

If a deal arrives, it is likely to prolong the debate about the quality of Autonomy's earnings. While most of the City is supportive, the stock has been attacked by a small but vocal minority of analysts who have argued its regular deals obscure its underlying performance.

While deals have formed a vital part of Autonomy's growth strategy, the group recorded organic growth of 16 per cent in the year to December 31.

Analysts did not discount the possibility of a deal far in excess of $1bn. "The convertible bond issue, combined with an equity raising later in the year, suggests a $2bn deal is within range," said Roger Phillips, an analyst at Evolution Securities.

Mike Lynch, chief executive, played down the prospect of an early deal. "By the second half of the year there could be some opportunities," he told the Financial Times. "But there's nothing imminent, it's just the start of the process."

The fundraising comes as Autonomy's share price rose to a nine-year high on the back of upbeat full-year results, which indicated that business confidence was improving.

"In our view Autonomy has elected to trade-off rating for scale of earnings," said David Toms, an analyst at Numis Securities, who pointed out that Autonomy's acquisition track record had been good.

On Tuesday Autonomy announced a $55m deal for US group MicroLink, a reseller of its software which targets the US state and federal government.

Morgan Stanley was global co-ordinator and sole bookrunner for the offering with UBS co-bookrunner.

Hargreaves Lansdown set to fund special dividend

GENERAL FINANCIAL

Move to make most of current tax rates

By Patrick Jenkins and Alistair Gray

Peter Hargreaves and Stephen Lansdown, founders of the eponymous investment adviser, are set to avoid about £1.6m of income tax as a result of their company's dividend pledge.

Hargreaves Lansdown is dipping into reserves to fund a special dividend in a move to help retail shareholders make the most of current tax rates before they rise on April 6.

The group, which reported a 9.2 per cent increase in pre-tax profit to £39.8m for the six months to the end of December, said it wanted to pay "as much dividend as possible" before the end of the current tax year. Although the Bristol-based group reported a 14 per cent jump in revenue to £74.6m and assets under management were 58 per cent higher at £15.6bn, it warned that low interest rates were putting increasing pressure on margins.

"I'm very pleased with those results as it's been a very difficult time," said Mr Hargreaves, chief executive. "Interest rates have been a very serious headwind and I don't see anything in this economy to make it move away."

9.2%

Rise in pre-tax profit for six months to end-December

The UK's largest independent investment adviser by market capitalisation said it would pay a special dividend of 1.6p a share on top of a standard interim dividend of 8p. The company said that were it not for the taxation changes, it would have paid about 3p.

The founders of Hargreaves Lansdown own just more than half of the equity between them and staff hold a further 15 per cent of the shares.

Other FTSE 250 companies to make similar dividend moves this week include Homeserve, Pennon Group and Beazley.

Earnings per share for the six-month period were 6p on a diluted basis, up 9 per cent.

The jump in assets under management was mainly due to the sharp rise in equity markets during the period, with the FTSE All-Share index up 27 per cent. The company took in £1.4bn of net new client money.

Hargreaves Lansdown said clients had edged back into equity investments during the period, with stocks now accounting for 27 per cent of client portfolios, up from 25 per cent, and funds representing 61 per cent of the overall asset allocation, up from 59 per cent.

Lombard, Page 18

Revolt over pay-out to ex-Grainger boss

REAL ESTATE

By Daniel Thomas, Property Correspondent

Grainger, the UK's largest residential landlord, has suffered a shareholder revolt against a multi-million pound pay-out to former chief executive Rupert Dickinson.

Shareholders at the FTSE 250 company's annual meeting, in Newcastle upon Tyne, yesterday voted down a £2.98m payment to Mr Dickinson, who stepped down because of ill-health in October.

The payment, which was six times Mr Dickinson's annual salary, has been criticised by the Association of British Insurers (ABI) and Pirc, the investor consultancy.

Grainger said the level of payment had been made on legal advice. The move has come against a backdrop of criticism about bonus pay-outs in the banking sector, although Grainger's payment has come in unique circumstances given Mr Dickinson's ill health.

The resolution to approve its remuneration report was voted down by 53 per cent to 47 per cent.

Grainger said: "A number of Grainger's shareholders have clearly been concerned about the payment made to Rupert Dickinson. However, the very special circumstances surrounding Rupert's departure for reasons of ill health and the compromise agreement reached with him have meant that the company has been – and continues to be – bound by strict confidentiality restrictions."

Robin Broadhurst, Grainger's chairman, said at the meeting that there were three elements to the payment, including salary in lieu of notice of £493,000, accrued but unpaid bonus for past years of £992,521 and a payment to compromise potential litigation arising from the departure for reasons of ill health.

More news at ft.com/companies/uk

● DMGT revenues fall
Daily Mail & General Trust indicated that several parts of its newspaper and events business were showing signs of a recovery as it reported first-quarter trading

● Astaire offer
Stock broker Astaire has made a recommended £3.6m offer for rival Hoodless Brennan

● Telecity to expand
Telecity, Europe's largest datacentre provider, is likely to double its capacity across the region after it secured a £200m debt facility

● Elan narrows losses
Increased demand for its multiple sclerosis drug Tysabri and a tie-up with Johnson & Johnson has narrowed losses at Elan, which forecast that in 2010 it would make an operating profit for the first time in nine years

● Stewart Milne upbeat
Stewart Milne Group, the Scottish housebuilder, struck a cautiously upbeat note. That was in spite of reporting an annual pre-tax loss of £27m, compared with a pre-tax profit of £25m the previous year

RESULTS

Name		Turnover	Pre-Tax	EPS (p)	Div (p)	Pay day	Total
BHP Billiton $	Int	22,195 25,428	8,888 6,892	110.3 47	42 41	Mar 23	– 82
Elan $	Fin	1,000 1,113	297L 130L	15L 35L	– –	–	– –
Hargreaves Lansd	Int	74.6 65.6	39.8 36.5	6 5.5	9.6* 3	Mar 26	– 10.1
Jarvis Securities	Fin	4.65 4.89	1.7 1.94	11.46 12.3	20 nil	–	20 5
Morse	Int	108 108	4.1 3.21L	2.3 13.5L	nil nil	–	– nil
Pan African Res	Int	29 25	7.37 7.91	0.34 0.23	– –	–	– –
Reckitt Benckiser	Fin	7,753 6,563	1,892 1,474	198.9 157.6	57 48	May 27	100 80
Smurfit Kappa €	Fin	6,057 7,062	52L 11L	55.8L 22.8L	– –	–	– –

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period. *Includes 1.6p of special dividend. For more information on dividend payments visit www.ft.com/marketsdata

CME takes control of Dow index business

GENERAL FINANCIAL

Companies agree joint venture

News Corp unit valued at $675m

By Hal Weitzman in Chicago and Andrew Edgecliffe-Johnson in New York

CME Group, the world's biggest futures exchange, has struck a deal with Dow Jones for a joint venture in which the Chicago trading giant will take control of the Dow index business from News Corp.

The deal, announced yesterday by CME, is the latest sign that international financial exchanges are looking to diversify their sources of revenue.

CME will take 90 per cent of the joint venture and the Dow 10 per cent. The deal values the index business at $675m, towards the low end of expectations when News Corp began exploring a sale last summer.

> Deal 'provides advantages the index business needs to grow and prosper'

CME said it would contribute market data services valued at $607.5m and the new entity would issue about $613m in third-party debt, which it would use to pay the Dow $607.5m.

News Corp has for months been looking to restructure the Dow, which it bought two years ago for $5.6bn. Proceeds from the sale will be timely for Rupert Murdoch, whose group has agreed to settle a lawsuit filed by Valassis, a distributor of advertisements in newspaper inserts, for $500m.

The Dow Jones Index auction is understood to have been triggered last year by an expression of interest by MSCI, the rival index provider. MSCI, which has very little debt on its balance sheet, is among several market data groups and private equity firms understood to be examining RiskMetrics, the $1.1bn risk analysis company also expected to be sold in the coming months.

Craig Donohue, CME chief executive, told the FT the joint-venture structure would not only enable the exchange to create additional products but also tap the Dow's expertise and brand recognition.

CME was looking at developing more indices that span asset classes such as commodities, energy and other financial instruments as well as equities.

Mr Donohue said CME could also build on its relationships with other international exchanges to develop financial indices around the world.

The joint venture allows News Corp to hand over the cost of running the index business while retaining its historic link to the Wall Street Journal, whose managing editor chooses the Dow's components.

Les Hinton, Dow chief executive, said the deal "provides advantages the index business needs to grow and prosper" and gave Dow "the opportunity to tighten its focus on its news and business information products while preserving and protecting an iconic business brand".

The negotiations come in the wake of Dow Jones's agreement in November to sell its one-third stake in Stoxx, the index company, to Deutsche Börse and SIX, its Swiss partner, for $309m.

As trading volumes have fallen in the past two years, exchanges are increasingly looking for acquisition opportunities beyond their traditional businesses.

The transaction is expected to close before the end of March, subject to regulatory approval.

Temasek to launch $4bn subsidiary

INVESTMENT COMPANIES

By Kevin Brown in Singapore and Sundeep Tucker in Hong Kong

Temasek, one of Singapore's two sovereign wealth funds, is to set up a wholly-owned subsidiary with an expected $3bn to $4bn available to invest when fully established.

The unit, which has been named Seatown – the English translation of Temasek – will be led by Charles Ong, its chief strategist, and Nasser Ahmad, the co-founder of a New York-based hedge fund.

Temasek will provide seed finance to Seatown, which is also expected to attract backing from institutional investors.

In a brief statement, Mr Ong said Seatown would be "a global investment company, wholly owned by Temasek".

The sovereign wealth fund confirmed that it had seconded a small team to Seatown but declined to comment further.

The subsidiary has already been registered with Singapore's Accounting and Corporate Regulatory Authority.

Temasek is among the world's most high-profile sovereign wealth funds, with S$172bn ($121bn) under management in July 2009, according to its latest estimate.

Seatown's investment mandate is expected to span stocks and bonds, with the possibility of taking large stakes in overseas companies. It is also expected to consider investing in distressed debt.

But it will not act as a hedge fund, according to a person with knowledge of Temasek's thinking.

Mr Ong is a former investment banker who joined Temasek in 2002.

Mr Ahmad founded DiMaio Ahmad Capital, a multibillion-dollar hedge fund specialising in credit products.

"I think Seatown will test the water and use less than 10 per cent of its funds for alternative investing," said one person familiar with the matter.

"Temasek recognises that to deliver high returns its structure cannot be monolithic."

The creation of Seatown could also establish a vehicle that allows local Singaporeans to co-invest alongside Temasek.

Last July, Ho Ching, the fund's chief executive, told a local business audience that it might ultimately allow the public to invest with it in projects.

"We are principally looking for people, including retail investors, who are prepared to invest long-term," she said.

"We are not thinking in terms of a mutual fund or any other short-term vehicles like that."

Like many other sovereign wealth funds, Temasek suffered heavy losses during the global financial crisis, particularly in western banks including Bank of America and Barclays.

However, the value of its portfolio rebounded significantly last year as global markets rallied.

Its net profits fell to S$6bn for the financial year to the end of March, against S$18bn previously.

Total shareholder returns for the year fell 30 per cent, measured by market value, but remained at an annualised 16 per cent for the 35 years since the group was founded.

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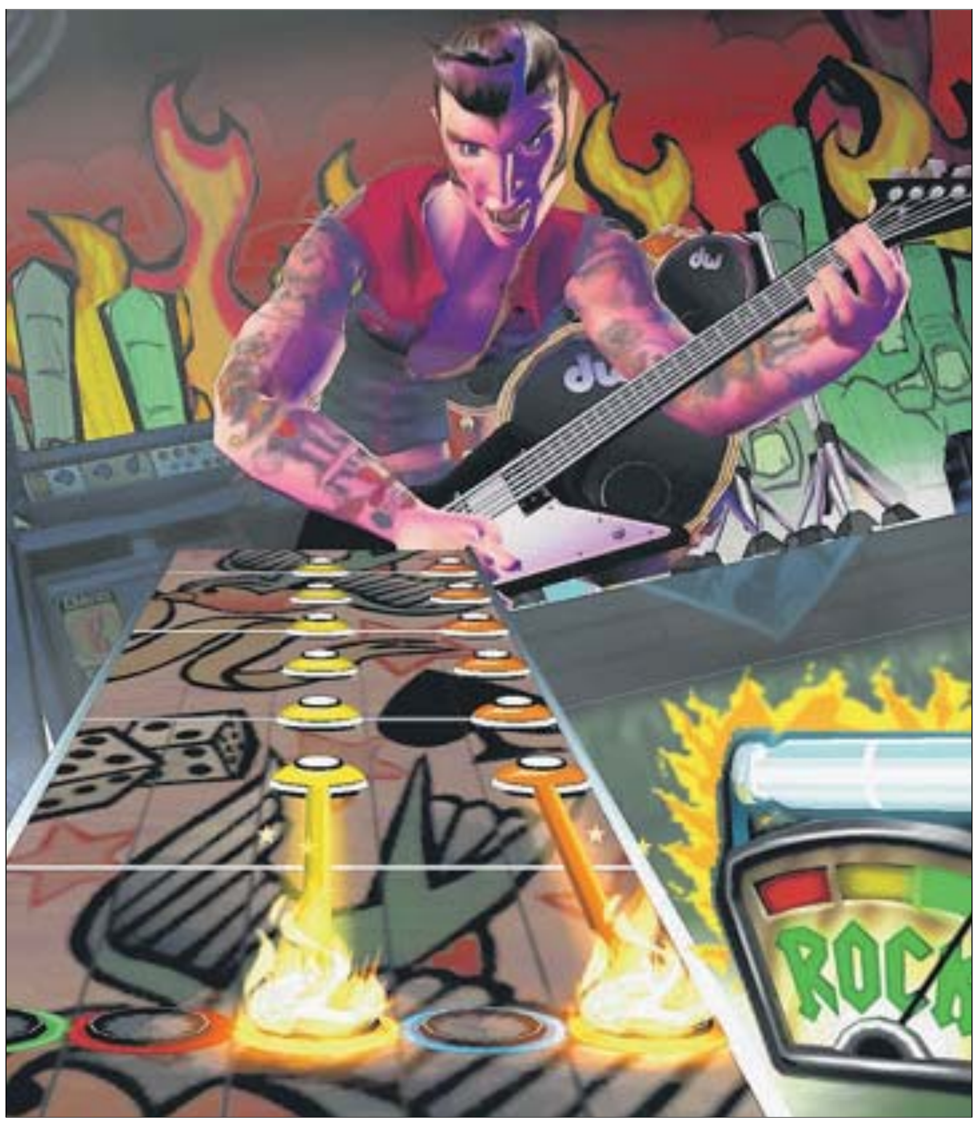


Guitar Hero sales suffered badly during last year's recession AP

Activision is rocked by Guitar Hero writedown

MEDIA

By Chris Nuttall in San Francisco

Activision Blizzard, the world's biggest video game publisher, announced a $409m writedown yesterday as its *Guitar Hero* franchise hit a sour note with consumers.

Its move followed Electronic Arts' disclosure on Monday that it had no current plans to distribute another title in its rival *Rock Band* series of games.

The music genre, once a big growth driver for the video game industry, experienced a precipitous decline in 2009, with US sales halving from $1.4bn in 2008 to around $700m, according to industry analysts.

Bobby Kotick, Activision chief executive, said the impairment charge, worth 19 cents a share, reflected "the reduction in our expectations for future cash flows for that [*Guitar Hero*] business".

"The casual consumer in video games did not purchase in the way we would have liked last year and I think you can expect that behaviour, in these difficult economic conditions, will continue," he said, in a Financial Times interview.

Mr Kotick said he was pleased with the launch of an expansion to the franchise – *DJ Hero* – which features club music and a turntable rather than the guitar accessory. He said it had got off to a good start as the highest grossing new intellectual property launched in 2009 and a *DJ Hero 2* had been given the green light.

> **$700m**
> **Music game sales in US last year, according to analysts**

Fans of *Rock Band*, which featured a Beatles edition last year, were left disappointed when no news was announced of an expected release of *Rock Band 3* and a version featuring the band Green Day, during EA's earnings call on Monday. Instead, the company said it was looking to reduce its lower-margin distribution business – it handles the title for the media company Viacom and developer Harmonix.

Activision reported fourth-quarter results ahead of Wall Street expectations with revenues of $2.5bn and profits of 49 cents a share. Analysts expected sales of $2.23bn and earnings of 43 cents a share.

Its quarter was dominated by the release of *Call of Duty: Modern Warfare 2* in November, which had a record launch for a media property and has netted more than $1bn in sales at retail so far.

The company announced an annual dividend of 15 cents a share and a $1bn buy-back of its stock. Its shares rose more than 6 per cent to $10.73 in extended trading in New York.

However, Activision issued a cautious outlook, predicting lower sales this year of $4.4bn, down from $4.75bn in 2009 and below analyst forecasts of $4.84bn.

Companies | International

Germany's nuclear power debate refuses to go away

Paul Betts
EUROPEAN VIEW

It is an old and passionate debate in Germany and it simply will not go away. Can the country afford to stick to its current legal obligation to phase out its nuclear reactors after 32 years of service without risking a serious blackout? Or should it extend, as others are doing, the operational life of its nuclear reactors that provide about a quarter of the country's electricity? If so, the question is by how much longer?

According to all the latest public opinion polls, a majority of Germans – around 60 per cent – remains fiercely hostile to nuclear power and continues to favour the current phase-out legislation passed by the former coalition of Social Democrats and Greens. Under this legislation, at least two of the country's 17 nuclear reactors should be shutting down by the end of this year.

Angela Merkel's Christian Democratic Union and her new Free Democratic party governing coalition ally have suggested extending the life of German nuclear plants – at least until such time that alternative renewable sources can make up the energy deficit that the nuclear phase-out is bound to provoke.

As a pragmatic and practical politician, many suspect Ms Merkel's preference would be to prolong the life of these plants by another 20 or more years rather than by only an extra eight years, as some of her own political allies are suggesting. After all, the US has extended the life of its nuclear facilities from 40 to 60 years and Spain is currently also considering a similar extension for its eight reactors that produce about 20 per cent of its electricity needs.

Indeed, if she had her way, Ms Merkel would probably also like to see Germany invest in new nuclear facilities and technologies just as the UK, the US and, of course, France with its extensive deployment of nuclear plants, are doing. But as a political realist she also knows this is impossible in Germany today. So the best she can hope is to persuade her government partners and voters of the need to use nuclear power as a bridging solution until alternatives can be found.

Again, the devil will be in the detail and in this particular case how long the nuclear bridge should be. Judging from the current agitation in her CDU party, the ultimate decision is likely to be fraught with political problems.

Once again, the nuclear issue seems to be commanding centre stage in the campaign for important elections in May in North Rhine-Westphalia, the country's most populous state and with Bavaria one of its most economically powerful. Norbert Röttgen, the CDU minister for the environment and nuclear safety, has already set the cat among the pigeons by breaking party lines and suggesting that nuclear energy should be phased out as fast as possible.

Inevitably, there is a sound political explanation for his stance. According to opinion polls, Jürgen Rüttgers, the outgoing CDU president of the big state, is unlikely to be able to rely on his existing FDP allies to win another term. Instead, he will probably need to seduce the Greens to join him in a new coalition. This means making all the appropriate anti-nuclear noises.

Ms Merkel has already promised that her coalition government will unveil a long-term energy strategy for the country in the autumn. The chancellor is unlikely to commit herself before then and certainly not before the North Rhine-Westphalia vote. But time is pressing. The country, according to the German national energy agency, risks finding itself short of some 12,000MW by the end of this decade.

Greek defence

Nicolas Sarkozy, the French president, and George Papandreou, the Greek prime minister, lunched at the Elysée palace in Paris yesterday but Germany, cynics suggests, will probably end up picking up the bill as usual.

After all, Berlin now seems to be taking the leading role in orchestrating the eurozone's efforts to bail out Athens and avoid a speculative run on the European currency. In turn, this seems to have raised the hopes of the French defence industry of selling French multimission frigates and other equipment to Greece.

Athens last year launched negotiations with France to buy six Fremm-type frigates as well as a batch of helicopters as Greece continues to fret about Turkish fighter aircraft flying over its airspace and smugglers ferrying immigrants from Turkish shores. Dassault, the French aerospace group, has also long been looking to Greece as a potential customer for its Rafale combat aircraft that it has so far failed to place in any export market.

But can the Greek government really afford to splash out €2.5bn ($3.4bn) for the frigates alone? The answer is pretty obviously no.

european.view@ft.com

Cars

Record losses in crisis year at Peugeot

Push to lift share of shrinking market

Chief claims group has turned corner

By John Reed in London

PSA Peugeot Citroën reported the biggest full-year loss in its history yesterday and said it faced a "challenging" year ahead, but forecast that it would make an operating profit for the first half of 2010.

The French carmaker said it expected Europe's car market to shrink by about 9 per cent this year but that its share would increase, helped by the arrival of models such as the Peugeot brand's 3008 and 5008 crossover vehicles and Citroën's new C3 and DS3 small cars.

Peugeot's record €1.16bn ($1.6bn) net loss for 2009 reflected a 7 per cent drop in its vehicle sales in a crisis year during which the family-controlled company sought €3n of bail-out loans from the French state. The company lost €363m after tax in 2008.

Peugeot, Europe's second-largest carmaker by sales after Volkswagen, narrowed its net loss to €199m for the second half thanks to scrappage programmes and car launches.

Philippe Varin, chief executive, described 2009 as "a year of two halves", and said the company had "turned the corner". He added: "The crisis has been pretty difficult [but] the company is getting out of it with good momentum."

Commenting on Peugeot's talks on a possible alliance with Japan's Mitsubishi, Mr Varin said one of the topics under discussion was low-cost small cars.

He said Peugeot hoped the alliance would help it build its presence in Asia. In China, the French carmaker reported double-digit growth last year but just over 3 per cent market share – "clearly not enough", Mr Varin said.

In December, Peugeot said it was considering buying a stake in Mitsubishi as part of an expanded partnership. The two companies already co-operate on electric cars, produce crossover vehicles together, and are building a joint production plant in Russia. Mr Varin would not comment on the progress of the talks, or when they might conclude.

Peugeot says it would only consider an alliance with another carmaker that was consistent with its global strategy, created value and allowed it to maintain its independence.

Separately, Mr Varin played down the impact of Toyota's quality problems on Peugeot's business. The two share a plant that makes small cars in the Czech Republic. Peugeot last week said it was recalling about 97,000 Peugeot 107 and Citroën C1 models to fix the same sticky accelerator problems that Toyota has had in its Aygo model built at the same plant.

Mr Varin described the cost to Peugeot of the recall as "not material at the group level", and said: "The quality system that we have in the plant today is one of the best that can exist."

www.ft.com/cars

The Japanese carmaker issued a news release about the recall because of heightened public sensitivity to quality issues AP

Honda move unnerves investors

Faulty airbags

By Jonathan Soble in Tokyo

Honda, Japan's second largest carmaker, yesterday unsettled investors when it announced a recall of 438,000 vehicles, mostly in the US, to fix airbags.

The announcement comes amid the furore over problems at Toyota, which is facing Congressional hearings in the United States over its recall of 8.5m vehicles since November.

On Tuesday, Toyota recalled 400,000 petrol-electric hybrids, including its latest generation Prius, over problems with software that controls the brakes.

Honda said it took the unusual step of issuing a news release detailing the recall because of heightened public sensitivity to quality issues owing to the Toyota problems.

Yesterday's announcement by Honda expanded an airbag-related recall that had affected half a million cars, vans and sport utility vehicles, including the Accord and Civic models, since 2008.

The latest recall brings the number of vehicles recalled by Honda this year to more than a million.

Last month, Japan's second-largest carmaker said it was recalling 646,000 Fit, Jazz and City subcompacts to fix power window switches.

Honda said the airbag problem involved chemical propellant that could cause the device to over-inflate and rupture when deployed during a crash. Flying fragments from ruptured airbags can injure passengers.

Honda has admitted fault for 11 injuries and one death related to the airbag problem.

It said yesterday that there had been no reports of airbag failure in vehicles involved in the latest recall, all of which were built in 2001 and 2002.

> The problem involves propellant that can cause the device to rupture during a crash

In addition to Accords and Civics, the recall affects CR-V sport utility vehicles, Odyssey vans and Acura TL and CL saloons.

Honda said 378,000 vehicles would be recalled in the US, 41,000 in Canada, 4,000 in Japan and 13,000 elsewhere.

Honda shares ended 1.6 per cent lower on the Tokyo Stock Exchange, against slight rises for other carmakers, including Toyota, and the broader Nikkei average.

Last week, Honda raised its full-year profit forecast by 71 per cent, buoyed by cost cuts and subsidies that have supported a rebound in demand.

Honda expects a net profit of Y265bn for the fiscal year ending March 31, Y110bn more than it had projected and close to double last year's net profit of Y137bn.

The company yesterday declined to give a cost estimate for the airbag recall but said it believed existing warranty-related reserves would be sufficient to cover the expense.

US auto safety watchdog fights back

Toyota recall

By Stephanie Kirchgaessner in Washington

The chief US auto safety regulator yesterday defended itself against claims that it had not been aggressive enough in pursuing consumer complaints about Toyota by pledging that it would continue to hold the automaker's "feet to the fire" in its investigation of defective vehicles.

The statement by the National Highway Traffic Safety Administration was a response to increasing criticism by members of Congress and consumer advocates, some of whom blame the NHTSA for ceding its regulatory authority to the very company it was supposed to be watching.

Clarence Ditlow, executive director for the Center for Auto Safety in Washington, a consumer advocate group, said congressional hearings about the Toyota recalls would expose "real failures" by the NHTSA on issues ranging from the way it restricted certain safety investigations, to its reliance on Toyota in determining whether to probe safety concerns.

In a separate move, the top Republican on the House oversight committee said he would invite Toyota chief executive Akio Toyoda, who is due to travel to the US to meet with dealers, to testify at a hearing on February 24.

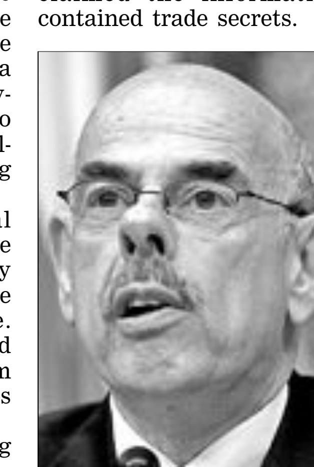
The increased political focus on the NHTSA's role in regulating Toyota may force the regulator to take an even tougher stance. The NHTSA yesterday said it had pushed Toyota "from the beginning" to address US safety concerns.

"That includes sending our top NHTSA officials to Japan in December to brief 100 Toyota engineers and executives on our defects process and make clear their legal obligations to comply," an agency spokesperson said.

But Henry Waxman, Democratic chairman of the House energy committee, has homed in on a report that the largest US insurance group, State Farm, had alerted federal safety regulators on "numerous occasions" beginning in 2007 about a rise in reports of unexpected acceleration in Toyotas. Mr Waxman on Tuesday asked the five largest insurers to hand over any reports the insurers gave to the NHTSA regarding Toyota problems, as well as e-mail communications from the regulators.

This is not the first time the NHTSA has been criticised for missing red flags. It also came under fire for failing to detect defects involving Firestone tyres and the Ford Explorer. Congressional anger over the agency's failures during that debacle led to the creation of an "early warning system" for auto safety.

Even after the NHTSA was forced by law to begin publishing information on serious vehicle accidents, the release of data was delayed until 2008 because of challenges from the tyre industry and others who claimed the information contained trade secrets.



Henry Waxman; focusing on insurance reports

Morris to hand over Universal reins

MEDIA

By Andrew Edgecliffe-Johnson in New York and Salamander Davoudi in London

Doug Morris, chairman and chief executive of Universal Music since 1995 and one of the most powerful men in the music business, is preparing a staggered handover to Lucian Grainge, head of the Vivendi-owned label's operations outside North America.

Mr Grainge will become co-chief executive on July 1 and sole chief executive next January, taking day-today operational control as Mr Morris steps back to be chairman.

Mr Morris, who built the company behind artists including Lady Gaga, U2 and Mariah Carey from the former MCA and Polygram record businesses into the largest of the "big four" music labels, is expected to remain as chairman for two years.

Mr Grainge, who is relocating to New York, will sit on the Vivendi management board from July. "I am a hit maker," he said. "I will encourage people to find talent and invest and take risks . . . in terms of signing and developing artists."

Mr Morris said: "The time has come for Lucian to step up to the chief executive role . . . I have been grooming him to succeed me for quite a while now. I know he is ready, willing and able to attack the challenges of the new decade."

Doug Morris: to remain as chairman for two years Rex

Mr Grainge, a London-born former song-plugger, earned a reputation as a shrewd businessman with an ear for a hit while running Universal's UK operations, where he helped launch the careers of Amy Winehouse, Duffy and the Scissor Sisters, and oversaw Take That's comeback.

His US move comes as Universal is looking slightly less dominant than in recent years. Earnings for the first nine months of the year fell 34 per cent because of a light release schedule and the industry's continuing battles with online piracy and declining CD sales.

Mr Grainge confirmed expectations that he would cut costs further, saying: "every business in the sector is looking at its cost base" and "we are constantly looking at ours, it is an ongoing process".

He added, however: "I want to bring forward a new generation of leaders within our company and I personally want to bring in a new generation of talent into the industry."

Mr Grainge predicted that a "strong relationship" with Vivendi would continue.

Mr Morris, a former songwriter who wrote the hit "Sweet Talkin' Guy" for the Chiffons, has used Universal's market lead to drive the industry's digital negotiations.

Under his leadership Universal became the first label to sign up with Apple's iTunes store and launched Vevo, a premium music video site, with YouTube in December.

www.ft.com/media

Mittal's muted message on recovery

INDUSTRIAL METALS

Underlying earnings suffer 76% decline

By Peter Marsh in London

Lakshmi Mittal yesterday damped hopes of a rapid upturn when ArcelorMittal, the biggest steelmaker, announced a 76 per cent drop in its underlying earnings for last year.

"It's difficult to be too optimistic about 2010, although the year will be better than 2009," Mr Mittal, the steelmaker's chairman and main owner, said.

The group said it would continue in the next few months to run below capacity, with plants turning out three-quarters of the output of which they were capable.

In the fourth quarter of 2009, operating capacity was 70 per cent, up from 61 per cent in the third quarter.

ArcelorMittal's earnings before interest, tax, depreciation and amortisation came in at $2.1bn in the fourth quarter of 2009, within its previous guidance of $2bn-$2.4bn.

The company said it expected ebidta for the first quarter of 2010 to be $1.8bn-$2.2bn, implying that there was a chance the figure would fall.

However, Mr Mittal said this reflected lower steel prices recorded in December when ArcelorMittal booked its main orders for the coming period.

"Since then prices have come back up again," Mr Mittal said.

But he warned that raw materials prices would rise during 2010 and that the company would pass these to customers – another factor that might damp the recovery.

He said the upturn in 2010 would be "slow and progressive".

ArcelorMittal's ebidta for 2009 was $5.8bn, compared with $24.5bn in 2008.

Analysts expect ebitda for 2010 to rise to about $11.8bn.

The steel industry has been among the sectors worst hit by the recession, with shipments falling 8 per cent during 2009, the worst year-on-year fall since the early 1980s.

> 8%
> **Steel industry's fall in shipments for 2009**

The decline would have been higher but for demand in China.

In 2010, the industry expects output to pick up by about 10 per cent, with the recovery gathering speed in the second half.

At the end of December last year, ArcelorMittal had net debts of $18.8bn, compared with $21.6bn at the end of September 2009 and down $13.7bn compared with the middle of 2008.

The reduction in debts – linked to a fall in costs as the company put tens of thousands of workers on short time and cut raw materials deliveries – has been applauded by investors who had been worried by its borrowings.

The extent of the fall-off in demand from customers in industries such as cars and construction is underlined by the 29 per cent drop in its steel shipments during the past year, which came down to 73.2m tonnes, from 103.3m tonnes in 2008.

Mr Mittal is planning to boost capital spending during 2010 by 43 per cent to $4bn, with most of this cash earmarked to emerging economies such as Kazakhstan and Brazil.

See Lex

Apple to offer TV shows for $1

MEDIA

Trial to see if low price boosts sales

Service to coincide with iPad's launch

By Kenneth Li in New York

Apple could begin selling US television shows for $1, half of its charge on its iTunes digital media store, when the computer maker's iPad tablet computer hits the stores.

The test, expected to coincide with the April consumer debut of the iPad, will offer some shows at the lower price as a way to test whether reducing the cost of video programming will ignite sales, people familiar with the discussions said.

Some television networks agreed to the lower prices after months of negotiations, and having initially resisted Apple's push. Media executives are under pressure from declining DVD sales and cut-rate rental services such as Redbox, that offer rental DVDs for $1.

It is not yet clear which or how many of the US free-to-air and pay-television networks have agreed to the lower pricing. Some media executives said they have not been approached with the new prices.

Apple declined to comment.

"If you move five times the volume [of sales] at half the price, it's a good idea," one digital media strategist at a big US media conglomerate said. "The argument for holding the line gets bad quickly."

One executive said iTunes's 120m active customer accounts with credit cards on file provides a ripe ground for experimenting with changing the economics of digital media.

"It's a good time to do it," another senior media executive said.

Since iPad was unveiled in January, Apple has focused on improving its business of selling TV shows, said one media executive briefed on the talks.

The computer maker has not given up on earlier discussions with some potential partners about creating a "best of TV" subscription service for $30 a month that media companies fear would destroy traditional distribution relationships.

Those relationships with US pay-TV services such as cable and satellite TV companies reaped $25.3bn in fees in 2009, according to estimates by SNL Kagan, a data company.

Apple executives have been careful to avoid linking new TV services to its Apple TV device, a set top box which connects to a television and is seen as a threat to traditional pay-television services, said media executives briefed on the talks last year.

That is partly why discussions so far have focused on iTunes's $1.99 TV shows in standard definition formats that would work on the iPad, rather than the higher resolution $2.99 TV shows in high definition format that would fill up a large screen television.

Google set for broadband provider role

MEDIA

By Richard Waters in San Francisco

Google made a fresh effort yesterday to prod the US communications industry into accelerating its investment in faster internet access, promising to build its own ultra-high speed fibre-optic system to connect up to 500,000 Americans.

The news prompted speculation that the internet search engine company could be considering becoming a full-scale network provider in its own right.

It echoed the response to other Google initiatives that have involved it testing or investing in advanced communications technology.

Google described its proposed networks, however, as "experimental", and added that the "purpose of this project is to experiment and learn." It said the networks would operate at 1Gbps, (one gigabit per second) or 100 times faster than most US broadband speeds at present.

The huge cost of building networks that take fibre-optic cables direct to homes has held back their development, threatening to hinder future Google applications that might depend on ultra-high speed access.

In a blog post yesterday, the company said it hoped to test high-speed applications over its experimental networks, for instance giving users the ability to download a high-definition movie in less than five minutes or watch live 3D video services.

A Federal Communication Commission task force set up to propose a national broadband plan has estimatedthat it would cost up to $350bn to upgrade networks, depending on the data speeds involved.

The plan is due to be completed next month, and is expected to call for releasing more wireless spectrum for broadband internet use.

The timing of Google's announcement appeared designed to lend support to the FCC's initiative. Google also promised to keep its high-speed networks open, allowing users to pick their own service provider.

In a statement yesterday welcoming the announcement Julius Genachowski, chairman of the FCC, said: "This significant trial will provide an American testbed for the next generation of innovative, high-speed internet apps, devices, and services."

Google has dabbled before with delivering internet access to consumers, though it has stopped short of becoming a full-scale network provider. It has built a wi-fi network in its home town of Mountain View, California, to test the potential for city-wide uses for this short-range communication technology.

It also bid in a US wireless auction as a tactic to prod US wireless companies into lowering their potential restrictions against internet services such as those from Google.

Google said that it would use the networks to test high-speed applications, and planned to share any lessons from its deployment of the technology with other network operators.

It added that the location of the networks, to reach between 50,000-500,000 people, would based on approaches it receives from local officials or individuals.

Ads roll-out lifts Baidu

Baidu, China's leading search engine company, yesterday said the roll-out of Phoenix Nest, an advertising system, had been more successful than expected and had boosted quarterly profits, **writes Kathrin Hille in Beijing**.

The company, which also offered a bullish outlook for the present quarter, said its fourth-quarter net profits rose 48 per cent to Rmb427.9m ($62.6m).

Baidu said its forecast did not factor in any significant change in the competitive landscape but comes after Google, its main rival, has threatened to retreat from China.

In spite of tussles with government regulators in the past year, Google's share of the Chinese market had risen to 35 per cent in the fourth quarter, compared with 58 per cent for Baidu, according to Beijing-based research company, Analysys.

But analysts said Google's announcement last month that it was no longer willing to comply with Beijing's demands to censor search results would be a blow to its position in the market.

Crunch time for Infineon over chairman

TECHNOLOGY HARDWARE

News analysis

A shareholder rebellion is a boost for governance, say **Richard Milne** and **Daniel Schäfer**

Infineon could see its candidate as chairman-designate blocked today by shareholders of the German chipmaker in what would be a milestone for corporate governance in the country.

International and domestic shareholders – led by Hermes, the UK fund manager owned by the pension scheme of BT, the UK telecoms group – have led a month-long campaign to oust Klaus Wucherer, a long-time Infineon non-executive director, as chairman-designate and install Willi Berchtold, the finance director of ZF Friedrichshafen, one of the world's largest car parts suppliers.

The chairman's role is free because Max Dietrich Kley, the incumbent who has frequently infuriated investors, is stepping down.

Both sides yesterday remained confident of victory but Hermes has garnered all the public support from influential proxy voting organisations such as Risk Metrics and Glass Lewis as well as shareholders including DWS, Germany's largest fund, Legal & General of the UK and Bank of New York Mellon of the US.

The challenge to Infineon represents the first time institutional investors have nominated their own candidate for chairman of a blue-chip company in Germany.

Mr Wucherer appeared confident of seeing off the challenge. "Judging from my discussions with major shareholders, I am deeply convinced that I will be elected," he said.

He has already compromised and agreed to serve only the first year of the usual five-year term, if elected as chairman, to prepare the ground for an outsider.

Corporate governance experts and investors have welcomed the shareholder campaign and are hoping it will spur the slow pace at which German companies are addressing the many holes in their corporate governance practices.

"It is already a huge step forward for Germany's corporate governance regardless of the result, particularly in respect of how boards communicate with their shareholders," said Hans Hirt, head of European corporate governance at Hermes.

Institutional investors have long bemoaned the quality of corporate governance in Germany.

Thomas von Oehsen, head of German corporate governance research at RiskMetrics, the US shareholder advisory group, says: "There are several deficits at German supervisory boards – they are too big, they often lack competent members and many of the members have too many mandates."

A lack of diversity and international representation on supervisory boards is another issue.

Many German companies have more than 50 per cent of the share capital in the hands of foreign investors, but they seldom have more than one or two foreign directors, which are also mostly male-dominated.

Christian Strenger, former head of DWS and an expert on corporate governance, points out that language problems, as well as employee representation on the board, act as a barrier to get more foreigners onto the board.

> The battle should act as a warning shot to companies to give investors more information

German corporate law requires companies to fill half of the directors' seats with employee representatives.

"Thus, Bayer and Infineon each have only one foreign supervisory board member despite making 80 per cent of their revenues abroad," Mr Strenger says.

In a recent survey by Odgers Berndtson, the executive search company, 65 per cent of 650 German chairmen said there was a strong need for more professional directors, particularly those with sector knowledge, leadership experience and solid financial expertise.

Some investors say that Infineon's battle with its shareholders should act as a warning shot to other companies to give investors more information if they do not want to risk a similar revolt.

"Mr Kley never really liked to talk to investors. But what [is] happening there at the moment demonstrates that such an attitude is no longer an option," one investment manager says.

But a board member at a large German company warns not to expect a revolution in slowly-changing German corporate governance.

"It would be a warning shot across the bows of companies. But Infineon is a bit of a basket case. I don't imagine we'll see too many more rebellions in Germany soon," he says.

Flagged up: the uprising has highlighted what many see as the shortcomings of corporate governance in Germany AP

News digest

Revenues drop at Sprint Nextel

Sprint Nextel shares fell 8 per cent in trading yesterday after the third-largest US mobile network operator said it lost 504,000 customers who pay monthly bills in the fourth quarter, and reported results that highlighted competition in the US wireless market.

Dan Hesse, chief executive, acknowledged that Sprint was having a tougher time competing with Verizon and AT&T, its larger rivals, and with T-Mobile USA, owned by Deutsche Telekom.

Mr Hesse said some consolidation would be good for the industry, and noted that mergers and acquisitions could be a good way to grow if the price were right.

For the quarter, Sprint added 435,000 pre-paid customers, partly offsetting the loss of monthly contract customers.

But fourth-quarter revenues declined to $7.87bn from $8.43bn a year earlier and average revenues per subscriber fell to $55 from $56, reflecting the impact of price promotions.

Analysts noted that Sprint might have suffered because it lacked a high-profile smartphone launch in the quarter.

Paul Taylor, New York

See www.ft.com/lex

AT&T confirms 4G network plan

AT&T, the largest US telecommunications group, confirmed plans to roll out a wireless 4G network basted on the latest long-term evolution technology next year.

It picked Sweden's Ericsson and Alcatel-Lucent of France to supply the LTE network equipment.

The deal marks the latest in a series of big LTE infrastructure wins for the two European telecommunications equipment makers.

Ericsson and Alcatel-Lucent won the bulk of the LTE contract awarded by Verizon Communications, AT&T's main rival in the US, which is launching its 4G network this year.

"The selection of the two suppliers paves the way for AT&T's planned field trials of LTE technology later this year, with commercial deployment scheduled to begin in 2011," AT&T said.

The companies did not give the value of the deal, but Aircom, the consultancy, has estimated that building the LTE network could cost $1.78bn in the first 12 months in the US for an operator such as AT&T.

Paul Taylor, New York

NY Times takes advertising hit

The New York Times more than doubled quarterly profit thanks to asset sales, but continued declines in print advertising revenue and a cloudy view of its future sent its stock falling close to 8 per cent.

"The visibility for advertising is still limited," said Janet Robinson, chief executive, adding that the rate of decline in print advertising would improve "modestly" in the current quarter.

Print advertising at its newspaper divisions fell 20 per cent year on year, while overall advertising revenue fell 15 per cent.

Total revenue declined 11.5 per cent.

The New York Times and International Herald Tribune publisher said last month it would begin charging heavy users of its website by 2011.

Net profit rose to $90.9m, or 61 cents per share, from $27.6m, or 19 cents per share, a year earlier.

Kenneth Li, New York

Print advertising at NYT's newspaper arm slumped Bloomberg

Agency groups herald rebound

A rebound in advertising spending appears to have edged closer after Omnicom and Havas, the agency groups, reported fourth-quarter results ahead of expectations.

Both groups are hoping for a return to growth after June but marketing chiefs remain concerned that slower rates of decline owed more to stimulus packages than a consumer recovery.

Omnicom, the second largest marketing services group by sales, yesterday said fourth-quarter revenues fell 6.3 per cent on an organic basis, adjusting for currency fluctuations and acquisitions, to $3.27bn.

That was ahead of analysts' forecasts of an 8.5 per cent decline.

The group said it expected revenues to begin growing from the second quarter of 2010.

Full-year revenues fell 8.7 per cent organically to $11.7bn, with income before tax 21.1 per cent lower at $1.27bn.

Earnings per share fell 19.9 per cent to $2.54.

Havas, the French agency group which owns Euro RSCG, reported a similar improvement.

Revenues for 2009 fell 8.1 per cent to €1.4m.

Fourth-quarter organic revenues fell 4.4 per cent to €415m, compared with declines of between 8 and 10 per cent for the preceding three quarters.

Havas closed 7.9 per cent higher at €3.12 in Paris. Omnicom closed up 0.5 per cent to $35.75 in New York.

Tim Bradshaw, London

Markets | Managed funds service

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Client Services Helpline: 0800 614330 Broker 0500 660000
Price Enquiry Freephone 0500 330000
Authorised Inv Funds
BNY Mellon Investment Funds
Sterling Income Shares*

Fund	Selling Price	Buying Price	+ or -	Yield
BNY Mellon Global Strategic Bond Fund.. 4 C	110.15xd		–0.01	5.32
BNY Mellon Long–Term Global Equity Fund .. 4	111.68		+0.59	0.53
Newton American........ 4	91.13		+0.52	0.39
Newton Asian Income.. 4 C	129.9xd		+0.72	4.74
Newton Balanced .... 4 C	153.24xd		+1.24	3.21
Newton Contl European . 4	157.55		+2.09	1.61
Newton Cautious Managed Fund .. 4 C	147.62xd		+1.24	4.11
Newton European Higher Income.. 4 C	81.07xd		+1.36	5.13
Newton Global Dynamic Bd 4 C	105.05xd		+0.16	6.76
Newton Global High Yield Bond . 4 C	64.61xd		–0.42	8.79
Newton Global Higher Income 4 C	113.49xd		+0.58	4.73
Newton Global Opportunities . 4	126.78		+0.94	1.63
Newton Growth 4	229.4xd		+3.51	1.77
Newton Higher Income 4 C	52.97xd		+0.73	7.22
Newton Income .... 4 C	564.87xd		+6.35	3.04
Newton International Bond . 4	197.52xd		–0.52	2.58
Newton International Growth . 4	68.97		+0.69	1.27
Newton Japan 4	18.6		+0.07	0.32
Newton Managed 4	434.0xd		+4.5	1.85
Newton Oriental 4	418.29		+5.04	1.22
Newton Pan–European 4	162.92		+2.21	1.77
Newton Phoenix Multi–Asset Inc 4	114.32xd		+0.78	1.54
Newton Phoenix Multi–Asset Acc.. 4	128.67xd		+0.88	1.52
Newton Real Return .... 4 C	264.73xd		+1.55	3.39
Newton Real Return A . 4 C	110.16xd		+0.64	3.5
Newton Corporate Bond Fund 4 C	76.24xd		+0.16	4.85
Newton UK Opportunities . 4	170.94		+2.16	2.37

BNY Mellon Global Funds (IRL)
160 Queen Victoria Street EC4V 4LA +44 (0) 131 305 3131
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
Asian Eqty A USD F 5	$2.5838		.....	–
Brazil Eqty A USD F 5	$1.1099		.....	–
Continental Eurp Eqty A EUR F . 5	€1.0707		.....	–
Emerging Mkts Debt A USD F 5	$1.4217		.....	–
Emerging Mkts Debt C USD F 5	$1.456		.....	–
Emerging Mkts Debt LC – A USD F 5	$1.091		.....	–
Emerging Mkts Debt LC – C USD F 5	$1.3796		.....	–
Euroland Bd A EUR F .. 5	€1.4052		.....	–
Euro Corporate Bond Fund A EUR F.	€1.064		.....	–
Euro Govt Bd Idx Tkr A EUR F 5	€1.3882		.....	–
Evolution Currency Option A EUR F .	€80.729		.....	–
Evolution Currency Option C EUR F 5	€84.553		.....	–
Evolution Global Alpha A EUR F . 5	€85.58		.....	–
Evolution Global Alpha C EUR F . 5	€90.828		.....	–
Evolution L/S Emerging Currency R USD F 5	$89.527		.....	–
Global Bond A USD F... 5	$1.9773		.....	–
Global Eqty A USD F ... 5	$1.2843		.....	–
Global Emerg Mkts A USD F 5	$3.3035		.....	–
Global High Yield Bond A EUR F. 5	€1.1994		.....	–
Global Intrepid A USD F 5	$1.4214		.....	–
Global Property Securities A EUR F 5	€0.7816		.....	–
Japan Eqty A USD F..... 5	$0.8568		.....	–
Japan Eqty Value A JPY F. 5	Y5321.874		.....	–
Long–Term Global Eqty A EUR F 5	€0.9942		.....	–
Pan Eurp Eqty A EUR F . 5	€0.9979		.....	–
Small Cap Euroland A EUR F. 5	€1.8928		.....	–
Sterling Bond A GBP F 5	£1.4337		.....	–
S&P 500 Idx Tkr A USD F . 5	$0.9483		.....	–
UK Eqty A GBP F......... 5	$1.2519		.....	–
US Dynamic Value A USD F 5	$1.2861		.....	–
US Eqty A USD F.......... 5	$0.8026		.....	–
Vietnam, India and China (VIC) Fund F 5	$1.3831		.....	–
Emerging Markets Equity Fund F.	$1.5866		.....	–

Bank of America Cap Mgmt (Ireland) Ltd (IRL)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Global Liquidity USD.......	$1.00		.....	0.28
Global Liquidity EUR	€1.00		.....	0.46

Banque Safdie SA (CYM)
Tel : (+41) 22 817 88 33
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Key Alternative Fd EUR....	€12219.85		.....	–
Key Alternative Fd USD...	$13088.57		.....	–
Safdie Latam Fd EUR.......	€9060.45		.....	–
Safdie Latam Fd USD	$9886.17		.....	–
Total Return (Offshore) Fd.	$11866.56		.....	–
World Momentum Equity Fd	$10756.03		.....	–

Barclays Investment Funds (CI) Ltd (JER)
39/41 Broad Street, St Helier, Jersey, JE2 3RR, Channel Islands 01534 812800
FSA Recognised
Bond Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Sterling Bond F........ 3½ C	£0.4035	0.4035	+0.0009	5.0

Baring Fund Managers Ltd (1200)F (UK)
PO Box 831, 155 Bishopsgate, London EC2M 3YS
Dealing and Enquiries 020 7214 1004
Fund Information: www.barings.com
www.ft.com/funds/baring
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Absolute Rtn Glb Bond A Acc . 5	137.3xd		+0.4	0.90
Absolute Rtn Glb Bond A Inc.. 5	122.8xd		+0.4	0.90
China Growth A Acc..... 5	105.8		+1.2	0.40
Eastern Acc GBP 5	468.9		+3.1	1.00
Eastern Inc GBP 5	462.2		+3.0	0.08
Emerging Markets A Acc.. 5	220.0		+2.5	0.60
Europe Select Inc GBP. 5	1408.00		+31.00	1.00
European Growth Inc... 5	726.4	764.9	+14.10	1.30
German Growth Acc GBP . 5	332.2		+6.5	1.60
German Growth Inc GBP 5	316.8		+6.2	0.40
Glb Agriculture A Acc GBP 5	136.3xd		+2.1	0.80
Global Bond Inc........... 5	107.3xd	112.6	+0.1000	1.60
Global Growth Inc........ 5	242.1	255.2	+2.800	0.10
Japan Growth Acc 5	92.72xd	97.77	–0.2700	0
Korea Acc 5	192.5xd	203.7	–0.7000	0.10
Multi Asset A Acc 5	121.2		.....	1.00
Multi Asset A Inc 5	121.0		+0.1	1.00
Portfolio Acc............... 5	481.4	509.9	+5.600	1.70
Portfolio Inc................ 5	209.8	222.2	+2.500	1.70
UK Growth Inc 5	174.1	184.0	+3.500	2.10
UK Smaller Companies Inc . 5	246.0	263.5	+3.300	1.50

Charity Fund
0800 032 6347 (charity enquiries)

Fund	Selling Price	Buying Price	+ or -	Yield
Targeted Return Fund Acc	£102.4	103.2	+0.6000	2.20
Targeted Return Fund Inc.	93.59	94.41	+0.5100	2.20

Baring International Fd Mgrs (Ireland) (IRL)
Northern Trust, George Court 54–62 Townsend Street, Dublin 2 Rep of Ireland 020 7214 1004
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
ASEAN Frontiers A Inc GBP. 5	£76.29	80.10	–0.15	–
Asia Growth A Inc GBP H.. 5	£33.43	35.10	+0.23	0.06
Australia A Inc GBP...... 5	£63.41	66.58	+0.31	–
China Select A Inc USD F . 5	$9.23	9.69	+0.15	–
Eastern Europe A Inc GBP 5	£65.26	68.53	+1.51	–
Emerging Mkt Income A Inc GBP hedged ..	£10.86	11.40	.....	–
Emerging Opportunities Inc USD H 5	$31.34	32.90	+0.53	1.34
Emerging Opportunities Inc EUR H. 5	€22.73	23.87	+0.26	1.34
Emerging Opportunities Inc GBP H 5	£20.02	21.02	+0.24	1.34
Europa A Inc USD Feb 10 H 5	$37.69	39.57	+0.86	0.28
Glb Aggregate Bond A Inc USD H.. 5	$10.47xd	11.00	+0.02	4.15
Glb Emerging Mkts Inc USD Feb 10 H 5	$30.51	32.04	+0.50	0.13
Glb Emerging Mkts Inc EUR Feb 10 H. 5	€22.13	23.24	+0.25	0.13
Glb Emerging Mkts Inc GBP H 5	£19.49	20.46	+0.23	0.13
Glb Select A Inc GBP Feb 10 H.. 5	£7.00	7.35	+0.07	0.06
Glb Resources A Inc GBP H. 5	£15.58	16.36	+0.35	–
High Yield Bond A Inc GBP Hedged H. 5	£6.73xd	7.07	+0.01	4.43
Hong Kong China A Inc GBP 5	£512.76	538.40	+5.92	–
International Bond A Inc GBP Feb 10 F... 5	£16.66	17.49	–0.04	2.70
Latin America Inc EUR Feb 10 H 5	$44.64	46.87	+1.54	0.39
Latin America Inc USD Feb 10 H 5	€32.37	33.99	+0.94	0.39
North America A Inc GBP F . 5	£35.93	37.73	+0.24	–

Baring International Fd Mgrs (Ireland) (IRL)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Korea Feeder Fund Feb 10..	$17.03	17.89	+0.03	0.00

Baring International Group (LUX)
FSA recognised

Fund	Selling Price	Buying Price	+ or -	Yield
Russia C USD (Final) Feb 9..	$61.810		+1.270	0.00

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

Fund	Selling Price	Buying Price	+ or -	Yield
The Castleton Growth Fund Inc ✠F .. 5½	107.32		–0.20	0.00
The Castleton Growth Fund Inst Inc ✠F ... 5½	106.77		–0.08	0.00
The Castleton Growth Fund Ret Acc ✠F... 5½	107.04		–0.18	0.00
The Castleton Growth Fund Ret Inc ✠F 5½	107.32		–0.06	0.84

Bedlam Funds Plc (IRL)
20 Abchurch Lane, London, EC4N 7BB
Dealing: 00 3531 542 2907 Enquiries: 00 4420 7648 4300
www.ft.com/funds/bedlam
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
Bedlam Global A.......... 0	£159.5500		.....	–
Bedlam Global B...........	£160.8600		.....	–
Bedlam Emerging Markets A . 0	£186.4800		.....	–
Bedlam Emerging Markets B	£188.2800		.....	–
Bedlam Europe A..........	£125.9400		.....	–
Bedlam Europe B	£128.4800		.....	–
Bedlam Japan A	£80.6900		.....	–
Bedlam Japan B..........	£77.9800		.....	–
Bedlam UK A.............. 0	£119.2700		.....	–
Bedlam UK B	£117.8600		.....	–
Bedlam 200 0	£78.30		.....	–

BlackRock (IOM)
3rd Floor, Atlantic House, Circular Road, Douglas, Isle of Man 01624 671128
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
BLK Offshore Bal Pfolio 5	150.6	159.1	+1.80	3
BLK Intl Bond 5	48.04	50.62	–0.04	2.3

BlackRock (JER)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
BlackRock UK Property Jan 29 .	£32.0175		.....	–
BLK Intl Gold & General ..	$8.83	9.31	+0.28	–

Blairmore Holdings Inc
Other International Funds
Smith & Williamson Investment Management
Administrators – S G Hambros Bank & Trust (Bahamas) Limited

Fund	Selling Price	Buying Price	+ or -	Yield
NAV Jan 29	$10.2313		.....	0.25

Blakeney Management Ltd (LUX)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Blakeney Investors Jan 29	$25.97		.....	–
Blakeney Investors–S08/08	$7.33		.....	–
Blakeney Investors–S11/08	$11.09		.....	–
Blakeney Investors–S02/09	$13.25		.....	–
Blakeney Investors–S07/09	$10.85		.....	–
Blakeney Investors–S08/09	$10.40		.....	–
Blakeney Investors–S09/09	$9.82		.....	–
Blakeney Investors–S10/09	$9.62		.....	–
Blakeney Investors–S11/09	$9.80		.....	–
Blakeney Investors–S12/09	$10.12		.....	–

BlueBay Asset Management plc (LUX)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
BlueBay Emerging Market Bond Fb 9 .	$205.89		.....	–
BlueBay Emerging Market Select Bond .	$125.14		.....	–
BlueBay Global Convertible Bond I	$139.85		.....	–
BlueBay High Yield Bond	€236.32		.....	–
BlueBay Investment Grade Bond..	€132.50		.....	–
BlueBay Emg Mkt Loc Curr Bd..	$141.47		.....	–
BlueBay Emg Mkt Sel Bd F .	$99.51		.....	–

BlueBay Asset Management plc (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
BlueBay Multi–Strategy Fund.	$118.46		.....	–
BlueBay Multi–Strategy PLUS Fund..	$119.94		.....	–
BlueBay Value Recovery Fund (EUR) Dec 31	€119.44		.....	–
BlueBay Value Recovery Fund (USD) Dec 31	$120.36		.....	–

Bonfield Asset Management Limited
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
The Longbow New Europe Fund Feb 3 .	$67.89		.....	–

BONHOTE
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Bonhote Alternative Multi–Arbitrage EUR...	€7614.0		+117.0	–
Bonhote Alternative – Multi–Performance EUR .	€9389.0		+111.0	–

Boyer Allan Investment Mgmt LLP (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Boyer Allan Greater China Inc A1 (Est) Feb 5 ...	$199.52		.....	–
Boyer Allan Japan Inc USD NAV (Est) Feb 5.	$126.34		.....	–
Boyer Allan Pacific Inc A2 (Est) Feb 5	$689.69		.....	–
Boyer Allan Pacific Opportunities A1 USD Inc NAV (Est) Feb 5	$232.29		.....	–

Braemar Group PCC Limited (GSY)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Ground Rents	£1.0258		.....	–
UK Agricultural Land.......	£0.9293		.....	–
UK Student Accommodation	£1.2895		.....	–

British Property Opportunities Fund (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Managing Partners British Prprty Opps Fd GBP Grwth	£116.2997		.....	–

Butterfield Fund Services (Guernsey) Ltd (GSY)
Regulated
Scottish Widows Investments Partnership

Fund	Selling Price	Buying Price	+ or -	Yield
Central & Eastern European USD Feb 1.	$49.65	50.37	.....	–
Central & Eastern European EURO Feb 1 ..	€35.68	36.20	.....	–

CAAM Funds (LUX)
5 Allee Scheffer L–2520 Luxembourg+ 44 (0)20 7074 9332
www.caam–funds.com
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
Arbitrage VaR 2 (GBP) C 4½	£117.65		.....	–
Emerging Europe C.. 4½	€26.94		.....	–
Emerging Markets C 4½	$27.71		.....	–
Euro Corporate Bond C. 5½	€14.84		.....	–
Global Bond C.......... 4½	$23.07		.....	–
Greater China C 4½	$429.4		.....	–
Latin America Equities C 3	$588.36		.....	–
US Opportunities C	$9.62		.....	–

CAF Investment Services (UK)
Kings Hill, West Malling, Kent 01732 520 165
www.ft.com/funds/CAF
Property & Other UK Unit Trusts

Fund	Selling Price	Buying Price	+ or -	Yield
Bond Income Fd	60.32	60.58xd	+0.2300	4.42
UK Equity Growth Fd.......	124.2	124.5xd	+2.300	4.24
CAF UK Equitrack Inc Fd.	53.43	53.43	+0.82	3.2
CAF UK Equitrack Acc Fd	62.66	62.66	+0.97	3.2

CCLA Investment Management Ltd (UK)
80 Cheapside, London EC2V 6DZ 0800 022 3505
Property & Other UK Unit Trusts
CBF Church of England Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Investment Inc Feb 8......	984.37	999.25	.....	4.64
Investment Acc Feb 8.....	1567.98	1591.68	.....	0.00
Global Equity Inc Feb 8...	115.94	117.22	.....	5.28
Global Equity Acc Feb 8..	128.63	130.05	.....	0.00
UK Equity Inc Feb 8.......	98.95	99.95	.....	5.05
UK Equity Acc Feb 8	113.27	114.41	.....	0.00
Fixed Interest Inc Feb 8 ..	155.67	156.29	.....	5.63
Fixed Interest Acc Feb 8 .	355.30	356.72	.....	0.00
Property Fund Inc Jan 31 .	116.53	120.43	.....	6.59
Property Fund Acc Jan 31	142.85	147.64	.....	0.00

Deposit Fund: See Money Market Trust & Bank Accounts

COIF Charity Funds‡ (UK)

Fund	Selling Price	Buying Price	+ or -	Yield
Investment Inc Feb 4......	930.58	940.88	.....	4.59
Investment Acc Feb 4......	6994.50	7071.86	.....	0.00
Ethical Invest Inc Feb 4 ..	112.76	114.00	.....	5.43
Ethical Invest Acc Feb 4 .	125.83	127.23	.....	0.00
Global Equity Inc Feb 4...	147.01	148.63	.....	0.00
Global Equity Acc Feb 4..	147.01	148.63	.....	0.00
Fixed Interest Inc Feb 4 ..	127.44	127.96	.....	5.63
Fixed Interest Acc Feb 4 .	550.59	552.79	.....	0.00
Property Inc Jan 31	97.40	100.66	.....	7.37
Property Acc Jan 31	146.14	151.04	.....	0.00

Deposit Fund: See Money Market Trust & Bank Accounts

Local Authorities Property Fd (LAMIT) (UK)

Fund	Selling Price	Buying Price	+ or -	Yield
Property Jan 31............	206.36	216.63	.....	6.65

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

Fund	Selling Price	Buying Price	+ or -	Yield
Real Return Cls A .... 6 E	£158.6		.....	–
CG Dollar Fund............ 5	£106.13		.....	–

CG Portfolio Fund Ltd (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
NAV..............................	£19898.98		.....	–

CIS Unit Managers Ltd (1200)F (UK)
PO Box 105, Manchester M4 8BB 08457 464646
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Corporate Bd Inc Tst.... 5	81.80xd	86.10	+0.14	5.20
Sustainable Leaders ✠ 5	261.9	275.7	+3.70	1.80
European Growth ✠ 5	85.67	90.18	+1.17	1.50
UK Growth ✠.............. 5	311.4xd	327.7	+5.40	2.10
UK Income With Growth ✠.. 5 C	175.9xd	185.2	+2.30	4.50
US Growth.................. 5	77.91xd	82.01	+0.63	0.00
CIS Sustainable Diversified Trust .. 5	105.3xd	110.9	+1.00	1.00
CIS Sustainable World Trust 5	97.54	102.7	+1.00	0.00

*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

Fund	Selling Price	Buying Price	+ or -	Yield
Dynamic Ratchet Bond Fund–Japan.	Y5538.0		+4.0	–

Capita Financial Managers (UK)
Ibex House, 42–47 Minories, London, EC3N 1DX
Order Desk 08459 220044 Switchboard 0870 607 2555
www.ft.com/funds/capitafinancial
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
CF Acuity Real Active Management Fund A Acc ✠ 5	80.33xd		–0.12	0.33
CF Acuity Real Active Management Fund B Acc ✠ 5	81.96xd		–0.12	0.42
CF Adam Worldwide Fund Acc ♦.. 3	444.42xd	461.82	+5.13	1.97
CF Adam Worldwide Fund Inc ♦ 3	309.92xd	322.06	+3.58	1.97
CF Eden Global Multi–Strategy Fund A Acc ✠ 5	91.72		+0.19	1.82
CF Eden Global Multi–Strategy Fund A Inc ✠ 5	89.21		+0.18	1.83
CF Heartwood Bal Gwth Acc ✠ . 5 C	117.20xd	123.66	+0.16	2.11
CF Heartwood Bal Gwth Inc ✠.. 5 C	101.96xd	107.58	+0.15	2.11
CF Heartwood Cautious Multi Asset B Acc ✠ . 5	100.18		–0.02	0.00
CF Heartwood Cautious Multi Asset B Inc ✠ .. 5	100.17		–0.03	0.00
CF Heartwood Growth Multi Asset B Acc ✠ .. 5	99.50		+0.17	0.00
CF Heartwood Pedigree Eqty A Acc ✠ 5	113.60xd		+0.16	1.78
CF Heartwood Pedigree Eqty Inc A Inc ✠. 5	76.56xd		+0.09	4.27
CF JM Finn Gbl Opps R Net Acc ✠. 5	187.94		+2.60	1.73
CF JM Finn Gbl Opps I Acc ♦. 5			.....	–
CF JM Finn Gbl Opps I Inc ♦. 5			.....	–
CF JM Finn UK Pfolio R Net Acc ♦. 5	128.38xd		+2.41	4.21
CF JM Finn UK Pfolio R Net Inc ♦ . 5	106.30xd		+2.01	4.21
CF JOHIM Portfolio Fd A ✠. 5	98.04		+0.41	1.78
CF JOHIM Portfolio Fd B ✠. 5	97.64		+0.41	1.33
CF JOHIM Portfolio Fd C ✠. 5	97.32		+0.40	0.73
CF JOHIM Alternatives Fund Income class A ♦ 5	92.52xd		–0.46	0.00
CF JOHIM Alternatives Fund Income class B ♦ 5	92.49xd		–0.46	0.00
Junior Oils Trust Acc ✠ 5¼	191.83	202.99	+1.40	0.00
CF OLIM UK Equity Acc ✠ 0	148.05	149.88	+0.49	6.40
CF OLIM UK Equity Inc ✠ . 0	108.93	110.27	+0.36	6.40
CF Richmond Core ✠ .. 5	122.35xd		+1.09	0.00
CF SI Investment Mkts Inc ♦ . 5 C	378.01	400.37	+4.32	4.09
CF SI Investment Mkts Acc ♦ 5 C	557.05	590.00	+6.37	4.09
Investment Adviser – Cheviot Asset Management				
CF Cheviot Balanced A Acc ✠ 5	90.70		+0.14	0.49
CF Cheviot Balanced A Inc ✠. 5	89.65		+0.13	0.49
Investment Adviser – DSM Capital Partners				
The Greenwich Fd ✠ 3½	$10.1405		.....	0.00
The Westchester ✠.. 3½	$12.0642		+0.15	0.00
Investment Adviser – FundQuest UK Limited				
CF FundQuest Global Select Fund Ord GBP Acc ✠ 5¼	98.79xd		+0.16	0.00
CF FundQuest Global Select Fund Inst USD Acc ✠ 2	$1.5954xd		.....	0.00
CF FundQuest Select Fund Ord Acc ♦. 5¼	101.96xd		+0.17	0.00
CF FundQuest Select Fund Ord Inc ✠. 5¼	147.65xd		+0.32	0.00
CF FundQuest Select Fund Inst Acc ✠ 2	152.58xd		+0.34	0.00
CF FundQuest Select Income Fund Ord Acc ✠ 5¼ C	125.19xd		+0.13	2.39
CF FundQuest Select Income Fund Inst Acc ✠ 2 C	128.24xd		+0.14	2.38
CF FundQuest Select Income Fund Inst Inc ✠ 2 C	112.64xd		+0.12	2.45
CF FundQuest Select Income Fund Ord Inc ✠ 5¼ C	109.94xd		+0.12	2.46
CF FundQuest Select Opportunities Fund Ord Acc ✠ 5¼	97.36xd		+0.13	0.00
CF FundQuest Select Opportunities Fund Inst Acc ✠ 2	98.64xd		+0.13	0.00
Investment Adviser – GHC Fund Management Ltd				
CF GHC High Income Fund A Inc ✠ 5	111.64		+0.33	4.51
CF GHC High Income Fund B Inc ✠. 1½ C	116.26		+0.35	4.48
CF GHC MM Fixed Interest A Acc ✠ .. 5	131.38		–0.57	4.72
CF GHC MM Fixed Interest A Inc ✠ 5	90.51		–0.39	4.72
CF GHC MM Fixed Interest B Acc ✠ 1½	131.53		–0.57	4.03
CF GHC MM Fixed Interest B Inc ✠. 1½	91.01		–0.39	4.05
CF GHC MM Global Equity A Acc ✠ 5	170.46		+0.70	0.00
CF GHC MM Global Equity B Acc ✠. 1½	172.95		+0.70	0.00
CF GHC MM Strategic Mngd A Acc ✠. 5	90.72		+0.25	0.00
CF GHC MM Strategic Mngd B Acc ✠.. 1½	92.18		+0.25	0.00
CF GHC MM UK Equity A Acc ✠. 5	206.75		–0.02	0.67
CF GHC MM UK Equity B Acc ✠. 1½	210.07		–0.01	1.35
Investment Adviser Lacomp Plc				
CF Lacomp World* ✠... 5	103.54	109.19	–0.04	0.00
Investment Adviser – Midas Capital				
CF Midas Balanced Income ♦ 5	88.12xd		+0.40	5.10
CF Midas Balanced Gth ♦ 5	148.22xd		+1.07	1.71
Investment Advisor – Miton Asset Management Limited				
CF Miton Arcturus Rtl ♦. 5	103.52		+0.03	0.00
CF Miton Cautious Inc Pfolio A Inc ♦ . 5	74.71xd		–0.19	6.96
CF Miton Global Growth Portfolio A Acc ♦ 5	133.11xd		–0.24	0.00
CF Miton Global Income Portfolio A Inc ♦ 5	95.80xd		–0.31	0.00
CF Miton Select Assets A Acc ♦. 5	182.84		–0.04	0.00
CF Miton Special Sits Pfolio A Acc ♦ . 5	175.57xd		–0.55	0.00
CF Miton Strategic Pfolio A ♦ 5	261.64xd		–0.49	0.00
Investment Adviser – Morant Wright Management Limited				
CF Morant Wright Japan A ✠. 5	180.85		–0.61	0.22
CF Morant Wright Japan A Inc ✠.. 5	179.97		–0.61	0.35
CF Morant Wright Japan B ✠. 5	186.95		–0.63	0.78
CF Morant Wright Japan B Inc ✠.. 5	183.17		–0.62	0.81
CF Morant Wright Nippon Yield Fund A Inc ✠. 5	154.54		–1.39	0.00
CF Morant Wright Nippon Yield Fund B Inc ✠. 5	155.67		–1.40	0.00
Investment Adviser – Noble Fund Managers Limited				
CF Noble UK Smaller Companies Fund A Acc ♦ 4	230.38xd		+0.42	0.00
CF Noble UK Smaller Companies Fund B Acc ♦ 4	252.62xd		+0.46	0.00

*Weekly Valuing Funds

Capita Financial Managers (Ireland) Limited (IRL)
1 Adelaide Court, Adelaide Road, Dublin 2, Ireland +353 1 400 5300
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
CF Heartwood Pedigree Abst Rtn B Acc.	£1.02		.....	–

Capital International Funds (LUX)
6 C, route de Trèves, L–2633 Senningerberg, Luxembourg
Capital International Funds (CIF) is part of The Capital Group Companies
www.capitalinternationalfunds.com
FSA Recognised
Growth Funds

Fund	Selling Price	Buying Price	+ or -	Yield
CIF All Cty Equity B........	SFr16.11		.....	1.055754
CIF All Cty Equity B........	€10.99		.....	1.055754
CIF All Cty Equity B........	$15.09		.....	1.055754
CIF All Cty Equity BD......	$9.67		.....	1.055754
CIF Global Equity B	$14.04		.....	0.191385
CIF Global Equity BD......	£8.77		.....	0.191385
CIF Global Equity B........	SFr14.98		.....	0.191385
CIF Global Equity B	€10.22		.....	0.191385
CIF European Equity BD.	£7.38		.....	0.52852
CIF European Equity B ...	€8.89		.....	0.52852
CIF European Equity B ...	SFr13.04		.....	0.52852
CIF European Equity B ...	$12.22		.....	0.52852
CIF Japan Equity B	€5.86		.....	–
CIF Japan Equity B	$8.05		.....	–
CIF Japan Equity B	SFr8.59		.....	–
CIF Japan Equity BD	£5.14		.....	–
CIF AsPac (exJap) Eq B..	SFr15.76		.....	0.005825
CIF AsPac (exJap) Eq B..	€10.75		.....	0.005825
CIF AsPac (exJap) Eq B..	$14.76		.....	0.005825
CIF AsPac (exJap) Eq BD .	$9.13		.....	0.005825
CI Emerg.Mkts BD	$52.47		.....	1.4924
CI Emerg.Mkts B	SFr89.47		.....	1.4924
CI Emerg.Mkts B	€61.03		.....	1.4924
CI Emerg.Mkts B	$83.83		.....	1.4924
Growth and Income Funds				
CIF Global Gwth&Inc.Fd BD	£7.69		.....	0.174604
CIF Global Gwth&Inc.Fd B	€9.01		.....	0.174604
CIF Global Gwth&Inc.Fd B	SFr13.21		.....	0.174604
CIF Global Gwth&Inc.Fd B	$12.38		.....	0.174604
CIF Euro Gwth&Inc.Fd B	€13.72		.....	–
CIF Euro Gwth&Inc.Fd B	SFr20.11		.....	–
CIF Euro Gwth&Inc.Fd B	$18.84		.....	–
CIF Euro Gwth&Inc.Fd BD	£11.53		.....	–
CIF US Gwth&Inc.Fd B ...	€9.91		.....	0.842984
CIF US Gwth&Inc.Fd B ...	SFr14.52		.....	0.842984
CIF US Gwth&Inc.Fd B ...	$13.61		.....	0.842984
CIF US Gwth&Inc.Fd BD.	£8.67		.....	0.842984
CIUKF UK Corp.Bond Bd	£9.6		.....	4.54
Objective Based Funds				
CIP2 UK Absolute Inc Grower	£8.3		.....	–
Income Funds				
CIF Gbl High Inc op BD ..	£12.18		.....	5.694258
CIF Gbl High Inc op B.....	€18.92		.....	5.694258
CIF Gbl High Inc op B.....	SFr27.73		.....	5.694258
CIF Gbl High Inc op B.....	$25.99		.....	5.694258
CIF Global Bond BD	$9.88		.....	3.311874
CIF Global Bond B..........	€12.96		.....	3.311874
CIF Global Bond B..........	SFr19		.....	3.311874
CIF Global Bond B..........	$17.8		.....	3.311874
CIF Euro Bond B	$17.12		.....	4.315238
CIF Euro Bond B	€12.47		.....	4.315238
CIF Euro Bond BD..........	$9.31		.....	4.315238
CIF Euro Bond B	SFr18.28		.....	4.315238

Capital Management Advisors (Bermuda)
Other International

Fund	Selling Price	Buying Price	+ or -	Yield
CMA Global Hedge USD..	$5.81		(z)	–
CMA Global Hedge EUR ..	€5.85		(z)	–
CMA Global Hedge GBP ..	£6.00		(z)	–

Castlefield Investments (1200) (UK)
Admin:Eastgate Court, High Street, Guildford, Surrey GU1 3DE
Dealing: 0845 605 6363 Enquiries: 0161 233 4890
Authorised Inv Funds
Authorised Corporate Director – Premier Portfolio Mgrs Ltd
Premier Castlefield Funds www.castlefield.com
Charity Shares

Fund	Selling Price	Buying Price	+ or -	Yield
Premier Castlefield Gbl Eqty Charity Inc F... 0	161.8600		+0.6000	0.30
Premier Castlefield Monthly Eqty Inc Charity Inc F 0	67.9300xd		+0.9100	6.10
Premier Castlefield UK Eqty Charity Inc F 0	180.0700		+3.0300	3.10
Premier Castlefield UK Eqty Charity Acc F... 0	197.5700		+3.3400	2.70
General Shares				
Premier Castlefield Gbl Eqty Inc F. 3½	158.0100		+0.5900	0.20
Premier Castlefield Monthly Eqty Inc F.. 5¼	68.2500xd		+0.9200	6.00
Premier Castlefield UK Eqty Gen Inc F 3½	181.7900		+3.0700	2.80
Premier Castlefield UK Eqty Gen Acc F 3½	208.5700		+3.5200	2.90
Premier Castlefield UK Alpha General Inc Shares F3½	222.2300		+5.8200	0.40
Premier Castlefield UK Alpha General Acc Shares F3½	223.3800		+5.8500	0.40
Premier Castlefield UK Smaller Cos General Inc Shares F3½	182.4100		+1.2900	0.40
Premier Castlefield UK Smaller Cos General Acc Shares F3½	182.8100		+1.3000	0.40
Institutional Shares				
Premier Castlefield Gbl Eqty Instl Inc F... 0	161.7300		+0.6100	0.30
Premier Castlefield Monthly Eqty Instl Inc F0	71.8300xd		+0.9800	5.70
Premier Castlefield UK Eqty Instl Inc F... 0	184.9400		+3.1200	3.10
Premier Castlefield UK Eqty Instl Acc F. 0	213.1100		+3.5900	2.90
Premier Castlefield UK Alpha Inst Inc Shares F0	224.4100		+5.8800	0.40
Premier Castlefield UK Alpha Inst Acc Shares F0	227.9600		+5.9700	0.40
Premier Castlefield UK Smaller Cos Inst Inc Shares F0	183.4600		+1.3100	0.40
Premier Castlefield UK Smaller Cos Inst Acc Shares F0	185.7300		+1.3200	0.40

Cavendish Asset Management Limited (1200)F (UK)
Chelsea House, Westgate, London W5 1DR
IFA Enquiries 020 8810 8041 Admin/Dealing 0870 870 7502
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Opportunities Instl Income.. 5	465.3xd		+1.4	1.50
Opportunities Retail Income 5	463.5xd		+1.4	1.00
Worldwide Instl Income . 5	210.9xd		+2.1	2.00
Worldwide Retail Income . 5	210.5xd		+2.1	1.50
AIM Instl Income 5	83.62xd		+0.08	0.60
AIM Retail Income 5	82.18xd		+0.08	0.50
Asia Pacific Instl Inc .... 5 E	120.4xd		+0.5	0.40
Asia Pacific Retail Inc .. 5 E	120.1xd		+0.6	0.20
European Instl Income. 5 E	119.5xd		+2.2	0.50
European Retail Income. 5 E	118.3xd		+2.2	0.10
Japan Instl Income ...... 5 E	110.0		–0.3	0.10
Japan Retail Income.... 5 E	109.5		–0.3	0
North American Instl Income . 5 E	118.2xd		+1.1	0
North American Retail Income 5 E	117.0xd		+1.0	0
Technology Instl Income 5 E	134.6		+0.7	0
Technology Retail Income 5 E	133.2		+0.7	0

Caxton Global Investments Limited
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Share Price Feb 9..........	$651.81	658.68	.....	–
NAV (Est) Feb 8	$686.12		.....	–

Cazenove Inv Fd Mgmt Ltd (CIFM) (UK)
12 Moorgate, London, EC2R 6DA 020 7155 5600
Property & Other UK Unit Trusts

Fund	Selling Price	Buying Price	+ or -	Yield
Absolute Return Tst for Charities Inc	£133.88		.....	–
Absolute Return Tst for Charities Acc	£155.90		.....	–
Equity Inc Tst For Charities .	62.68	62.96xd	+0.89	5.2
Growth Tst For Charities.	111.8	112.24xd	+1.74	4.0
Income Tst For Charities.	58.45	58.77xd	+0.17	5.4
Multi–Strategy Tst for Charities	£67.84		.....	5.2

Cedar Rock Capital Limited (IRL)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Cedar Rock Capital Fd Plc	$186.11		.....	–
Cedar Rock Capital Fd Plc	£182.33		.....	–
Cedar Rock Capital Fd Plc	€139.36		.....	–

CGP Capital Partners LLP (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Europe Fund Class 1 (Final) Jan 31..	€116.96		.....	–
Europe Fund Class 2 (Final) Jan 31..	€109.54		.....	–
Europe Fund Class 3 (Final) Jan 31..	$103.72		.....	–

Charities Property Fund (UK)
020 3107 5439
Property & Other UK Unit Trusts

Fund	Selling Price	Buying Price	+ or -	Yield
Property	90.30	93.15	.....	8.68

Charitrak Common Investment Fund (UK)
Murray Hse, 1 Royal Mint Ct, London, EC3N 4HH 020 7668 8662
Property & Other UK Unit Trusts

Fund	Selling Price	Buying Price	+ or -	Yield
Charitrak Common Investment Inc	954.1	960.7	.....	–
Charitrak Common Investment Acc..	1286	1295	.....	–

The Charlemagne Fund (CYM)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
NAV EUR (Est) Jan 31	€234.45		.....	–
NAV USD (Est) Jan 31	$235.69		.....	–

Charlemagne Capital (IOM) Ltd
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
OCCO Eastern European Jan 29	$284.39		.....	0.54
Charlemagne Euro.New Frontiers Feb 3	$13.43		.....	–
Magna Umbrella Fund PLC				
Magna Africa A..............	€7.888		.....	–
Magna Africa B	£8.471		.....	–
Magna Africa C	€8.994		.....	–
Magna Asia A................	€8.419		.....	–
Magna Eastern European A.	€24.358		.....	–
Magna Eastern European C.	€35.404		.....	–
Magna Global Emerging Markets A..	€17.892		.....	–
Magna Global Emerging Markets B..	£11.245		.....	–
Magna Global Emerging Markets C..	€18.514		.....	–
Magna India A	€7.873		.....	–
Magna India B................	€9.842		.....	–
Magna India C................	€7.82		.....	–
Magna Latin American A	€26.482		.....	–
Magna Latin American C	€27.122		.....	–
Magna Russia A	€27.671		.....	–
Magna Russia C	€27.894		.....	–
Magna Turkey A.............	€17.365		.....	–
Magna Turkey B.............	£12.717		.....	–
Magna Turkey C.............	€17.54		.....	–

Charles Schwab Worldwide Funds Plc (IRL)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Schwab USD Liquid Assets Fd..	$1.00		.....	0.01

Chartered Asset Management PTE Ltd
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
CAM–GTF Limited Jan 29.	$272481.56	272481.56	.....	–
CAM GTi Limited Dec 31	$1032.69		.....	–
Raffles–Asia Investment Company Jan 31 .	$1.92		.....	–

Cheyne Capital Management (UK) LLP (IRL)
Cheyneinvestor.Relations@cheynecapital.com
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Cheyne Select Convertibles Fund (UCITS) EUR..	€1019.8586		.....	–
Cheyne Select Convertibles Fund (UCITS) USD .	$1019.0779		.....	–

Church House Inv (Bahamas) Ltd
SG Hambros Bank & Trust (Bahamas) Ltd – Administrator
Other International Funds

Fund	Selling Price	Buying Price	+ or -	Yield
CH Deep Value	£279.195	281.992	.....	–

Citadel Guernsey Ltd (GSY)
Regulated
CAM Global Selection Ltd

Fund	Selling Price	Buying Price	+ or -	Yield
Long Term Growth Cls....	$105.167		–0.972	–

City Financial Investment Company Limited (UK)
2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT
Enquires: 0845 300 2107
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Strategic Gilt A Acc ✠ . 5	140.11		–0.23	1.53
Strategic Gilt A Inc ✠ .. 5	131.89		–0.21	1.47
Strategic Gilt B Acc ✠ . 5	142.39		–0.22	2.10
Strategic Gilt B Inc ✠ .. 5	132.15		–0.21	2.11
Strategic Gilt Foresters ✠ 5	141.66		–0.23	1.09
Strategic Global Bond Fund A Acc ✠ . 5	160.38		–0.73	1.51
Strategic Global Bond Fund A Inc ✠ .. 5	79.94		–0.36	1.52
Strategic Global Bond Fund B Acc ✠ . 5	161.71		–0.74	1.82
Strategic Global Bond Fund B Inc ✠ .. 5	80.09		–0.37	1.84
City Financial MultiManager Income Inc A Shares ♦ 5	145.75	155.21	+0.32	1.56
City Financial MultiManager Income Acc A Shares ♦ 5	229.70	244.60	+0.50	1.56
City Financial MultiManager Growth Inc A Shares ♦ 5	307.86	326.62	+1.18	1.64
City Financial MultiManager Growth Acc A Shares ♦ 5	329.31	349.37	+1.26	1.64

City of London Inv Mgmt Co Ltd (IRL)
2nd Floor, Guild House, Guild Street, Dublin 1 00 353 1 448 5033
www.ft.com/funds/cityoflondon
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
The Asia Value & Growth GBP – Inst	£11.54		.....	–
The Asia Value & Growth GBP – Ret	£11.50		.....	–
The Emerging World USD – Retail A	$53.43		+0.66	–
The Emerging World GBP – Retail A	£34.24		+0.5	–
The Emerging World USD – Instl 0	$55.85		+0.69	–
The Emerging World GBP – Instl 0	£35.79		+0.53	–
The Natural Resources USD Retail A F 0	$7.79		.....	–
The Natural Resources USD – Instl 0	$7.88		.....	–

Clariden Leu (LUX)
funds.ft.com/funds/clariden/bank
Regulated
Theme & Sector Equities

Fund	Selling Price	Buying Price	+ or -	Yield
CL (Lux) Asia Pacific Equity Fund .	$106.92		+1.03	–
CL (Lux) Asset Manager Equity Fund (EUR) .	€92.96		+0.83	–
CL (Lux) Asset Manager Equity Fund (USD).	$94.06		+0.84	–
CL (Lux) Biotechnology Equity Fund B ..	$127.1		+1.18	–
CL (Lux) Biotechnology Equity Fund H EUR.	€87.51		+0.81	–
CL (Lux) Biotechnology Equity Fund IB..	$130.77		+1.21	–
CL (Lux) Communications Equity Fund..	$110.03		+1.67	–
CL (Lux) Climate Leaders Fund B ..	$85.38		+1.44	–
CL (Lux) Climate Leaders Fund H CHF ..	SFr81.26		+1.37	–
CL (Lux) Climate Leaders Fund H EUR ..	€79.77		+1.35	–
CL (Lux) Energy Equity Fund B..	$98.93		+1.44	–
CL (Lux) Energy Equity Fund H EUR..	€86.73		+1.26	–
CL (Lux) Energy Equity Fund IB..	$102.19		+1.49	–
CL (Lux) European Equity Fund .	€105.05		+0.41	–
CL (Lux) Finance Equity Fund.	€94.79		+0.72	–
CL (Lux) Generics Equity Fund ..	$110.01		+1.26	–
CL (Lux) European Small Cap Equity Fund EUR B	€140.09		+1.23	–
CL (Lux) European Small Cap Equity Fund EUR IB	€140.75		+1.24	–
CL (Lux) Infrastructure Fund B ..	$87.08		+1.69	–
CL (Lux) Infrastructure Fund H EUR..	€75.26		+1.46	–
CL (Lux) Infrastructure Fund IB ..	$89.87		+1.74	–
CL (Lux) Japan Equity Fund B	Y9267		+8	–
CL (Lux) Japan Equity Fund IB..	Y9304.00		+8	–
CL (Lux) Luxury Goods Equity Fund..	€115.7		+1.23	–
CL (Lux) North America Equity Fund .	$106.27		+1.6	–
CL (Lux) Russia Equity Fund B..	$135.39		+2.39	–
CL (Lux) Russia Equity Fund IB .	$136.19		+2.41	–
CL (Lux) Russia Equity Fund H EUR ..	€126.1		+2.22	–
CL (Lux) Russia Equity Fund B RUR..	Rub1180.1		+14.27	–
CL (Lux) Technology Equity Fund B ..	$95.73		+0.96	–
CL (Lux) Technology Equity Fund H EUR	€78.23		+0.79	–
CL (Lux) Commodity Instruments Fund .	$73.63		+1.32	–
CL (Lux) Commodity Instruments Fund H CHF ..	SFr71.42		+1.27	–
CL (Lux) Commodity Instruments Fund H EUR ..	€71.85		+1.28	–
Regional Equities				
CL (Lux) Eastern Europe Equity Fund	€103.38		+1.01	–
CL (Lux) Emerging Markets Equity Fund	$109.88		+1.26	–
CL (Lux) Latin America Equity Fund B ..	$117.56		+3.9	–
CL (Lux) Latin America Equity Fund IB ..	$117.99		+3.91	–
CL (Lux) Latin America Equity Fund H EUR .	€116.47		+3.85	–
CL (Lux) Silk Road Equity Fund H CHF ..	SFr168.7		+3.61	–
CL (Lux) Silk Road Equity Fund H EUR ..	€174.76		+3.75	–
CL (Lux) Silk Road Equity Fund B .	$176.01		+3.78	–
Fixed Income				
CL (Lux) SICAV II–Government Bond Fund EUR A	€100.31		.....	–
CL (Lux) SICAV II–Government Bond Fund EUR B	€101.61		–0.01	–
CL (Lux) I – Optima Medium Bond B.	€113.48		–0.01	–

Clariden Leu (CH)
funds.ft.com/funds/clariden/bankch
Other International Funds
Alternative Investments

Fund	Selling Price	Buying Price	+ or -	Yield
SAAF I (CH) Diversified Alpha Fund (EUR) A–Class	€121.63		.....	–
SAAF I (CH) Diversified Alpha Fund (CHF) A–Class	SFr104.2		.....	–
SAAF I (CH) Diversified Alpha Fund (USD) A–Class	$128.61		.....	–
SAAF I (CH) Latin America Fund (EUR) A–Class .	€111.14		.....	–
SAAF I (CH) Latin America Fund (USD) A–Class .	$115.38		.....	–
SAAF II (CH) Global Fund CHF–Class.	SFr92.95		.....	–
SAAF II (CH) Global Fund EUR–Class.	€99.68		.....	–
SAAF II (CH) Global Fund USD–Class	$154.75		.....	–
SAAF II (CH) Long Short Equity Fund CHF ..	SFr94.24		.....	–
SAAF II (CH) Long Short Equity Fund EUR ...	€100.55		.....	–
SAAF II (CH) Long Short Equity Fund USD ...	$107.94		.....	–
Fixed Income				
CL (CH) Bond Fund CHF..	SFr109.01		.....	–
Regional Equities				
CL (CH) European Quant Equity Fund A–Class..	€94.06		.....	–
CL (CH) European Quant Equity Fund IA–Class .	€95.1		.....	–
CL (CH) US Quant Equity Fund A–Class .	$90.25		.....	–
CL (CH) Swiss Equity Fund	SFr219.64		.....	–
CL (CH) Swiss Small Cap Equity Fund ..	SFr140.89		.....	–
Multi Asset Class				
CL (CH) Total Return Fund (CHF) A–Class ...	SFr903.23		.....	–
CL (CH) Total Return Fund (EUR) A–Class ...	€904.81		.....	–
CL (CH) Total Return Fund (EUR) H CHF–Class..	SFr822.13		.....	–
CL (CH) Total Return Fund (USD) A–Class ...	$996.68		.....	–
CL (CH) World Balanced Fund (CHF) .	SFr151.97		.....	–
CL (CH) World Balanced Fund (EUR) .	€92.29		.....	–
CL (CH) World Conservative Fund (CHF).	SFr99.1		.....	–
Insurance Linked Investments				
CL (CH) Cat Bond Fund CHF–Class ...	SFr134.52		.....	–
CL (CH) Cat Bond Fund CHF I–Class .	SFr104.76		.....	–
CL (CH) Cat Bond Fund EUR–Class ...	€143.03		.....	–
CL (CH) Cat Bond Fund USD–Class ...	$145.84		.....	–

Clariden Leu Finl Products (Guernsey) Ltd (GSY)
funds.ft.com/funds/clariden/financialproductsguernsey
Regulated
Regional Equities

Fund	Selling Price	Buying Price	+ or -	Yield
CL (Gue) Asia Equity Multi Manager Fund ...	$226.44		.....	–
CL (Gue) Global Selection Fund.	€1049.9		.....	–
Fixed Income				
CL (Gue) ABS Fund (EUR)	€815.95		+0.06	–
CL (Gue) Bond Fund CHF A..	SFr977.49		+0.58	–
CL (Gue) Bond Fund CHF B .	SFr1129.09		+0.67	–
CL (Gue) Bond Fund EUR A..	€1305.2		–2.82	–
CL (Gue) Bond Fund EUR B .	€2873.98		–6.21	–
CL (Gue) Bond Fund USD A .	$1434.49		–3.17	–
CL (Gue) Bond Fund USD B .	$3255.51		–7.21	–
CL (Gue) Core Plus Fixed Income Fund (CHF)...	SFr896.97		+0.65	–
CL (Gue) Core Plus Fixed Income Fund EUR	€1024.32		+0.73	–
CL (Gue) Core Plus Fixed Income Fund USD ..	$1069.05		+1.61	–
CL (Gue) Emerging Markets Bond Fund A ..	$101.87		–0.05	–
CL (Gue) Emerging Markets Bond Fund B ..	$1308.64		–0.71	–
CL (Gue) Emerg Mkts BF HB (EUR)	€119.75		–0.07	–
CL (Gue) Emerg Mkts BF HB (CHF)	SFr119.07		–0.06	–
CL (Gue) European High Yield Bond Fund A	€79.32		–0.32	–
CL (Gue) European High Yield Bond Fund B	€1100.82		–4.44	–
CL (Gue) Inflation Linked Bond Fund EUR ...	€1230.54		+0.84	–
CL (Gue) Inflation Linked Bond Fund USD ...	$1351.03		–4.16	–
CL (Gue) Local Currencies EMMA Fund (EUR) ..	€107.35		+0.04	–
CL (Gue) Local Currencies EMMA Fund (USD) ..	$113.74		+0.33	–
CL (Gue) Short Term Bond Fund EUR	€1285.65		–0.89	–
CL (Gue) Short Term Bond Fund USD	$1288.53		–0.62	–
CL (Gue) US High Yield Bond Fund A.	$84.36		–0.24	–
CL (Gue) US High Yield Bond Fund B	$1370.06		–3.83	–

Clariden Leu (Lie)
http://funds.ft.com/funds/claridenleu/lie
Other International Funds
Money Market

Fund	Selling Price	Buying Price	+ or -	Yield
CL (Lie) Money Market Fund CHF B..	SFr1016.88		.....	–
CL (Lie) Money Market Fund CHF B5	SFr1015.02		.....	–
CL (Lie) Money Market Fund EUR B..	€1039.26		.....	–
CL (Lie) Money Market Fund EUR B5	€1033.29		.....	–
CL (Lie) Money Market Fund GBP B .	£1035.68		.....	–
CL (Lie) Money Market Fund USD B .	$1019.51		.....	–
CL (Lie) Money Market Fund USD B5	$1017.84		.....	–

Clerical Medical Inv Fd Mgrs Ltd (1200)F (UK)
Trinity Road,Halifax HX1 2RG
Authorised Inv Funds

Fund	Selling Price	Buying Price	+ or -	Yield
Balanced Managed...... 4	103.00		+1.3	3.60
Secure Investment No2 7¼	1140.17		+7.75	–
Secure Investment No1 7¼	1161.30		+9.8	–
FTSE 100 Tracker 4	108.30		+1.7	5.00
Income Inc 4	75.34		+0.18	6.80
Income Acc 4	99.11		+0.24	6.70
International Managed. 4	119.40		+1.1	2.30

CMI Asset Mgmt (Luxembourg) SA (LUX)
23 route d'Arlon, L–8010 Strassen Lux 00 352 3178311
FSA Recognised
CMI Global Network Fund (u)
Regional Equity Sub Funds

Fund	Selling Price	Buying Price	+ or -	Yield
CMI Continental Euro Equity .	€19.5540		.....	2.26
CMI Pacific Basin Enhanced Equity .	$35.9230		.....	2.29
Single Country Equity Sub Funds				
CMI German Equity F... 2	€37.9380		.....	1.87
CMI Japan Enhanced Equity F 2	Y2555.1020		.....	1.21
CMI UK Equity	£9.6510		.....	2.85
CMI US Enhanced Equity F . 2	$40.2690		.....	0.95
Index Tracking Sub Funds				
Euro Equity Index Tracking.	€15.505		.....	2.21
Japan Index Tracking	Y483.6610		.....	1.36
UK Eqty Index Tracking..	£11.6290		.....	4.09
US Eqty Index Tracking 2	$30.0330		.....	7.42
Managed Sub Funds				
Global Bond..................	£1.5170		.....	2.05
Global Network Mgd Global Mxd .	£1.6870		.....	1.25
Global Equity	£1.6630		.....	0.86
Bond Sub Funds				
CMI Euro Bond F 2	€42.8930		.....	4.16
CMI Japanese Bond	Y1655.0810		.....	0.25
CMI UK Bond	£7.0190		.....	3.80
CMI US Bond	$12.5610		.....	4.31
Currency Reserve Sub Funds				
CMI Euro Currency Reserve	€25.4980		.....	4.35
CMI Stlg Currency Reserve	£4.9750		.....	5.70
CMI US Dllr Currency Reserve .	$9.9390		.....	5.66
CMI Access 80% Gu F 8½	€6.1350		.....	0.00

CMI Fund Managers (IoM) (IOM)
Clerical Medical Hse, Victoria Road, Douglas, IoM IM99 1LT 01624 625599
FSA Recognised

Fund	Selling Price	Buying Price	+ or -	Yield
High Income................ 5	£0.4664xd	0.4978	–0.0008	0
Sterling Roll Up 5	£2.5148	2.6838	–0.0049	0

Maximum Permitted Charge 8.5%

Close International Asset Mgt Ltd (JER)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
International Equity Growth .	£10.8100		–0.027	0.4162812211
Close Global Funds Limited				
Sterling Currency	£54.0500		.....	0.00
Euro Currency	€33.5800		.....	0.00
US Dollar Currency	$59.5700		.....	0.00
Managed Currency	£51.3100		.....	0.00
High Income Gilt............	£71.3500		–0.001	0.00
Sterling Income Bond	£4.1100		–0.002	5.2311435523
Euro Income Bond	€11.0700		+0.004	4.1553748871
International Bond	£63.5000		+0.019	0.00
Bond & Equity	£3.9700		–0.025	5.0377833753
International Equity	£50.1200		–0.019	0.00
International Sterling Growth .	£52.4800		–0.014	0.00
International Euro Growth .	€14.2200		–0.015	0.00
International US Dollar Growth..	$41.4900		–0.023	0.00
All Weather Sterling........	£1.1549		+0.025	0.00
All Weather Euro	€1.0708		+0.023	0.00
All Weather US Dollar	$1.0254		+0.021	0.00
Sterling Conservative Strategy..	£10.1600		.....	0.00
Euro Conservative Strategy .	€10.1300		+0.001	0.00
US Dollar Conservative Strategy	$9.9800		.....	0.00
Sterling Dynamic Strategy	£10.5900		+0.023	0.00
Euro Dynamic Strategy ...	€8.8600		+0.028	0.00
US Dollar Dynamic Strategy	$9.7100		+0.021	0.00
Sterling Progressive Strategy.	£10.7300		+0.023	0.00
Euro Progressive Strategy .	€9.2600		+0.021	0.00
US Dollar Progressive Strategy .	$9.4700		+0.018	0.00
Trojan	£10.8300		+0.001	0.00

Close Investments Ltd (IRL)
10 Exchange Square, Primrose Street, London, EC2A 2BY 020 7426 4000
FSA Recognised
Close Investments Portfolios Plc

Fund	Selling Price	Buying Price	+ or -	Yield
Long Dated Sterling Credit A.	£12.78		–0.03	0.00
Long Dated Sterling Credit I..	£13.37		–0.04	0.00

Cohen & Steers SICAV (LUX)
Regulated

Fund	Selling Price	Buying Price	+ or -	Yield
Asia Pacific Real Estate Securities	$6.1717		.....	–
AsiaPac.RealEst.Sec. IX..	$6.4376		.....	–
European Real Estate Securities	€12.0521		.....	–
Europ.RealEstate Sec. IX	€13.8684		.....	–
Gbl RealEstate Sec. I	$7.0322		.....	–
Gbl RealEstate Sec. IX	$7.492		.....	–

Managed funds service

Init Notes Selling Buying + or Chrge Price Price - Yield

Collins Stewart Investment Funds plc (IRL)
www.ft.com/funds/collinsstewartgroup

FSA Recognised
CS Continental Europe Focus A. 5 £252.9368 +2.0080
CS Total Return Bond .. 5 £93.2815 +0.0116
CS US Equity Focus A .. 5 £128.4037 +1.6187
CS UK Focus A .... 5 £83.7307 +0.0943
CS Select Opportunity . 5 £1.23
CS Select Global Opportunity . 5 £1.18
CS Select Affinity B 5 £1.07
CS Select Global Affinity B 5 £0.95
CS Select Diversity B 5 £1.08
CS Select Global Diversity B 5 £0.98
CS Select Income B 5 £1.01

Comgest SA (LUX)
17 square Edouard VII – 75009 Paris www.comgest.com
funds.ft.com/funds/Comgest/ComgestSALux
FSA Recognised
Comgest Asia F............ 5 $3043.55
Comgest Europe F.......... 5 SFr3700.14

Comgest Far East Limited (LUX)
funds.ft.com/funds/Comgest/ComgestFarEastLtd
Regulated
Comgest Panda............ $2181.14

Comgest SA (FRA)
17 square Edouard VII – 75009 Paris
funds.ft.com/funds/Comgest/ComgestSAFrance
FSA Recognised
Comgest Magellan €1373.89

Comgest AM International Ltd (IRL)
Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland
funds.ft.com/funds/Comgest/ComgestAMInternationalLtd
FSA Recognised
Comgest Gth Asia ex Jap DIS F . 5 $11.65
Comgest Gth Emerging Mkt DIS F . 5 $26.21
Comgest Gth Europe DIS F . 5 €9.41
Comgest Gth GEM PC DIS F 5 €8.46

Concord Misr Inv (Guernsey) Ltd (GSY)
Regulated
Egyptian Growth Feb 8 ... $12.12 12.28

Consistent Unit Tst Mgt Co Ltd (1200)F (UK)
PO BOX 10117, Chelmsford, Essex, CM1 9JB
Dealing & Client Services 0845 0264281
Authorised Inv Funds
Consistent UT Inc 5 45.3610d 48.36 4.65
Consistent UT Acc 5 82.3578d 87.81 4.65
Practical Investment Inc 5 138.75 150.88 4.9
Practical Investment Acc.. 5 532.91 579.50 4.9

Consulta (Channel Islands) Limited (GSY)
Regulated
Alternative Index Nov 30.. €103.05
Alternative Strat USD Dec 31.. $12.07
Alternative Strat EUR Dec 31 .. €9.69
Alternative Strat GBP Dec 31... £5.76
Canadian Energy Jan 29. $134.67 137.36
Capital USD Dec 31 .... $33.46 33.79
Capital EUR Dec 31 .... €25.31 25.56
Capital Index Nov 30 ...... €116.36
Collateral Index €33.36
Collateral USD Cell I Dec 31 $7.89
Collateral USD Cell II Dec 31 .. $5.10
Collateral USD Cell III Dec 31 .. €5.01
Collateral EUR Cell I Dec 31 .. €3.99

Consulta Limited
Other International Funds
Canadian Oil Sands BV Dec 31 . C$15.38 15.69
Global BV Dec 31 .... $20.49

Coupland Cardiff Funds Plc (IRL)
31/32 St James's Street, London, SW1A 1HD
FSA Recognised
CC Asia Alpha Fd – Cls A Euro . 5 E €10.39
CC Asia Alpha Fd – Cls A USD . 5 E $10
CC Asia Alpha Fd – Cls C GBP . 5 E £9.858
CC Japan Alpha Fd – Cls A Euro 5 E €5.618
CC Japan Alpha Fd – Cls B GBP 5 E £6.112
CC Japan Alpha Fd – Cls C JPY. 5 Y554.966

Coutts (UK)
PO Box 23873, Edinburgh EH7 5WJ 0800 085 0808
Authorised Inv Funds
Series 3 (Investment Management clients only)
United Kingdom Equity Index Fund Fd 3 £ F . 3 £9.487d +0.03 2.62
Series 4 (Investment Management clients only)
UK Specialist Equity Pro Inc Share £ F . 3 £12.770 (z) 0.98
United Kingdom Equity Index Fund £ F . 3 £9.477d +0.03 2.85
Contl European Specialist £ F 3 £10.620d +0.10 0.78
Series 4 US Specialist Equity Fund £ F 3 £7.252d +0.11 0.42
Japan Specialist Fund £ F 3 £7.032d −0.05 0.21
Pacific Basin Equity £ F 3 £17.930d −0.04 1.17
UK Sov Bond Index Fund Sf £ F 3 £9.308d −0.01 4.45

Coutts
RBS Asset Management (Dublin) Limited
Guild Hse, P.O. Box 4935 Guild Str IFSC Dublin 1 00 353 1 642 8400
FSA Recognised
Coutts International Programmes
Contl EUR Spec Equity Ser 1 F. 5 €70.93 +0.34 0.30
Contl EUR Spec Equity Ser 2 F. 5 €71.87 +0.36 1.32
Contl EUR Spec Equity Ser 5 F. 5 €71.87 +0.35 1.53
US Specialist Equity Ser 1 F.. 5 $15.87 +0.19 0.00
US Specialist Equity Ser 2 F.. 5 $16.21 +0.21 0.23
US Specialist Equity Ser 5 F.. 5 $16.46 +0.20 0.43
UK Equity Index Programme Ser 1 F 5 £19.73 +0.06 2.60
UK Equity Index Programme Ser 2 F 5 £19.90 +0.07 2.95
UK Equity Index Programme Ser 5 F 5 £20.15 +0.07 3.15
UK Specialist Eqty Pro Ser 1 F. 5 £13.44 +0.03 1.07
UK Specialist Eqty Pro Ser 2 F. 5 £13.60 +0.04 2.17
UK Specialist Eqty Pro Ser 5 F. 5 £13.62 +0.04 2.38
US Equity Index Programme Ser 1 F 5 $36.41 +0.47 1.06
US Equity Index Programme Ser 2 F 5 $37.02 +0.48 1.11
US Equity Index Programme Ser 5 F 5 $37.08 +0.48 1.32
Contl Eurp Eqty Index Prog Ser 1 F 5 €246.49 +0.66 1.96
Contl Eurp Eqty Index Prog Ser 2 F 5 €251.10 +0.67 2.26
Contl Eurp Eqty Index Prog Ser 5 F 5 €251.39 +0.68 2.48
US Sovereign Bond Index Prog Ser 1 F 5 $22.44 −0.05 3.05
US Sovereign Bond Index Prog Ser 2 F 5 $22.52 −0.05 3.25
US Sovereign Bond Index Prog Ser 5 F 5 $22.81 −0.04 3.51
Continental Europe Bond Index Prog Ser 1 F 5 €119.25 −0.23 2.48
Continental Europe Bond Index Prog Ser 2 F 5 €119.69 +0.24 3.66
Japan Specialist Equity Programme Series 1 F 5 Y3416.00 +5.00 0.00
Japan Specialist Equity Programme Series 2 F 5 Y3625.00 +5.00 1.51
Japan Specialist Equity Programme Series 5 F 5 Y3631.00 +6.00 0.74
Swiss Equity Pro Ser 1 F.. 5 SFr209.55 −0.41 0.19
Swiss Equity Pro Ser 2 F.. 5 SFr213.94 −0.42 0.45
Swiss Equity Pro Ser 5 F 0 SFr214.03 −0.41 0.64
Pac Basin Eqty Pro Ser 1 F. 5 $42.30 +0.28 1.02
Pac Basin Eqty Pro Ser 2 F. 5 $43.24 +0.29 1.20
Pac Basin Eqty Pro Ser 5 F. 5 $43.44 +0.29 1.39
UK Sovereign Bond Index Prog Ser 1 F 5 £12.55 −0.01 3.85
UK Sovereign Bond Index Prog Ser 2 F 5 £12.59 −0.01 4.06
UK Sovereign Bond Index Prog Ser 5 F 5 £12.69 −0.01 4.23
Swiss Franc Pro Ser 1 F SFr102.48 −0.01 1.52
Swiss Franc Pro Ser 2 F SFr103.65 −0.01 2.12
Euro Liquidity (Dist) Pro Ser 1 F.. €201.50 — 0.06
Euro Liquidity (Dist) Pro Ser 2 F.. €201.78 — 0.06
Euro Liquidity (Dist) Pro Ser 5 F.. €201.93 — 0.06
Sterling Liquidity (Dist) Pro Ser 1 F .. £101.16 — 0.06
Sterling Liquidity (Dist) Pro Ser 2 F .. £101.58 — 0.16
Sterling Liquidity (Dist) Pro Ser 5 F .. £101.69 — 0.16
US Dollar Liquidity (Dist) Pro Ser 1 F .. $202.85 — 0.01
US Dollar Liquidity (Dist) Pro Ser 2 F .. $203.05 — 0.01
US Dollar Liquidity (Dist) Pro Ser 5 F .. $203.20 — 0.01
US Equity Index Prog Ser 1 F .. €62.96 −0.17 7.65
US Equity Index Prog Ser 2 F .. $93.19 −0.24 7.65
US Equity Index Prog Ser 5 F .. $91.47 −0.23 7.39
USD High Yield Bond Ser 1 F .. $91.93 −0.24 7.39
USD High Yield Bd Ser 2 F .. $90.95 −0.26 7.39
US High Yield Bd GBP Ser 2 F .. £62.87 −0.17 7.39
Coutts Equities Emerging Markets 1 F .. $29.86 +0.46 0.84
Coutts Equities Emerging Markets 2 F .. $29.84 +0.46 0.85
Coutts Equities Emerging Markets 5 F .. $29.95 +0.46 1.05
Global Investment Grade Programme USD Sr 1 F $102.72 −0.09 3.71
Global Investment Grade Programme USD Sr 2 F $102.96 −0.09 3.71
Global Investment Grade Programme GBP Sr 1 F £106.49 −0.08 3.71
Global Investment Grade Programme GBP Sr 2 F £106.09 −0.08 3.71
Global Investment Grade Programme EUR Sr 1 F SFr96.83 −0.10 3.95
Global Investment Grade Programme EUR Sr 2 F €102.69 −0.11 3.95
Global Investment Grade Programme EUR Sr 5 F €105.65 −0.10 3.95
Global Investment Grade Programme CHF Sr 1 F SFr97.59 −0.09 3.59
Global Investment Grade Programme CHF Sr 2 F $103.81 −0.10 4.20
UK Specialist Equity Income Ser 1 F £106.01 −0.09 4.20
UK Specialist Equity Income Ser 2 F £7.43 +0.01 3.57
UK Specialist Equity Income Ser 5 F £7.46 +0.01 3.57
UK Specialist Equity Income Ser 5 F £7.47 +0.01 4.47
* 30 day average yield

Coutts (IRL)
Coutts Liquidity Fund Plc
Dollar Ser 1.............. $1.00 — 0.05
Dollar Ser 3.............. $68.92 — 0.05
Dollar Ser 4.............. $67.56 — 0.05
Dollar Ser 5.............. $1.00 — 0.06
Sterling Ser 1 .... £1.00 — 0.06
Sterling Ser 3 .... £59.81 — 0.17
Sterling Ser 4 .... £58.42 — 0.17
Sterling Ser 5 .... £1.00 — 0.07
Euro Ser 1 .... €1.00 — 0.05
Euro Ser 3 .... €73.15 — 0.05
Euro Ser 4 .... €71.45 — 0.03
Euro Ser 5 .... €1.00 — 0.18

CQS Cayman LP (CYM)
Regulated
Conv & Quantitative (Final) $2514.83
Directional Opportunities $2507.60
ABS $1830.21
Diversified $1307.40
Asia $1114.23

Credit Suisse Asset Mgmt Funds (LUX)
Regulated
CS Bond Fund (Lux) Brazil B $117.05
CS Bf (L) \$L (Euro) B €117.81
CS BF (L) IL (US$) B $108.85
CS BF (L) IL (US$) B $122.83
CS BF (L) Sfr B SFr488.85

Credit Suisse Asset Mgmt Funds - Contd.
CS BF (L) Sfr A SFr278.13
CS BF (L) TOPS (Sfr) B..... SFr106.66
CS Fund (Lux) Relative Return Engineered (Euro) B . €116.24
CS Fund (Lux) Relative Return Engineered (Sfr) B SFr111.17
CS Fund (Lux) Total Return Engineered (Euro) B .. €106.51
CS Equity Fund (Lux) Brazil B.. $9.13
CS Equity Fund (Lux) Emerging Mkt Sec Acc B.. $9.72
CS EF (Lux) Global Value B $5.95
CS Equity Fund (Lux) Global Value R CHF ... SFr8.36
CS Equity Fund (Lux) Global Value R EUR .. €8.69
CS EF (Lux) Small and Mid Cap Germany B €838.25
CS EF (Lux) Small and Mid Cap Europe B €1083.83
CS EF (L) Sm C USA B $2518.83
CS EF (L) USA B $583.96
CS EF (Lux) Global Responsible Equities B ... €124.14
CS SICAV One (Lux) Global Property B..... $6.61
CS Systematic Alpha (Lux) Equity Japan B .. Y5802
CS MMF (L) Sfr SFr712.06
CS PF (L) Bal (Sfr) B...... SFr160.36
CS PF (L) Bal (Euro) B..... €118.68
CS PF (L) Growth (Euro).... €106.69
CS PF (L) Growth (Sfr)..... SFr149.59
CS PF (L) Income (Sfr) B... SFr154.64
CS PF (L) Income (Euro) B.. €129.06
CS SICAV One (Lux) Challenger (USD) B . $91.74
CS SICAV One (Lux) Challenger (Euro) B . €94.06
CS SICAV One (Lux) Defender (Sfr) B . SFr94.95
CS SICAV One (Lux) Defender (Euro) B . €99.46
responsAbility Global Microfinance Fund B H CHF SFr112.98

Crédit Andorrà Asset Management (LUX)
www.creditandorra.com
FSA Recognised
Creditinvest SICAV Money Market Eur I. €11.1706
Creditinvest SICAV Money Market Usd A $10.0006
Creditinvest SICAV Fixed Income Eur €10.1945
Creditinvest SICAV Fixed Income Usd $10.2274
Creditinvest SICAV Spanish Value. €219.2268
Creditinvest SICAV International Value.. €136.7636
Creditinvest SICAV Big Cap Value.. €11.9789
Creditinvest SICAV US Multistrategy.. $11.0644
Creditinvest SICAV Sustainability... €11.4711

Crosscapital (LUX)
Regulated
Best Energy Ideas B €851.69
Diversified Bd Euro B..... €1107.25
High Yield Bond B......... €903.67
Italian Equity A €583.47
Italian Equity B €583.00
Crosscap.SV Opport. B €882.07

Curzon Capital Investment Management Limited (GSY)
Regulated
Poland Geared Growth...... £1.0659
Romania Geared Growth..... £0.6964
Fine Wine Geared Growth .. £0.6277

CypressTree Intl Fund Mgt Co Ltd (GSY)
Regulated
CypressTree Aft Inc USD (Susp). $531.5000
CypressTree Aft GBP (Susp). £546.67
CypressTree Aft Inc EUR (Susp). €501.98

Daiwa Europe Fund Mgrs Ireland Ltd (IRL)
Regulated
Monthly Dividend High Yield $6.56 −0.01
Euro Portfolio €2.91

Daiwa Gaika MMF
AUS Portfolio .... A$0.01
US$ Portfolio .... US$0.01
Euro Portfolio €0.01
Canadian Dllr Pfolio...... C$0.00
New Zealand Dllr Pfolio .. NZ$0.01

Daiwa Bond Series
Monthly Dividend AUD Bd .. A$9.61
Monthly Dividend EUR Bd... €10.07
Monthly Dividend CAD Bd... C$9.99
Mthy Div US Preferred Secs. $6.70

Daiwa Equity Fund Series
New Major Economies....... $14.24
Global CB $9.62

Danske Capital (UK)
Ibex House, 42–47 Minories, London, EC3N 1DX
Order Desk 0845 300 2104 Enquires 0870 607 2555
Authorised Corporate Director Capita Financial Managers
Authorised Inv Funds
CF Danske Active Growth Acc ♦ 3¼ 88.67d +0.76 0.13
CF Danske Active Growth Inc ♦ 3¼ 87.77d +0.75 0.10
CF Danske Bal Acc ♦ 3¼ 96.47d +0.70 0.51
CF Danske Balanced Inc ♦ 3¼ 94.80d +0.68 0.52
CF Danske Cautious Managed Acc ♦ 3¼ 104.68d +0.52 0.67
CF Danske Cautious Managed Inc ♦ 3¼ 102.08d +0.51 0.68
CF Danske Income Acc ♦ 3¼ 113.37d +0.33 3.63
CF Danske Income Inc ♦ 3¼ 101.27d +0.29 3.77

Dantrust Management (Guernsey) Ltd (GSY)
Regulated
Dantrust II Limited......... DKr271.80 273.30

DAVIS Funds SICAV (LUX)
Regulated
Davis Value A .... $23.99 +0.28
Davis Value B .... $21.72 +0.26
Davis Opportunities A..... $19.55 +0.20
Davis Opportunities B..... $17.76 +0.19
Davis Real Estate A....... $11.29 −0.05
Davis Real Estate B....... $11.00 −0.05
Davis Financial A......... $13.34 +0.15
Davis Financial B......... $12.13 +0.14

Deutsche Global Liquidity Series Plc (IRL)
Guild House, Guild Street, IFSC, Dublin 100 353 1 607 6300
Regulated
Mngd Dollar Advisory ..... $1.00 — 0.14
Mngd Dollar Institutional. $1.00 — 0.07
Mngd Dollar Platinum Class $1.00 — 0.16
Mngd Dollar Investor ..... $1.00 — 0.01
Mngd Sterling Advisory ... £1.00 — 0.57
Mngd Sterling Institutional £1.00 +0.01 0.53
Mngd Sterling Investor ... £1.00 — 0.01
Mngd Euro Advisory .... €1.00 −0.01 0.57
Mngd Euro Institutional .. €1.00 −0.01 0.44
Mngd Euro Investor .... €1.00 −0.01 0.12
Managed EURO Platinum Class €1.00 −0.01 0.49

Deutsche Institutional Funds Inc (IRL)
Regulated
DWS Deutsche Americas Bond . $53.29 +0.16 0.72
DWS CAEF Central American $664.31 −0.57 1.02

Discretionary Unit Fund Mngrs (1000)F (UK)
1 Poultry, London EC2R 8JR 020 7 415 4130
Authorised Inv Funds
Disc Inc Feb 5 .... 3 623.0 642.3 1.86
Do Accum Feb 5............ 3 2130.3 2196.1 1.86

Dolmen Securities Ltd (IRL)
Regulated
Dolmen Active............. €77.168768
Green Effects NAI–Werte .. €101.677905
Dolmen Dozen.............. €48.606551

Dolphin Fund Ltd (BMU)
Regulated
Dolphin NAV (Est) Jan 26 $13.94

Dominion Fund Management Limited (GSY)
PO Box 660 Ground Floor, Tudor House Le Bordage St Peter Port
Guernsey – Channel Islands United Kingdom GY1 3PF
+44(0)1481 734343 info@dominion-funds.gg www.dominion-funds.com
Regulated
Dominion CHC Fd Ltd E IC Class .. £8.8489
Dominion CHC Fd Ltd E IC Class .. £8.8584
Dominion CHC Fd Ltd E IC Class .. €6.9127
Dominion CHC Fd Ltd E IC Class .. €6.9127
Dominion CHC Fd Ltd US$ IC Class $7.107
Dominion CHC Fd Ltd US$ IC Class $7.107
Dominion Global Finance Fd Ltd .. $12.0145
Dominion PX1 USD .... $102.74 — 0.00
Dominion PX1 USD .... $106.91 — 0.00
Dominion PX2 USD .... $73.34 — 0.00
Dominion PX2 EUR .... €127.14 — 0.00
Dominion PX3 USD .... $101.30 — 0.00
Dominion PX1 EUR .... €94.12 — 0.00
Dominion NX1 USD .... $115.98 — 0.00
Dominion NX2 USD .... $139.47 — 0.00
Dominion NX3 EUR .... €130.55 — 0.00
Dominion NX1 EUR .... €122.97 — 0.00
Dominion NX2 EUR .... €116.73 — 0.00

Dragon Capital Management
1901 Me Linh Point, 2 Ngo Duc Ke, District 1, Ho Chi Minh City, Vietnam
Fund information, dealing and administration: funds@dragoncapital.com
www.ft.com/funds/Dragon/DragonCapitalManagement
Other International Funds
Vietnam Enterprise Investments (VEIL) . $1.80 1.90
Vietnam Growth Fund (VGF) $9.60 10.10
Dolmen Dragon Fund (VDF) $5.50 7.00
Vietnam Resource Investments (VRI) $2.50 3.00

Ecclesiastical Inv Mgt Ltd (1200)F (UK)
Beaufort Hse, Brunswick Rd, Gloucester GL1 1JZ 0800 107 0190
www.ft.com/funds/ecclesiastical
Authorised Inv Funds
Amity UK Cls A Inc........ 3 121.1 +1.5 3.01
Amity UK Cls B Inc........ 2 114.3 +1.5 2.69
Amity UK Cls C Acc........ 3 199.1 +2.4 3.37
Higher Income Cls A Inc C 5C 103.9 +0.8 4.89
Higher Income Cls B Inc C 2 104.4 +0.8 4.80
Higher Income Cls C Acc 5 195.4 +1.6 5.09
UK Equity Growth Cls A Inc 5 110.7 +1.5 1.92
UK Equity Growth Cls B Inc 2 110.1 +1.5 2.79
UK Equity Growth Cls C Acc 5 137.0 +1.8 2.64
Amity European Fund Cls A Inc 5 147.1 +2.0 2.64
Amity European Fund Cls B Inc 2 140.3 +2.0 2.94
Amity European Fund Cls C Acc 5 152.5 +2.1 2.52
Amity International Cls A Inc 5 166.4 +1.6 2.52
Amity International Cls B Inc 2 167.5 +1.6 3.36
Amity International Cls C Acc 5 163.5 +1.5 2.99
Amity Sterling Bond Fund A Inc 3¼ 99.65d +0.20 5.83
Amity Sterling Bond Fund B Inc 2 104.1d +0.2 5.83
Amity Sterling Bond Fund C Acc 3¼ 142.3d +0.2 5.81

Eclectica Asset Management (UK)
Ibex House, 42–47 Minories, London, EC3N 1DX
Order desk: 0845 6080941 Switchboard 0870 6072555
Authorised Corporate Director – Capita Financial Managers
Authorised Inv Funds
CF Eclectica Agriculture A EUR Acc ♦ 5 €1.0225d +0.02 0.00
CF Eclectica Agriculture A GBP Acc ♦ 5 89.95d +1.68 0.00
CF Eclectica Agriculture A USD Acc ♦ 5 $1.4045d +0.03 0.00
CF Eclectica Agriculture B EUR Acc ♦ 5 €1.0296d +0.02 0.00
CF Eclectica Agriculture B GBP Acc ♦ 5 90.67d +1.68 0.00
CF Eclectica Agriculture B USD Acc ♦ 5 $1.4066d +0.03 0.00
CF Eclectica Euro A USD Acc ♦ 5 €0.8262d +0.01 0.00
CF Eclectica Euro A GBP Acc ♦ 5 104.44d +0.75 0.21
CF Eclectica Euro A USD Acc ♦ 5 €1.6228d +0.01 0.00
CF Eclectica Euro B EUR Acc ♦ 5 €1.1945d +0.01 0.00
CF Eclectica Absolute Macro A GBP Acc ♦ 5 €1.6230d +0.02 0.00
CF Eclectica Absolute Macro A USD Acc ♦ 5 €1.4109d +0.01 0.00
CF Eclectica Absolute Macro B EUR Acc ♦ 5 90.16d −0.05 0.00
CF Eclectica Absolute Macro B GBP Acc ♦ 5 €1.4109d +0.01 0.00
CF Eclectica Absolute Macro B USD Acc ♦ 5 €1.4109d +0.01 0.00

Eclectica Asset Management LLP (CYM)
Regulated
The Eclectica Fund EUR Jan 29 .. €217.05
The Eclectica Fund GBP Jan 29 .. £243.66
The Eclectica Fund USD Jan 29 .. $222.79
The Eclectica Fund USD Jan 29 .. $222.79
The Eclectica Fund Class B GBP Jan 29 .. £128.48
The Eclectica Fund Class B USD Jan 29 .. $125.95

Edinburgh Partners Limited (IRL)
12 Charlotte Square, Edinburgh, EH2 4DJ +353 1 673 7627
Dealing – Fax only – +353 1 607 1978
FSA Recognised
Edinburgh Partners Opportunities Fund PLC
European Opportunities I EUR F . 1½ E €1.60
European Opportunities I GBP F . 1½ E £1.41
European Opportunities I USD F . 1½ E $2.20
European Opportunities A EUR F 5 E €1.59
Global Opportunities I USD F 1½ E $1.28
Global Opportunities I GBP F . 1½ E £0.82
Global Opportunities I EUR F . 1½ E €0.93
European Opportunities A GBP F 5 E £0.79

EEA Fund Management (Guernsey) Limited (GSY)
Regulated
EEA Life Settlements Fund – USD A .. $142.91
EEA Life Settlements Fund USD Dist.. $100.01
EEA Life Settlements Fund – EUR A .. €133.89
EEA Life Settlements Fund – GBP A .. £122.27
EEA Life Settlements Fund GBP Dist.. £103.75
EEA Life Settlements Fund GBP Acc .. £132.34
Weber Senior Life Settlements Sterling Fund .. £120.91
HSBC Senior Life Settlements Sterling Fund II .. £112.81

EEA Fund Management Limited
Other International Funds
EEA Europe Long Short EUR €113.31
EEA Europe Long Short USD $113.5
EEA Futures Fund A USD $980.79
EEA Futures Fund B GBP £767.02
EEA Select Opportunities £175.37

EFG Hermes Financial Management (Egypt) Limited (BMU)
DIFC, The Gate Building, West Wing Level 6, PO BOX 30727, Dubai UAE
Contact: Telephone + 971 4 363 4029 Email AMsales@EFG-HERMES.com
FSA Recognised
The EFG-Hermes Egypt Fund Ltd. $44.32
Middle East & Developing Africa Fund.. $23.15
Saudi Arabia Equity Fund.. SR5.9203
Telecom Fund $28.97

Egerton Capital European Fund Plc (IRL)
Regulated
Egerton Capital European NAV (Est) Feb 4 .. £127.65

Egerton European Dollar Fund Ltd (Est) (IRL)
Other International Funds
European Dollar USD NAV A (Est) Feb 4. $93.06
European Dollar USD NAV B (Est) Feb 4 $94.93
European Dollar USD NAV D (Est) Feb 4. $98.20

Egerton European Equity Fund Ltd
Other International Funds
NAV A (Est) Feb 4 .... €46.24
NAV B (Est) Feb 4 .... €47.08
NAV C1 (Est) Feb 4 .... €48.62

Egerton Dollar Investment Fund Ltd
Other International Funds
NAV B (Est) Feb 4 .... $7.56
NAV B12M (Est) Feb 4 ..... $7.56
NAV C (Est) Feb 4......... $7.73

Egerton Euro Investment Fund Ltd
Other International Funds
NAV B (Est) Feb 4......... €7.53
NAV B12M (Est) Feb 4 ..... €7.53
NAV C (Est) Feb 4......... €7.70

Egypt Trust (LUX)
Regulated
Shares NAV Feb 5 .... $32.58

Emerging Markets Management
Other International Funds
Emer Mkts Strat Cap Feb 5. $1080.13
Gbl Small Capitalization. $14.49774 +0.24 3.80
Latin American Small Capitalization A.. $20.14018 −0.01
Latin American Small Capitalization B.. $19.85980 −0.01 3.82
Emerging Markets Middle East A Feb 5 $19.82633 +0.28 3.83
Emerging Markets Middle East B Feb 5 $11.25058 +0.29 3.84
Emerging Markets Gbl Fd Class A $9.71702 −0.56 3.85
Emerging Markets Gbl Fd Class B $9.82989 −0.57 3.86
EMM Eastern Europe Fund Class A $15.18568 +0.19 3.78
EMM South Asian Stars – Class B $15.70922 +0.20 3.79
EMM Emerging Mkts Quantitative Fund A.. $7.81994 −0.50
EMM Emerging Mkts Quantitative Fund B.. $8.98993 −0.49
EMM All Country ex US Quantitative Fund B $7.68537 −0.29

Ennismore Smaller Cos Plc (IRL)
5 Kensington Church St, London W8 4LD 020 7368 4220
FSA Recognised
Ennismore European Smlr Cos NAV. £49.80 (z)
Ennismore European Smlr Cos NAV. €56.66 −0.19

Ennismore European Smlr Cos Hedge Fd
Other International Funds
NAV Jan 31 .... €214.99

For Eqty Gbl Inv Fds please refer to European & Global Inv Ltd

Equinox Fund Mgmt (Guernsey) Limited (GSY)
Regulated
Russian Opportunities .. $153.09 164.99

Equitable Life (International)
Albert Hs, 5th Esp'de, St Peter Pt, Gsy 01481 716021
International Insurances
Managed .... £4.779 5.03 +0.092
Fund of Inv Tsts.......... £14.168 14.913 +0.012
Fund of Inv Tsts.......... £12.523 13.192 +0.691
Gilt & Fixed Interest..... £6.157 6.481 +0.029
High Income............... £12.441 13.095 +0.202
International Growth...... £5.17 5.442 +0.047
Managed................... £7.417 7.807 +0.085
Money..................... £4.837 5.091
North American............ £5.46 5.768 +0.045
Pacific................... £8.059 8.483 +0.134
Property.................. £4.584 4.825
Smaller Companies......... £2.769 2.914 +0.027
Special Situations........ £4.757 5.007 +0.084
UK FTSE 100............... £1.955 2.036 +0.031
UK FTSE All Share Index Tracking Fd £1.102 1.16 +0.018
Far Eastern Dollar........ $1.994 2.098 +0.011
International Growth Dollar $1.296 1.364 +0.018
International Dollar...... $1.13 1.189 +0.015
North American Dollar..... $2.496 2.627 +0.01
Global Bond............... $2.249 2.367 +0.033
Equity Dollar............. $0.998 1.05 +0.023
European Dollar...........
Global Equity.............

Ermitage Group Funds
Other International Funds
Money Funds
Ermitage Money Market Fund Sterling . £18.478729 0.37
Ermitage Money Market Fund US $. $15.813013 0.23
Ermitage Money Market Fund Euro . €13.485724 0.25

Hedge Funds
Asset Selection A USD $18.2543
Asset Selection B GBP £20.7054
Asset Selection C EUR €16.8284
Asset Selection D USD $16.913
Asset Selection E GBP £12.7838
Asset Selection F GBP SKr164.7667
Asset Selection H USD $13.2464
Asset Selection J EUR €14.077
Directional Fund class A series 2 .. $96.74 −1.96
Directional Fund class C series 2 .. £49.67 −1.04
Ermitage Multi Strategy Fund B GBP £104.69
Global Multi Strategy Fund B USD $101.91
Absolute Ermitage Select A EUR . €30.36 +0.15
Absolute Ermitage Select A EUR . €118.92 +0.42
Absolute Select Hedge Fund . £23.03 +0.1
European Absolute B EUR... €102.51 +0.43
Event Driven Alpha Class A $187.47
Event Driven Alpha EUR.... €120.50
Event Driven Alpha B Class £125.28
Event Driven Alpha C GBP.. €135.08
Global Long/Short Fund Class A USD . $98.2498
Global Long/Short Fund Class B EUR . €96.49
Global Long/Short Fund Class D USD . $97.5574
Global Dynamic Trading Fund Class A USD $98.02
Global Dynamic Trading Fund Class E SEK $12.45
Resources Fd D USD........ $110.84
Resources Fd E GBP........ £113.74
Resources Fd F EUR........ €111.71
Ermitage Selz Fund Euro .. €172.6477
Ermitage Selz Fund US$ ... $265.1018

Ermitage Sicav Fund
FSA Recognised
Gbl Wealth Mgt Strategies Ltd A GBP £12.2699
Gbl Wealth Mgt Strategies Ltd B USD $13.9317
Gbl Wealth Mgt Strategies Ltd C EUR €12.2232

Euronova Asset Management UK LLP (CYM)
Regulated
Smaller Cos Cls One Shares (Est) Feb 5 £16.64
Smaller Cos Cls Two Shares (Est) Feb 5 €15.25d
Smaller Cos Cls Three Shares (Est) Feb 5 €5.64
Smaller Cos Cls Four Shares (Est) Feb 5 €10.37d

Eurobank EFG Fund Management Company (Lux) S.A. (LUX)
FSA Recognised
Eurobank (EF)(LF) Gbl Eq ..... €0.6513 +0.0035
Eurobank (EF)(LF) EQTY EMRG EUR €0.8105 +0.0103 0.32
Eurobank EF(LF) EQTY Greek equ €0.4149 +0.0161
Eurobank EF(LF) EQTY Intl Portfolios €0.4565 +0.0170
Eurobank EFG(LF) EQTY Turkish Equities €11.3662 +0.2760 5.59
Eurobank (EF)(LF) Absol Return E.. €1.1131 −0.0008
Eurobank EFG(LF) Absolute Return II €10.7639 +0.0144
Eurobank EFG(LF) Fixd Inc Glbl Mrkt €1.3425 −0.0397
Eurobank (EF)(LF) Greek Gvt Bnd €9.9453 −0.0263
Eurobank (EF)(LF) SPECIAL PURPOSE €9.2151 −0.0009
Eurobank EF(LF) SP Double Opp... €9.2877 −0.0002
Eurobank EF(LF) SP All Weather Plus €9.6910 +0.0027
Eurobank EFG(LF) SP Weather Sel.. €8.9311 −0.0171
Eurobank EF(LF) SP Dual Formula €9.4031 +0.0007
Eurobank (EF)(LF) SP Blue Chips Prot €8.3353 −0.0055
Eurobank EFG(LF) SP Blue Chips P II €8.2695 +0.0036
Eurobank EFG(LF) SP Global Alpha €9.5727 −0.0005
Eurobank EF(LF) FOF Balanced I €0.9734 +0.0007
Eurobank EFG(LF) FOF Dynamic I €0.7134 +0.0021
Eurobank EFG(LF) FOF_BRAC... €0.7133 +0.0030

European Investments Management Ltd
Union Palace, Fort Nassau Centre Marlborough Street, P.O. Box N-4875, Nassau
The Bahamas Tel: 001 242 393 8200
Other International Funds
European Investments Fund Class A ... €117.67
European Investments Fund Class B ... €114.088

F&C Fund Mgmt Ltd (OEICS) (1200)F (UK)
Admin: PO Box 9040, Chelmsford, CM99 2XH
Enquiries: 0870 6061183 Dealing: 0870 601 6083
Authorised Inv Funds
Share Class 1 – Retail
European Growth & Income 5 453.74d +4.70 2.00
Extra Income Bond Fund.... 5 61.98d +0.03 6.35
FTSE All-Share Tkr Acc* 0 336.0d +5.40 3.10
FTSE All-Share Tkr Inc* 0 274.1d +4.40 3.10
Corporate Bond............ 5 47.91d +0.07 5.60
Global Growth............. 5 96.49d +1.03 0.00
Global Thematic Fund..... 5 157.0d +2.10 0.00
Maximum Income Bond....... 5 45.1d +0.06 4.98
Multi-Manager Bal Acc. 5 C 169.3d +0.50 2.10
Multi Mgr Dist Acc Cls 1 5 C 59.03d +0.10 2.50
Multi Mgr Dist Inc Cls 1 5 C 47.8d +0.10 2.41
Multi-Manager Gwth........ 5 218.2d +1.00 0.80
Multi-Manager Income...... 5 177.4d +1.00 0.80

F&C Fund Mgmt Ltd - Contd.
Pacific Growth Acc .... 5 248.7d +0.90 0.90
Stewardship Gwth Acc ..... 5 607.8d +9.00 1.80
Stewardship Gwth Inc ..... 5 542.5d +8.00 2.10
Stewardship Income Acc. 5 C 120.9d +1.40 4.50
Stewardship Income Inc 5 C 91.49d +1.07 4.80
Stewardship Intl Acc...... 5 211.8d +2.40 0.20
Stewardship Intl Inc...... 5 147.0d — 5.90
Strategic Bond Acc........ 5 100.1d −0.10 6.00
UK Equity................. 5 2030.0d +35.00 2.10
UK Equity Income Acc. 5 C 88.00d +1.13 4.30
UK Equity Income Inc. 5 C 66.21d +0.86 4.50
UK Growth & Income Acc. 5 C 536.1d +6.90 4.60
UK Smaller Cos............ 5 274.9d +2.70 0.80
US Smaller Cos Inc........ 5 899.9d +6.20 0.00
*The standard initial charge is reduced to nil under a long term special deal.

F&P Unit Trust Mgmt Ltd (1700)F (UK)
15 Suffolk Street London SW1Y 4HG 0844 892 0907
Authorised Inv Funds
Global Equities........... 0 C 185.8d 187.3 +0.6000 —
Global Equities Fd II..... 0 132.8d 133.9 +0.5000 —
Core UK Equity Fd......... 0 107.5d 108.3 −0.1000 1.50
UK Equity Income Fund..... 0 125.9d 126.8 −0.2000 1.90
Concentrated UK Equity Fd. 0 151.4d 153.3 +0.8000 1.10
US Small Cap Equity....... 0 154.7d 163.2 −0.1000 0.70
US Large Cap Equity Fd.... 0 102.3d 103.3 +0.4000 0.80
US Mid Cap Value Equity Fund. 0 C 129.6 130.1 +1.200 1.10
Japan Equity Fund .... 0 128.9d 129.3 +1.200 0.10
FF AP European All Cap Equity Fund.. 0 190.3d 191.5 +1.500 0.40
European Equity Fd .... 0 116.3d 116.7 +1.300 0.50
European Mid Cap Fund 0 C 79.71d 80.47 +0.6300 0.50
Japan Equity Fd .... 0 106.0d 106.4 −1.4000 1.00
All Asia Fd............... 0 184.4d 185.6 −0.8000 1.40

FF & P Asset Mgmt (Guernsey) Ltd (GSY)
Regulated
Enhanced Euro Commodities Cell.. €10.47
Enhanced GBP Commodities Cell... £10.65
Global Property Fund Ltd Series C . £0.61130
Global Property Fund Ltd Series C – USD. $0.8051
Alternative Strat PCC Ltd Diversified GBP Cell ... €9.89
Alternative Strat PCC Ltd Diversified EUR Cell ... €11.31
Alternative Strat PCC Ltd Diversified USD Cell ... $11.19
Alternative Strat Inc PCC Ltd Contrl GBP Cell €7.51
Alternative Strat Inc PCC Ltd Contrl GBP Cell €7.62
Alternative Strat Inc PCC Ltd Contrl USD Cell $9.87
Alternative Strat Inc PCC Ltd Contrl GBP Cell $9.79
World Equities Ltd USD.. $0.93811 0.94179

FIM Management (Guernsey) Limited (GSY)
Advised by FIM Advisers LLP
Buchanan House, 3 St James's Square, London, SW1Y 4JU +44 207 389 8900
Regulated
FIM Long–Invest USD (Est) $184.66 — 0.00
FIM Long–Invest EUR (Est) €79.78 — 0.00
FIM Long–Invest CHF (Est) SFr95.94
FIM Long–Invest GBP (Final) £88.49

FIM Management Limited (CYM)
Advised by FIM Advisers LLP
Regulated
FIM Multi Strategy EUR (Est) €1343.88
FIM Multi Strategy USD (Est). $1281.09
FIM Multi Strategy GBP (Est). £857.39

Fairson Management Ltd (CYM)
Regulated
Krung Siam $1.107

Fairway International Ltd
Other International Funds
The Stafford Fund Ltd Euro Series (Est) .. €1837.64
The Stafford Fund Ltd. USD (Est).. $944.25

Family Investments (UK)
16/17 West Street, Brighton, East Sussex, BN1 2RL 01273 724570
Authorised Inv Funds
Insurances
Balanced Global Managed
Sovereign 3 Series 4 ..... 177.96 177.96 +0.49 0.00

Family Investment Mgmt Ltd (1000)F (UK)
16 West Street, Brighton BN1 2RL 01273 724570
Authorised Inv Funds
Family Child Tst .... 0 221.1 221.1 +1.10 0.94

Fauchier Partners Management Limited (GSY)
Regulated
Paragon Capital Appreciation Fund Limited
US Dollar Class Fd Dec 31 $265.6029
Sterling Hedged Class Fd Dec 31. £174.1792
Euro Hedged Class €199.7242
Institutional Sterling Class £180.1112
Institutional Euro Class.. €106.9330

Federated International Funds Plc (u) (IRL)
Federated Investors (UK) Ltd, 4 Broadgate, London EC2M 2DA
FSA Recognised
Federated High Income Advantage
USD Institutional Service Series.. $25.55 — 0.00
EUR Institutional Series H (2)(25) — 0.00
Federated US Bond Fund
Euro Shares – Instl Series F €122.17

Federated Short-Term US Treasury Securities
Institutional Service Series*.. $1 — 0.00
Institutional Series H ... $1 — 0.00
Federated Short-Term US Govt Securities Fund
Institutional Service Series*.. $1 — 0.00
Investment Series .... $1 — 0.00
Investment GIh Series..... $168.9 — 0.00
Institutional Series H ... $1 — 0.00
Federated Short-Term US Prime Fund
Institutional Service Series*.. $1 — 0.00
Institutional Series...... $1 — 0.00
Investment – Dividend Ser H $1 — 0.00
Institutional Services – Dividend Ser H.. $1 — 0.00
Institutional Shares Accumulating F $107.3 — 0.00
Federated Short-Term Euro Fund
Institutional Service Series € .. €118.33
Institutional Series H € .. €1 — 0.00
Institutional Services Series H C €1 — 0.00
Federated Short-Term Sterling Fund
Institutional Services Accumulating .. €118.82
Institutional Services Accumulating .. £114.41 — 0.00
Federated Kaufmann Growth Fund
Federated Kaufmann Growth F USD Cls I.. $7.63
Federated Kaufmann Growth F EUR Cls I NAV €7.50
Federated Market Opportunity Value Fund
Class A Shares F $9.4
Class C Shares F $9.35
Federated Strategic Value Equity Fund
Class A Shares F .... 5¼ E $5.97 4.46
Class C Shares F .... E $5.96 4.47
* Annualised 7–Day Yield

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
Unit Trust
Moneybuilder Global....... 0 165.1d 165.1 +1.50 0.66
Moneybuilder Global....... 3 62.61 64.80 +0.50 1.11
Cash Fund .... 0 100.00d 100.00 — 0.17
Cash Accum Units.......... 0 184.70 184.70 — 0.17
Moneybuilder Income....... 0 126.53 126.53 — 0.03
Moneybuilder Cash ISA..... 0 100.00 100.00 — 0.16
Fidelity Portfolio........ 3½ 212.0 219.3 +1.90 1.53

Fidelity Investment Funds (OEIC)
Income Funds
Moneybuilder Balanced Fd . 0 38.39d +0.32 3.56
Moneybuilder Income Fd ... 0 30.95d +0.04 4.63
Moneybuilder Inc Cls G.... 0 30.11d +0.04 4.54
Extra Income Fund......... 3½ 22.65d +0.01 5.18
Extra Income Gross Cls.... 3½ 22.66d +0.01 5.18
Strategic Bond Gross...... 3½ 26.20d +0.02 4.98
Strategic Bond Gross...... 3½ 26.20d +0.02 4.98

Growth & Income Funds
Growth & Inc Fd .... 3½ 275.4d +5.1 0.98
Fidelity Cash Fund A...... 3½ 129.8d +2.0 6.57
Enhanced Income Fd A...... 3½ 47.72d +0.89 3.62
Enhanced Income Fd B...... 3½ 48.07d +0.90 3.61
Enhanced Income Fd Acc ... 0 117.0d +1.3 0.88
Fidelity Index UK .... 0 63.61 +1.04 2.96
Fidelity Index Acc UK..... 0 63.61 +1.04 2.96

Growth Funds
American Fd .... 3½ 1530 +11 0.35
Amer Spec Sits Fd .... 3½ 509.0 +2.6 0.00
Asian Special Sits........ 3½ 112.0 +1.1 0.63
European Fd .... 3½ 1052 +15 0.80
European Opps Fd .... 3½ 265.2 +4.3 1.06
European Fund Acc Cls A... 3½ 81.43d +0.34 1.86
Global Special Sits....... 3½ 1507 +17 0.98
International Fd.......... 3½ 95.01 +1.39 1.56
Japan Fd.................. 3½ 140.8d −0.9 0.00
Japan Smaller Cos Fd...... 3½ 121.6 +0.6 0.72
Fidelity Global Focus Fund. 3½ 742.5 +9.6 0.74
Moneybuilder UK Index Fd.. 0 54.28 +0.88 3.71
Fidelity Fd. Global Fd... 3½ 1043 +12 0.10
Select Emerging Markets... 3½ 115.3d −1.6 0.90
South East Asia Fd........ 3½ 372.5 +1.6 1.29
Special Sits Fd* .... 3½ 1704 +21 0.67
Tech Fund .... 3½ 1207 +23 0.28
South E. Asia Fd .... 3½ 230.5d +2.5 0.00
UK Aggressive Fd .... 3½ 135.9 +2.2 1.82
UK Growth Fd .... 3½ 1301 +17 0.56
*Special Sits Fd was subject to a fund split on 16–Sep–06

Managed Funds
MultiManager Growth ...... 3½ 33.66d +0.61 0.56
MultiManager Income....... 3½ 33.35d +0.27 3.00
Fidelity Target 2010 Fund. 3½ 35.26d +0.48 1.62
Fidelity Target 2015 Fund. 3½ 33.87d +0.51 2.02
Fidelity Target 2020 Fund. 3½ 35.06d +0.47 1.18
Fidelity Target 2025 Fund. 3½ 33.87d +0.51 1.21
Fidelity Target 2030 Fund. 3½ 35.08d +0.48 1.30
Retirement Income Acc..... 3½ 94.26d +0.47 4.29
Retirement Income Dis..... 3½ 94.41d +0.38 3.37

FIL Investment Services - Contd.
Institutional Funds (OEIC)
America .... 0 187.4 +1.0 0.67
International Bond........ 5¼ 31.96d −0.11 2.75
Emerging Markets.......... 0 232.1 +2.7 1.00
Europe.................... 5¼ 262.7 +2.2 1.84
UK Gilt Bond.............. 0 103.0d +0.4 4.62
Index Linked Bond Gross. 5¼ 163.4d +0.5 1.42
Index Linked Bond Gross... 0 187.8d +0.5 1.42
Intl Bond Gross........... 0 40.06d −0.13 2.75
Japan..................... 0 134.3 +0.7 1.04
Long Bond................. 5¼ 35.47d +0.18 5.26
Long Bond Gross .... 0 47.51d +0.25 5.26
Pacific (Ex Japan) .... 5¼ 249.1 +0.9 1.82
Pan European.............. 0 165.2 +2.5 1.66
Select European Eqts .. 0 173.5 +3.1 2.07
Select Global Equities.... 0 169.0 +1.6 1.35
South East Asia .... 0 249.5 +1.2 1.16
UK........................ 0 198.0 +3.2 2.44
UK Corporate Bond .... 0 102.3d +0.2 5.78
UK Aggreg Bond Gr Accum. 0 119.9d +0.3 4.97
UK Aggregate Bond Inc..... 0 99.35d +0.23 4.97
UK Corp Bond Gross........ 0 147.1d +0.2 5.78
UK Gilt Gross............. 0 142.0d +0.5 4.62
UK Long Corp Bd .... 5¼ 106.3d +0.1 6.30
UK Long Corp Bd Gross..... 0 145.4d +0.2 6.30
Global Focus.............. 5¼ 151.6 +1.9 0.67
Sterling Core Plus Bond Inc. 0 100.2d +0.2 6.13
Sterling Core Plus Bond Gr Accum. 0 119.3d +0.3 6.13
*CAR – Not income reinvested
~ OSB 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 .... 532.5 533.9d +5.20 1.66

FIL Fund Management (Ireland) Limited (IRL)
Regulated
Fidelity Inst Cash Funds
Canadian Dollar Acc A .... C$14610.03 +0.04 0.10
Canadian Dollar Dist A ... C$1.00 — 0.10
Canadian Dollar Dist A.... C$1.00 — 0.10
Euro Acc A .... €13887.49 +0.12 0.30
Euro Acc B .... €11086.38 +0.02 0.05
Euro Acc D .... €11171.64 +0.07 0.25
Euro Dist A .... €1.00 — 0.30
Euro Dist B .... €1.00 — 0.05
Euro Dist D .... €1.00 — 0.25
Sterling Acc A .... £20072.49 +0.21 0.40
Sterling Acc B .... £11483.31 +0.04 0.15
Sterling Acc D .... £11570.50 +0.12 0.35
Sterling Dist A .... £1.00 — 0.40
Sterling Dist B .... £1.00 — 0.15
Sterling Dist D .... £1.00 — 0.35

FIL Fund Management - Contd.
United States Dollar Acc A* $16918.86 +0.04 0.10
United States Dollar Acc B* $11164.53 — 0.01
United States Dollar Acc D* $11220.95 +0.02 0.05
United States Dollar Dist A* $1.00 — 0.10
United States Dollar Dist B* $1.00 — 0.01
United States Dollar Dist D* $1.00 — 0.05

Findlay Park Funds Plc (IRL)
Styne House, Upper Hatch Street, Dublin 2 Tel: 00 353 1603 6460
FSA Recognised
American Smaller Cos USD Class. $37.53 +0.48
American Small Co GBP Hedged. £20.62 +0.35
Latin American Fund USD Class . $13.99 +0.34

Fitzwilliam Asset Mgmt (Guernsey) Ltd (GSY)
Regulated
Fitzwilliam Intl Fund $24.15

Forts Investments (LUX)
82 Bishopsgate, London EC2N 4BN, United Kingdom Tel +44 207 063 7100
FSA Recognised
Fortis L Fd Bond Convertible Europe . 5 €108.84
Fortis L Fd Bond Convertible World 5 €116.73
Fortis L Fd Equity Best Selection Euro .. £85.96
Fortis L Fd Equity Best Selection Japan 5 €76.85
Fortis L Fd Equity Best Selection USA 5 €89.26
Fortis L Fd Equity Small Caps Europe 5 €62.31
Fortis L Fd Global Equity Sel. 5 €72.03
Fortis L Fd Global Env Growth €96.59

Fortis Investment Management (IRL)
PO Box 10448 / Block 10, Rue de Speyerlecke L-2010 Luxembourg Tel: +352-2627 2014 Fax: +352-2627 2670
FSA Recognised
Fortis Global Liquidity Fund Plc
Regulated
Sterling £1.00 0.51
Sterling Premium £1422.85 0.60
Sterling Premium Plus. 0 £1362.79 0.60
US Dollar (c)............. $1.00 0.39
US Dollar Premium......... $1268.02 0.00
US Dollar Premium Plus. 0 $1216.35 0.00
Euro €1.00 0.32
Euro Premium.............. €1269.95 0.00
Euro Premium Plus. 0 €1227.74 0.00

Franklin Templeton Investment Funds (LUX)
Regulated
Floating Rate A Acc Shs. $11.2
Floating Rate A Shs $8.62
Floating Rate Fund B Shs.. $8.62
Floating Rate Fund B1 Shs. $8.62 (z)
Floating Rate Fund C Shs.. $8.62
Agency Share Class Z Shs.. $8.61

Franklin Templeton Inv Mgt (1400)F (UK)
PO Box 23706, Edinburgh EH7 5WS 0207 073 8690
Freefone 0800 305 306 enquiries@franklintempleton.co.uk
www.ft.com/funds/franklintempleton/investmentmanagement
Authorised Inv Funds
Franklin Templeton Funds (OEIC)
Class A
Frk Biotechnology A Acc 5 £0.6978 +0.002 0.00
Frk Emerging Mkts A Acc 5 £0.5598 +0.003 0.00
Frk Global REIT A Inc. H 5 £0.4865 +0.016 4.18
Frk Mutual Shares A Acc £ 5 £0.7495 −0.012 0.00
Frk Mutual Shares A Inc £ 5 £0.9635 +0.012 0.13
Frk US Equity Cls A Acc £ 5 £1.0951 +0.007 0.33
Tem Emerg Mkts A Acc £ 5 £1.5413 +0.0286 1.55
Tem Europe A Inc £ 5 £1.411 +0.0262 1.57
Tem Gbl Emg Mkts A Acc. 5 £2.3965 +0.0349 0.86
Tem Gbl Emg Mkts A Inc £ 5 £2.1714 +0.0313 0.86
Tem Gbl Total Return A Inc £ 5 £1.2145 +0.0035 4.87
Tem Gbl Total Return A Acc 5 £1.5334 +0.0704 1.16
Tem Growth A Acc £ 5 £1.0983 +0.0244 1.04
Tem Growth A Inc £ 5 £0.9844 +0.0213 1.00
Tem Strat Bond A Acc £ 5 £1.0879 +0.0004 4.81
Tem Strat Bond A Inc £ 5 £0.9524 +0.0004 4.81
Tem UK Equity A Acc £ 5 £1.1875 +0.0178 3.48
Tem UK Equity A Inc £ 5 £1.0863 +0.0163 3.48
Tem US Opport. Fund A 5 £1.2577 +0.0083 0.00

Franklin Fiduciary International Ireland Ltd (IRL)
Unit 2F, Block 71, The Plaza, Park West, Dublin 12, Ireland + 353 1 6454700
Fax + 353 1 6454747
FSA Recognised
Frk Ex–Jap Gb Eqty F, JPY . 5 Y625.38 — (z)
Franklin Templeton Emerging Market Debt Opportunities Fund Plc
Frk Templeton Emg Mkts Debt Opp CHF .. SFr18.40 —
Frk Templeton Emg Mkts Debt Opp EUR .. €9.90 —
Frk Templeton Emg Mkts Debt Opp GBP .. £11.03 —
Frk Templeton Emg Mkts Debt Opp USD .. $16.81 —

Franklin Templeton Investment Funds (LUX)
26 Bd Royal L–2449 Luxembourg 00 352 466667 212
www.franklintempleton.co.uk UK freephone 0 800 305 306
funds.ft.com/funds/franklintempleton/investment
FSA Recognised
Class A Dis
Frk Gbl R Estate (USD) A Dis. $6.06 −0.01
Frk High Yield A Dis...... $6.43 −0.05
Frk High Yield (Euro)..... €5.91 −0.02
Frk Income .... $10.36 +0.02
Frk Templeton Gbl Inc..... $24.33 +0.36
Frk Mutual Beacon A ...... $40.4 +0.41
Frk Mutual Euro........... €13.73 +0.21
Frk Mutual Gbl Disc....... $13.69 +0.24
Frk Mutual Gbl Disc Eur... €13.86 +0.09
Frk Mutual European...... €12.24 +0.28
Frk Mutual Beacon .... $9.48 +0.13
Frk US Opportunities...... $3.71 +0.02
Frk US Gov Fund .... $6.59 +0.01
Frk US Total Return....... $10.00 +0.01
Tem Asian Bond .... $12.83 +0.05
Tem Asian Growth .... $36.50 +0.15
Tem Asian Growth Eur...... $13.66 +0.07
Tem Asian Gwth Gbl .... €13.85 +0.14
Tem BRIC .... $23.53 +0.16
Tem BRIC .... €16.52 +0.35
Tem China................. $14.20 +0.35
Tem China Fund............ $10.10 +0.44
Tem Eastern Europe .... €22.62 +0.33
Tem Eastern Europe........ €22.61 +0.41
Tem Emerging Markets...... $27.44 +0.41
Tem Emg Mkts Bd........... $18.87 +0.26
Tem Euro Liquid Reserve... €5.01 +0.01
Tem Euroland.............. €11.06 +0.14
Tem European Total Return. €12.29 +0.15
Tem European .... €13.25 +0.15
Tem Euro Opportunity ..... €6.87 +0.11
Tem Global................ $22.36 +0.05
Tem Global Balanced....... €13.10 +0.01
Tem Global Bond EUR....... €11.79 +0.03

Franklin Templeton Investment Funds - Contd.
Tem Global Bond........... $18.47 +0.16
Tem Global Bond (Euro).... €9.91
Tem Global Income......... $8.55 +0.12
Tem Global (Euro)......... €10.41 +0.06
Tem Global Income......... $10.88 +0.11
Tem Global Smaller Cos.... $25.68 +0.39
Tem Global Total Return... $15.28 +0.14
Tem Global Total Return F.. £/2 €9.76 +0.01
Tem Growth (Euro)......... €8.84 +0.05
Tem Latin America......... $72.06 +2.41
Tem Latin America......... £46.12 +1.23
Tem US Liquid Reserve..... $9.77 —
Tem US Value F............ €6.34 +0.04

Class A Acc
Frk Biotech Discovery..... $8.81 +0.07
Frk European Growth....... €8.31 +0.05
Frk European Sml Mid Cap Gth €17.76 +0.11
Frk Gbl R Estate (Euro) A Acc €5.91 −0.02
Frk Gbl R Estate (USD) A Acc $6.58 −0.02
Frk Global Growth .... $9.39 +0.2
Frk Global Sml Mid Cap Gth.. $18.18 +0.17
Frk High Yield............ $11.71 −0.02
Frk High Yield (Euro)..... €11.59 −0.02
Frk India................. $18.8 +0.24
Frk India................. €21.43 +0.47
Frk Mutual Beacon EUR..... €30.04 +0.02
Frk Mutual Beacon......... $41.38 +0.42
Frk Mutual European EUR... €14.65 +0.1
Frk Mutual European....... $20.2 +0.33
Frk Mutual Gbl Disc....... €10.35
Frk Mutual Gbl Disc USD... $11.8 +0.12
Frk Mutual Gbl Disc....... $5.46 +0.05
Frk Technology............ $5.46 +0.05
Frk Tem Global Gth & Val.. $16.2 +0.29
Frk Tem Japan............. €3.87 −0.03
Frk Tem Japan............. $5.35 +0.02
Frk Tem Japan............. Y478.84 +2.83
Frk US Equity EUR......... €10.06
Frk US Equity............. $13.89 +0.13
Frk US Equity Euro Hedge.. €9.93 +0.1
Frk US Opportunities ..... $5.83 +0.06
Frk US Sml Mid Cap Gth F.. $9.58 +0.12
Frk US Total Return....... $12.67 −0.01
Tem Asian Bond............ €13.36 +0.08
Tem Asian Bond............ $15.23 +0.05
Tem Asian Growth.......... €18.29 −0.05
Tem Asian Growth.......... $25.27 +0.18
Tem BRIC.................. €14.17 +0.22
Tem BRIC.................. $16.15 +0.4
Tem China .... $20.27 +0.22
Tem Eastern Europe........ €24.5 +0.25
Tem Eastern Europe........ $33.77 +0.66
Tem Emerging Markets...... $31.38 +0.62
Tem Emg Mkts Bd........... $18.58 +0.13
Tem Euro Liquid Reserve... €5.55
Tem Euroland.............. €11.67 +0.14
Tem European EUR.......... €12.65 +0.15
Tem European.............. €17.41 +0.36
Tem European Total Return. €10.81 +0.01
Tem Global................ $24.07 +0.41
Tem Global Balanced EUR... €14.16 +0.07
Tem Global Balanced....... $19.52 +0.27
Tem Global Bond EUR....... €16.38 −0.01
Tem Global Bond (Euro).... €12.58
Tem Global Equity Income.. €8.83 +0.05
Tem Global Equity Income.. $9.68 +0.14
Tem Global (Euro)......... €11.11 +0.06
Tem Global Income......... €11.84 +0.01
Tem Global Income......... $12.97 +0.13
Tem Global Smaller Cos.... $26.93 +0.41
Tem Global Total Return... $20.83 +0.18
Tem Growth (Euro)......... €8.35 +0.05
Tem Korea................. $4.94 +0.12
Tem Latin America......... $77.19 +2.57
Tem Thailand.............. $9.83 −0.04
Tem US Liquid Reserve..... $11.08
Tem US Value.............. $10.06 +0.13

Frontier Capital Management LLP (0700) (UK)
Authorised Corporate Director: IFDS Managers Ltd, IFDS Hse, Basildon, SS15 5FS
Authorised Inv Funds
IFDS Frontier MAP Balanced Bd Fund . F . 113.535314 +0.31841 0

Frontier Capital (Bermuda) Limited
Other International
Commercial Property–GBP Class.. £98.43
Global Real Estate–GBP C Class £96.28

Fundinvest (Guernsey) Limited (GSY)
Level 4, Tower Hills, Trinity Square, St. Peter Port, Guernsey GY1 3HN
Regulated
The European Stafford Fund €92.9470 — 0.00
The Stafford Global Equity Fund £112.5930 — 0.00

FundTap Luxembourg Funds (LUX)
Dealing +352 402 5051 Manager +352 263 02693
Regulated
Optimum Trend Fund (A) LUX $1191.79

GAM Limited (2300)F (UK)
12 St James's Place London SW1A 1NX 0800 919 927
Internet: gam.com
Authorised Inv Funds
GAM Sterling Management Ltd
GAM Funds OEIC
GAM Corporate Bond A Inc (QD)... €87.7 — 0.00
GAM Corporate Bnd Rtn OEIC Acc. 5 €95.9 — 0.00
GAM Global Diversified Acc. 5 2393.39 −5.86 0.79
GAM Global Diversified Inc. 5 1857.68d −4.55 0.79
GAM North American Gwth Acc. 5 1543.50 +0.77 0.00
GAM North American Gwth Inc. 5 1237.77 +0.62 0.00
GAM UK Diversified Acc. 5 1015.78 −1.36 1.16
GAM UK Diversified Inc 5 710.54d −0.95 1.16

Unit Trust
GAM Portfolio Unit Trust Acc 5 313.98 −0.40 1.59
GAM Portfolio Unit Trust Inc 5 296.99d −0.38 1.59
GAM MP UK Equity Unit Trust Acc 5 133.66 +0.24 0.85
GAM MP UK Equity Unit Trust Inc 5 130.35d +0.24 0.85

GAM Limited
Property & Other UK Unit Trusts
UK Exempt Trust
GAM Exempt – UK Opp Feb 8 £3.4 — 0.00

GAM Limited (IRL)
FSA Recognised
GAM Fund Management Limited
Georges 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 CHF Acc F . 5 SFr8.4 — 0.00
GAM Star Asia–Pacific Eqty EUR Acc F . 5 €9.8 — 0.00
GAM Star Asia–Pacific Eqty GBP Inc F . 5 £7.6 — 0.00
GAM Star Asia–Pacific Eqty JPY Acc F . 5 ¥2.4 — 0.00
GAM Star Asia–Pacific Eqty USD Acc F . 5 £2.3 — 0.00
GAM Star Asia–Pacific Eqty JPY Acc F . 5 ¥12.9 — 0.00
GAM Star Asian Equity CHF Acc F ... 5 SFr10.1 — 0.00
GAM Star Asian Equity EUR Acc F ... 5 €11.0 — 0.00
GAM Star Asian Equity GBP Acc F ... 5 £11.9 — 0.00
GAM Star Asian Equity USD Acc F ... 5 $11.9 — 0.00
GAM Star China Equity CHF Acc F ... 5 SFr10.0310 −0.07 0.00
GAM Star China Equity EUR Acc F ... 5 €10.0476 −0.07 0.00
GAM Star Composite Absolute Return EUR Acc F 5 €10.4 — 0.00
GAM Star Contl European Eqty EUR Acc F 5 £2.0 — 0.00
GAM Star Discretionary FX EUR Acc F . 5 €10.0867 +0.01 0.00
GAM Star Discretionary FX GBP Acc F . 5 £0.0367 +0.01 0.00
GAM Star Discretionary FX USD Acc F . 5 £10.5 — 0.00
GAM Star European Eqty CHF Acc F 5 €157.8 — 0.00
GAM Star European Eqty EUR Acc F 5 £1.0 — 0.00
GAM Star European Eqty GBP Acc F 5 €14.5 — 0.00
GAM Star European Eqty USD Acc F 5 €13.2 — 0.00
GAM Star European Eqty USD Acc F 5 €5.4 — 0.00
GAM Star Global Bond CHF Acc F ... 5 $9.8783 +0.013 0.00
GAM Star Global Bond EUR Acc F ... 5 £10.0508 +0.014 0.00
GAM Star Global Bond GBP Acc F ... 5 £1.006 +0.011 0.00
GAM Star Global Bond USD Acc F ... 5 £10.0773 +0.013 0.00
GAM Star Global Eqty CHF Acc F ... 5 SFr98.4 — 0.00
GAM Star Global Eqty EUR Acc F ... 5 €77.4 — 0.00
GAM Star Global Eqty GBP Acc F ... 5 £89.3 — 0.00
GAM Star Global Eqty USD Acc F ... 5 £89.3 — 0.00
GAM Star Global Selector CHF Acc F . 5 SFr102.1 — 0.00
GAM Star Global Selector EUR Acc F . 5 €86.4 — 0.00
GAM Star Global Selector GBP Acc F . 5 £77.4 — 0.00
GAM Star Global Selector USD Acc F . 5 £89.3 — 0.00
GAM Star Japan Eqty CHF Acc F ... 5 SFr21.1 — 0.00
GAM Star Japan Eqty EUR Acc F ... 5 €6.7 — 0.00
GAM Star Japan Eqty GBP Acc F ... 5 £5.5 — 0.00
GAM Star Japan Eqty JPY Acc F ... 5 Y902.8 — 0.00
GAM Star Japan Eqty USD Acc F ... 5 $8.0 — 0.00
GAM Star Keynes Quant Strategies USD Acc F 5 $10.4083 +0.003 0.00
GAM Star Keynes Quant Strategies EUR Acc F 5 €10.3061 +0.003 0.00
GAM Star North of South EM Eqty CHF Acc F 5 $8.1 — 0.00
GAM Star North of South EM Eqty EUR Acc F 5 €8.1 — 0.00
GAM Star Worldwide Eqty USD Acc F 5 €8.1 — 0.00
GAM Star Worldwide Eqty CHF Acc F 5 €2.1 — 0.00

GAM Limited
Offshore Funds
GAM Absolute Return Bond Fund USD Open .. $2071.22
GAM Absolute Return Bond Fund EUR Open .. €1281.7
GAM Asia Equity Inc....... $582.6 —
GAM Asia Equity Inc ...... Y13292.0 —
GAM Asia Equity Inc ...... $256.0 —
GAM Cap Appreciation ..... $550.8 —
GAM China Equity Inc...... $290.4 —
GAM Cap. Appreciation USD Open .. $192.0 —
GAM Composite Abs Rtn EUR Open $2138.9 —
GAM Composite Abs Rtn GBP Open $233.1 —
GAM Composite Abs Rtn USD Open $233.7 —
GAM Composite Abs Rtn JPY Open .. Y14096 —
GAM Composite Abs Rtn Accs Open .. €95.8 —
GAM Composite Abs Rtn SFr Open SFr189.5 —
GAM Composite Abs Rtn Open £109.45 —
GAM Composite Bond EUR Open $142.4 —
GAM Composite Bond USD Open £100.25 +0.09
GAM Composite Bond GBP Open .. $180.3 —
GAM Composite Bond SFr Open SFr207.8 —
GAM Composite Bond JPY Open .. $846.9 —
GAM Composite Bond EUR Open .. $302.6 —
GAM Composite Gbl Eq Opp Open .. $102.8 —
GAM Composite Gbl Gth Open .. $123.0 —
GAM Composite Gbl Gth EUR Open .. €96.4 —
GAM Diversity Inc CHF Open SFr96.4 —
GAM Diversity Inc CHF 2 Open SFr64.4 —
GAM Diversity Inc CHF 2 Open SFr64.4 —
GAM Diversity Inc EUR Open .. €190.5 —
GAM Diversity Inc EUR 2 Open .. €117.4 —
GAM Diversity Inc GBP Open .. £205.3 —
GAM Diversity Inc GBP 2 Open .. £144.8 —
GAM Diversity Inc JPY Open .. Y14096 —
GAM Diversity Inc NOK Open .. NKr1006.8 —
GAM Diversity Inc SEK Open .. SKr952.4 —
GAM Diversity Inc USD Open .. $677.0 —
GAM Diversity Inc USD 2 Open .. $164.6 —
GAM Diversity II CHF Open SFr98.0 —
GAM Diversity II EUR Open .. €137.8 —
GAM Diversity II GBP Open .. £137.2 —
GAM Diversity II USD Open .. $173.5 —
GAM Diversity II JPY Open .. Y15027 —
GAM Diversity III CHF Open SFr99.2 —
GAM Diversity III EUR Open .. €127.7 —
GAM Diversity III GBP Open .. £127.1 —
GAM Diversity III USD Open .. $117.6 —
GAM Diversity III JPY Open .. Y11956 —
GAM Europe Special Bond .. €96.7 —
GAM European Equity Inc .. €177.0 —
GAM Euro Equity Hedge .... €148.1 —
GAM Euro Equity Hedge USD. $202.2 —
GAM Euro Equity Hedge EUR. €176.1 —
GAM Frontier Open .... $137.5 —
GAM GAMCO Equity .... $327.3 —
GAM Global Diversified USD Open $1243.64 —
GAM Global Diversified EUR Open €114.4 —
GAM Global Macro Hedge EUR €121.1 —
GAM Global Macro Hedge USD €92.4 —
GAM Greater China Hedge USD €116.1 —
GAM Interest Trend Inc.... $274.2 —
GAM Interest Trend II Inc USD Open. $103.0 —

GAM Limited - Contd.
GAM Japan Equity Inc $1094.5
GAM Japan Equity Inc – YEN Y8638.6
GAM Japan Eqty Hedge EUR Open €119.9
GAM Japan Eqty Hedge JPY Open Y8463.6
GAM Japan Eqty Hedge USD Open $122.9
GAM Money Mkts EUR €51.2 0.16
GAM Money Mkts GBP £100.0 0.07
GAM Money Markets Inc $100.0 0.00
GAM Multi–Arbitrage CHF Open SFr90.3
GAM Multi–Arbitrage EUR Open €111.9
GAM Multi–Arbitrage GBP Open £97.8
GAM Multi–Arbitrage USD Open $116.8
GAM Multi–China EUR Open . €161.2
GAM Multi–China USD Open.. $169.8
GAM Multi–Commodities Inc CHF Open SFr111.3
GAM Multi–Commodities Inc EUR Open €118.3
GAM Multi–Commodities Inc GBP Open £119.4
GAM Multi–Commodities Inc USD Open $122.1
GAM Multi–Diversified EUR. €99.6
GAM Multi–Emg Mkts Inc EUR Open €114.7
GAM Multi–Emg Mkts Inc GBP Open £129.7
GAM Multi–Emg Mkts USD Open $120.1
GAM Multi–Environmental USD $85.9
GAM Multi–Europe EUR Open. €267.3
GAM Multi–Europe II EUR Open €137.6
GAM Multi–Europe II USD Open $112.5
GAM Multi–Europe USD Open. $465.1
GAM Multi–Europe II Open . €133.2
GAM Multi–North America Glt Specialist $216.83 −1.13
GAM Multi–Pacific Inc EUR Open €162.0
GAM Multi–Pacific Inc USD Open $188.5
GAM Multi–Systematic Trading CHF SFr91.7
GAM Multi–Systematic Trading EUR €95.2
GAM Multi–Systematic Trading USD $93.1
GAM Multi–Pacific Inc. EUR Open €140.3
GAM Multi–Star Diversity EUR €90.6
GAM Multi–Star Diversity USD $88.8
GAM Pacific Inc $1230.8 3.89
GAM Selection Hedge Inc... $2661.4 0.95
GAM European Equity Inc... $265.6xd
GAM Singapore/Malaysia Equity Inc .. $2344.6 1.17
GAM Sterling Special Bond Inc £238.92 5.67
GAM SMG UK Focus GBP Open. £125.2xd 0.00
GAM Trading Inc EUR Op ... €323.3
GAM Trading Inc USD Op ... $967.9
GAM Trading II GBP 1.25 XL £102.7
GAM Trading II Inc CHF Op. SFr104.5
GAM Trading II Inc EUR Op. €138.3
GAM Trading II Inc GBP Op. £369.5
GAM Trading II Inc USD Op. $314.3
GAM Trading III Inc CHF Op SFr135.6
GAM Trading III Inc EUR Op €156.0
GAM Trading III Inc GBP Op £177.7
GAM Trading III Inc USD Op $161.6
GAM Trading IV Inc CHF Op. SFr128.0
GAM Trading IV Inc EUR Op. €145.9
GAM Trading IV Inc GBP Op. £167.4
GAM Trading IV Inc USD Op. $153.6
GAM Trading V Inc CHF Op . SFr109.1
GAM Trading V Inc EUR Op . €123.7
GAM Trading V Inc GBP Op . £137.3
GAM Trading V Inc USD Op . $128.9
GAM US Dollar Special Bond Inc.. $556.7
GAM Worldwide Inc $2054.2xd 0.00
GAMut Investments Inc..... $7618.0
GAMut Investments Inc. T Class $116.4
Tristar Global Hedge USD . $181.12 +0.63

GLC Ltd
Other International Funds
GLC Diversified USD....... $77.3813
– effect from 1st December until further notice as determined by the Board*

GYS Investment Management Ltd (GSY)
Regulated
Taurus Emerging Fund Ltd.. $146.7 0.00

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 .... 0 232.12d — 0.38
Cautious Managed Acc 5 C 164.89d +1.12 3.66
Cautious Managed Inc. 5 C 125.74d +0.85 3.77
China Opps .... 5 597.49 +5.01 0.49
Corporate Bond Acc.. 3½ 112.58d +0.10 7.10
Corporate Bond Inc.. 3½ 109.27d +0.11 7.10
Emerging Mkts Opps........ 5 133.42 +1.71 0.30
European Abs Ret Fund . 5 109.95 +0.24 0.00
European Focus .... 5 110.70 +1.90 0.24
European Sel Opps......... 5 763.82 +13.11 1.62
Fixed Int Inc .... 3½ C 75.97d +0.05 5.80
Fixed Int Inc .... 3½ C 117.64d +0.02 5.80
UK Abs Ret Fund .... 5 108.29 +0.12 0.00
Global Focus .... 5 124.47 +1.30 0.77
High Yield Corporate Bd Acc. 3½ C 108.39 +0.04 8.30
High Yld Corporate Bd Inc 3½ C 54.00 +0.02 8.30
Japan Opps .... 5 106.37d −0.64 0.37
Pacific Opps.............. 5 364.75 +0.84 1.39
UK & Irish Smlr Cos ...... 5 301.74 +1.79 0.43
UK Alpha .... 5 108.14 +1.93 2.39
UK Long Dated Gilt.... 3½ 324.21d +1.49 3.10
UK Equity Income Acc 5 C 296.00 +3.24 4.09
UK Equity Income Inc. 5 C 190.82 +2.09 4.22
UK Focus .... 5 100.43d +1.96 2.21
UK Index Inc .... 0 270.61 +3.37 2.80
UK Index Fd Acc........... 0 321.29 +5.14 2.70
UK Select Opps .... 5 156.85 +2.53 2.35
US Growth .... 5 386.66 +3.10 0.00
US Opportunities.......... 5 189.17 +1.37 0.00

Multimanager Range
Gartmore Active Acc....... 5 142.10 +0.18 0.00
Absolute Return Fund...... 5 119.11 +0.06 0.22
Gartmore Active Inc....... 5 100.97 +0.15 0.58
Balanced Acc.............. 5 122.02 +0.17 0.59
Cautious Acc.............. 5 C 105.27d +0.05 2.31
Cautious Inc.............. 5 C 122.69d +0.06 2.28

Gartmore SICAV (LUX)
http://funds.ft.com/funds/gartmore/Sicav
Regulated
Asia Pacific A............ €7.7265 +0.0672
Continental Europ A....... €4.7055 +0.0053
Emerging Markets A........ €8.6548 +0.0406
Euro Money A2............. €5.0312 −0.0001
Euro Bond Q2.............. €6.0154 −0.0002
Global Focus A............ $5.7077 +0.0467
Japanese A................ ¥2.0631 −0.0176
Latin American A.......... €15.4006 +0.5354
Pan European A............ €2.9105 −0.0022
Pan Euro Smaller Cos A.... €4.8916 +0.0031
Sterling Corporate Bond Z. £1.5296 −0.0018 5.25
United Kingdom S1......... £1.8864 +0.0081
US Opportunities A........ €4.3259 +0.0408

Generali International Limited
PO Box 613, Generali House, Hirzel Street, St Peter Port, Guernsey, GY1 4PA 01481 714108
International Insurances
US Dollar Global Managed.. $3.774 4.03
Stg Global Managed........ £3.47 3.74
Euro Global Managed....... €1.97 2.13
Global Bond USD........... $3.25 3.5

Genesis Asset Managers LLP
Other International Funds
Emerging Mkts NAV Jan 29 $4.48
Malaysia Mlgu Class C Sep 2 $54.07

Global Strategic Advisers Limited (CYM)
Regulated
AG Capital Management
AG Capital Fund Spec...... $94,910

Griffin Umbrella Fund (IRL)
Regulated
Eastern European Fund Class A €491.37
Eastern European Fund Class B €105.98
Eastern European Fund Class C €398.89
European Fund Class I €132.61
European Fund Class I €70.05
European Fund Class D €107.37

Guardian
Ballam Road, Lytham St. Annes, Lancashire FY8 4JZ 01253 733 151
Insurances
Guardian Assurance
Property Bond............. 1821.57 1897.47
Managed................... 2045.30 2130.50
Cautious Mng Mngd......... 285.10 300.10
Tech Mrd Fd – Sm Tm 246.20 259.10
Choices Managed........... 424.5 446.84 +0.7752
Choices Equity .... 442.61 465.91 +1.3271
Freedom Wth Pfts Long–Tm. 199.40 209.80
Freedom Wth Pfts Short–Tm. 182.70 192.40
Freedom Managed........... 249.99 263.15 +1.0259
Freedom Equity............ 257.49 271.04 +2.133
Corp Pens Managed......... 149.86 149.86 +0.2736
Corp Pens Equity .... 144.49 144.49 +1.0299
Corp Pens Fixed Interest.. 214.48 214.48 −2.7696
Corp Pens Index Linked ... 232.16 232.16 −1.6373
Corp Pens Deposit......... 181.83 181.83 +0.0057
Corp Pens International... 221.63 221.63 +1.1567
Corp Pens UK Index Tracker 125.77 125.77 +0.9514

Guardian Linked Life Assurance Ltd
Managed................... 1238.24 1303.41 +4.2726
Equity Acc................ 2076.86 2186.17 +17.2468
Fixed Interest Acc........ 1301.48 1369.97 −3.3947
International Acc......... 859.97 905.23 +1.6275
Nth American Acc.......... 377.42 397.28 −3.2398
Pacific Acc............... 522.83 550.35 +1.2566
European Acc.............. 230.22 242.33 +3.54
Property Acc.............. 518.73 546.03 −0.0073
Indexed Secs Acc.......... 437.92 460.97 −3.2888
Deposit Acc............... 247.88 260.93 +0.0008
Money Acc................. 453.34 477.2 −0.0043

Guardian Pensions Management Ltd
Pens. Managed Acc......... 1603.99 1687.77 +2.9279
Pens. Equity Acc.......... 2022.38 2128.82 +2.1288

HPB Assurance Ltd
Anglo International House, Bank Hill, Douglas, Isle of Man, IM99 1PU 01624 681343
International Insurances
Holiday Property Bond Ser 1 Dec 31 £0.68
Holiday Property Bond Ser 2 Dec 31 £0.77

HSBC Fd Administration (Jersey) Ltd (JER)
HSBC House, St. Helier, Jersey JE1 1HS 01534 606520
Other International Funds
Intl Sterling Income ..... 3 £0.9290d 0.9574 +0.0027 4.18

Halifax Life Ltd (UK)
PO Box 265, York YO1 1YB 01904 611110
Insurances
Life Funds
Distribution.............. 51.94 54.67 +0.55
Balanced.................. 47.12 49.6 +0.66
Cash...................... 19.26 20.27
Deposit................... 36.93 38.87
Ethical................... 207.0 217.8 +2.2
European.................. 418.1 440.1 +8.2
Far Eastern............... 1077.4 1134.1 −1.1
Fd of Inv Trusts.......... 946.9 996.7 +6.9
Gilt & Fixed Int.......... 475.5 500.5 +1.5
High Income............... 950.6 1000.6 +15.3
Index–Linked Gilt......... 206.8 217.6 +0.3
Intl Growth............... 431.0 453.6 +4.2
International .... 70.7 74.4 −0.4
Japanese.................. 52.0 54.7 −0.1
Managed................... 533.0 561.0 +5.8
Money..................... 306.2 322.3
North American............ 458.6 482.7 +3.9
Pelican................... 658.5 693.1 +10.7
Property.................. 329.4 346.7
Smaller Cos............... 276.1 290.6 +3.2
Special Sits.............. 406.7 428.1 +7.1
UK FTSE All Share......... 115.0 121.0 +1.9
UK FTSE 100............... 190.3 200.3 +3.2
Ethical.................. 86.2 90.7 +0.8
European.................. 153.6 161.7 +2.3
Far Eastern .... 186.6 196.4 −0.1
Fd of Inv Trusts.......... 151.4 159.4 +0.9
Gilt & Fixed Int.......... 123.7 130.2 +0.4
High Income............... 179.3 188.7 +2.8
Index–Linked Gilt......... 111.9 117.8
Intl Growth............... 146.7 154.4 +2.3
Japanese.................. 53.6 56.4 +0.1
Managed................... 85.9 90.4 +0.8
Money..................... 121.2 127.6 +0.9
Nth American.............. 115.5 121.6 +0.9
Pelican................... 119.7 126.0 +1.9
Property.................. 93.1 98.0
Smaller Cos............... 156.5 164.7 +1.9
Special Sits.............. 136.4 143.6 +2.5
UK FTSE All Share......... 162.6 171.2 +2.7
UK FTSE 100............... 162.6 171.2 +2.7

Halifax Life Ltd - Contd.
Independently Mgd Far Eastern 217.3 +2.3
Independently Mgd Gilt & Fxd Int 115.1 +0.3
Independently Mgd Intl Gwth 144.6 +1.5
Independently Mgd North Amer 113.7 +0.9
Independently Mgd Spcl Opps 170.3 +2.3
Independently Mgd Smllr Cos 132.1 +1.2
Independently Mgd UK Eq Income 142.9 +1.9
Independently Mgd UK Gwth 114.4 +1.5
Independently Mgd UK Idx 139.8 +2.5
Managed Income............ 443.0 +3.5
Cautious Managed Life..... 114.3 +0.9

Pension Funds
Foundation Ser 2.......... 46.12 48.54 +0.53
Balanced Ser 2............ 43.45 45.73 +0.51
Opportunity Ser 2......... 45.32 47.7 +0.59
Deposit Ser 2............. 41.01 43.16
Ethical................... 215.8 225.9 +2.2
European.................. 473.1 495.3 +9.0
Far Eastern............... 1404.5 1470.6 +1.2
Fd of Inv Trusts.......... 1257.6 1316.8 +9.1
Gilt & Fxd Int............ 615.7 644.7 +2.3
High Income............... 1273.8 1333.8 +20.6
Idx–Linked Gilt........... 250.3 262.0 +0.8
Intl Growth............... 516.2 540.5 +4.6
Japanese.................. 59.5 62.3 −0.2
Managed................... 729.2 763.5 +7.9
Money..................... 483.5 506.2
North American............ 549.6 575.4 +4.5
Pelican................... 816.0 854.4 +13.4
Property.................. 472.2 494.4
Smaller Cos............... 296.9 310.8 +2.9
Special Sits.............. 480.0 502.6 +8.5
UK FTSE All Share......... 109.9 115.0 +1.9
UK FTSE 100 Pens.......... 109.9 115.0 +1.9
Independently Mgd European 177.5 185.8 +2.5
Independently Mgd Far Eastern 251.0 262.8 +3.3
Independently Mgd Gilt & Fxd Int 123.3 129.1 +0.5
Independently Mgd Intl Gwth 154.8 162.0 +1.6
Independently Mgd North American 119.1 124.7 +1.1
Independently Mgd Special Opps 183.3 191.9 +2.6
Independently Mgd Smllr Cos 153.1 160.3 +1.5
Independently Mgd UK Eqty Income 152.8 160.0 +2.1
Independently Mgd UK Gwth 122.0 127.7 +1.8
Independently Mgd UK Index 144.6 151.4 +2.9
Ethical................... 83.6 +0.8
European.................. 104.5 +1.9
Far Eastern............... 156.6 +0.1
Fund of Inv Trusts........ 129.9 +1.0
Gilt & Fixed Int.......... 157.3 +0.7
High Inc.................. 161.5 +2.5
Index–Linked Gilt......... 169.4 +0.6
Intl Growth............... 100.7 +0.9
Japanese.................. 61.8 −0.1
Managed................... 117.3 +1.2
Money..................... 138.4
North American............ 95.6 +0.7
Pelican................... 109.6 +1.7
Property.................. 128.9
Smaller Cos............... 80.2 +0.8
Special Sits.............. 111.4 +1.9
UK FTSE All Share......... 107.5 +1.7
UK FTSE 100............... 103.2 +1.7
Independently Mgd European 173.7 +2.3
Independently Mgd Far Eastern 243.2 +2.9
Independently Mgd Gilt & Fxd Int 125.1 +0.4
Independently Mgd Intl Gwth 152.0 +1.5
Independently Mgd North Amer 118.7 +1.0
Independently Mgd Europ Opps 179.4 +2.3
Independently Mgd Smaller Cos 149.0 +1.3
Independently Mgd UK Equity Inc 150.2 +2.0
Independently Mgd UK Growth 121.1 +1.6
Independently Mgd UK Index 147.2 +2.7
Money Stakeholder......... 111.7
Property Stakeholder...... 75.8
Ethical Stakeholder....... 117.9 +1.1
European Stakeholder...... 117.3 +2.1
Far Eastern Stakeholder... 138.2 +0.1
Gilt & Fixed Int Sholder.. 122.1 +0.5
Sholder Fund of Inv Trusts 115.0 +0.8
High Income Sholder....... 115.5 +1.8
Index–Linked Gilt Sholder. 132.3 +0.4
International Growth Sholder Pens 112.1 +0.9
Japanese Stakeholder...... 108.3 −0.3
Managed Stakeholder....... 109.6 +1.1
North American Sholder.... 98.1 +0.8
Pelican Sholder........... 107.9 +1.7
Smaller Cos Stakeholder... 106.7 +1.0
Special Situations Sholder 103.5 +1.7
UK FTSE 100 Sholder....... 108.1 +1.7
UK FTSE All–Share Sholder. 109.5 +1.8
Ind Mgd European Sholder.. 128.4 +1.7
Ind Mgd Far Eastern Sholder 180.5 +2.2
Ind Mgd Gilt & Fixed Int.. 115.4 +0.4
Ind Mgd Intl Growth Sholder 116.7 +1.2
Ind Mgd North American Sholder 100.9 +0.8
Ind Mgd Opportunities Sholder 137.5 +1.7
Ind Mgd Smaller Cos Sholder 93.3 +0.8
Ind Mgd UK Equity Inc Sholder 114.2 +1.5
Ind Mgd UK Growth Sholder. 91.6 +1.2
Ind Mgd UK Index Sholder.. 116.1 +2.1

Hamilton Lane Private Equity Fund PLC (IRL)
Regulated
NAV $155.73

Hamon Investment Group
Other International Funds
Asian Fiber $5.37
Asian Market Leaders – USD .. $28.81
Asian Market Leaders – GBP .. £14.29
Greater China – USD...... $10.50
Greater China – GBP £4.24
Oriental Long Short $166.7805
Selected Asian P'folio.... $1.19 −0.01

Hamton Asset Management (IRL)
FSA Recognised
Bond Fund NAV Feb 5........ €449.32
European Equities Jan 29 . €73.84
Special Situations NAV Feb 5 €133.17
Diversified Funds NAV Dec 1 €115.06
Value Fund NAV Feb 1...... $119.72

HANDELSBANKEN FUNDS SICAV (LUX)
15 rue Bender, L–1229, Luxembourg +352 27 486 1
FSA Recognised
American Shares $32.37
Euro Liquidity A F........ €102.00
Euro Liquidity A F........ €102.24
Europe Selective.......... €53.57
Far East Shares $9.31
Global Ethical A F........ SKr100.68
Global Ethical A F........ SKr101.21
Global Ethical B F........ SKr98.17
International Shares...... €83.23
Nordic Shares €47.38
Russia Shares F SKr66.30
Swedish Bonds Shares...... SKr3143.80
Swedish Short Term Assets Shares F SKr134.05

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 ♦ 5 152.69 160.72 −0.38 0.55
Multi–Manager Inc & Gwth Prtfolio Inc ♦ 5 87.00d 91.57 −0.03 4.22
Multi–Manager Inc & Gwth Prtfolio Acc ♦ 5 66.64d 70.14 −0.02 4.22
Multi–Manager Bal Mgd Tst ♦ 5 119.11 125.37 −0.19 3.72
Multi–Manager Cautious Mgd Tst Inc ♦ 5 81.63d 85.92 −0.08 3.72
Multi–Manager Cautious Mgd Tst Acc ♦ 5 93.33d 98.24 −0.09 3.72
Multi–Manager Inc Fund Acc ♦ 3 126.06 132.69 −0.29 4.49
Multi–Manager Inc Fund Inc ♦ 3 120.36d 124.08 −0.29 4.49

Haussmann Hldgs NV Curacao
Other International Funds
Haussmann Jan 31.......... $2038.24d 6.0851
Haussmann Holdings NV Cls C .. €1799.06d 6.6628

Henderson Global Investors (Ire) Ltd (IRL)
Regulated
Liquid Assets Sterling Inst £1.00 (z) 0.53
Institutional Z Class..... £1.00 (z) 0.68

Heritage Wealth SIF
Other International Funds
Heritage Wealth SIF – Bal. EUR. €98.97
Heritage Wealth SIF – Bal. USD $94.89

Heritam Sicav
Other International Funds
Equilibrium European Heritage EUR €215.65
Energy EUR................ €84.01
GTAA R.................... $97.24
GTAA R.................... $97.24
USA Growth................ $100.44
USA Value................. $96.77

Hermes Investment Funds Plc (IRL)
Hermes Investment Management Limited, 1 Portsoken Street, London E1 8HZ 020 7680 2722
FSA Recognised
Global Emerging Markets Fund F £1.6898
Asia Ex Japan Fund F £1.6204
European Equity Fund £1.0266
Japan Equity Fund F £0.9959
Pan European Equity F £1.1924
Sourcecap Euro Alpha Fund F £1.5009
Quant Global Equity Fund.. £1.3184
US Smaller Companies Fund. £0.9372
UK Smaller Companies Fund. £1.6196
Active UK Fund £1.4446

Hermes Property Unit Trust
Property & Other UK Unit Trusts
Property.................. 4.029 4.290 4.901

Hermitage Capital Management Ltd
Other International Funds
The Hermitage Fund Feb 5 ... $855.57 863.23

IKANO Funds (LUX)
Regulated
All Seasons Fund.......... €10.5036
European Equity........... €8.4392
Global Equity............. €6.6718

ING Real Estate Inv Mgmt (UK) Ltd (IRL)
Property & Other UK Unit Trusts
ING Lionbrook A Dec 31... £1007 1092 5.9
ING Lionbrook B Dec 31... £1007 1092 5.9
ING Lionbrook C Dec 31... £1007 1092 5.9
Osiris Prop Fund Dec 31.. £942.00

ING Real Estate Investment Mgmt (Guernsey) Ltd (GSY)
Property & Other UK Unit Trusts
ING Central London Dec 31 €499.4
ING Lionbrook Dec 31..... €1033
ING UK Four Income Jan 30 £130.9

IT Asset Management
Other International Funds
IT Funds Intl Tech Fd Dist. £422.98 +5.69 0.12

Impax Asset Management (IRL)
37–43 Sackville Street, London W1S 3EH 020 7434 1122
FSA Recognised
Environ Mkts (Ire) Sterling A H £1.693
Environ Mkts (Ire) Sterling B H £1.651
Environ Mkts (Ire) Euro A H €1.145
Environ Mkts (Ire) Euro B H €1.045
Environ Mkts (Ire) US$ A H £1.045
Environ Mkts (Ire) US$ B H $1.067

INDIA VALUE INVESTMENTS LIMITED (INVIL)
www.invil.mu
Other International Funds
NAV Feb 9................. $0.69 +0.01

Ingenious Asset Management Ltd (IRL)
15 Golden Square, London, EIF 9JG +44 20 7319 4000
FSA Recognised
UK Equity Retail Acc...... £157.15 +1.99
UK Equity Retail Inc...... £96.35 +1.22

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 E 0 €9.51 +0.01000
IVI European Fund GBP 0 E £11.77 +0.01000

Managed funds service

	Selling Price	+or-	Yield
European Equity (No Trail) Inc ♦F . 5	88.11	+1.62	2.3
European Equity Income (No Trail) Acc F 5	89.48	.....	–
European Equity Income (No Trail) Inc F. 5	83.5	.....	–
European High Income (No Trail) Acc ♦F. 5	113.57	+0.92	4.57
European High Income (No Trail) Inc ♦F . 5	103.66	+0.83	4.69
European High Yield (No Trail) Acc ♦F 5	131.56	+0.18	7.17
European High Yield (No Trail) Inc ♦F 5	126.87	+0.18	7.18
European Opportunities (No Trail) Acc ♦F 5	92.78	+1.23	0.94
European Opportunities (No Trail) Inc ♦F. 5	91.82	+1.22	0.95
European Smaller Companies (No Trail) Acc ♦F 5	127.7	+1.4	0.8
Global Balanced Index (No Trail) Acc ♦F . 5	93.41	+0.93	2.81
Global Bond (No Trail) Acc ♦F 5	115.36	–0.64	1.75
Global Bond (No Trail) Inc ♦F. 5	114.23	–0.63	1.75
Global Equity Income (No Trail) Acc ♦F.. 5	128.74	+1.11	4.46
Global Equity Income (No Trail) Inc ♦F 5	126.5	+1.09	4.46
Global ex UK Core Equity Index (No Trail) Acc ♦F 5	95.48	+1.06	1.58
Global ex UK Enhanced Index (No Trail) Acc ♦F 5	108.48	+0.94	1.83
Global Opportunities (No Trail) Acc ♦F 5	130.44	+1.2	1.64
Global Smaller Companies (No Trail) Acc ♦F . 5	128.75	+1.5	1.3
Global Smaller Companies (No Trail) Inc ♦F.. 5	128.5	+1.5	1.31
High Income (No Trail) Acc ♦F.. 5	87.66	+1.27	3.89
High Income (No Trail) Inc ♦F 5	79.02	+1.15	4.02
Hong Kong & China (No Trail) Acc ♦F 5	115.97	+0.85	1.29
Income & Growth (No Trail) Acc ♦F .. 5	116.97	+1.37	4.09
Income & Growth (No Trail) Inc ♦F 5	114.86	+1.35	4.23
Income (No Trail) Acc ♦F. 5	87.95	+1.25	3.85
Income (No Trail) Inc ♦F 5	79.91	+1.19	3.98
International Equity (No Trail) Acc ♦F. 5	120.35	+1.17	1.43
International Equity (No Trail) Inc ♦F . 5	120.05	+1.17	1.44
Japan (No Trail) Acc ♦F. 5	111.35	–0.25	0
Japanese Smaller Companies (No Trail) Acc ♦F 5	119.83	–0.97	0
Latin American (No Trail) Acc ♦F.. 5	140.74	+3.72	1.81
Latin American (No Trail) Inc ♦F 5	140.07	+3.7	1.83
Managed Growth (No Trail) Acc ♦F 5	118.67	+1.11	2.12
Managed Growth (No Trail) Inc ♦F 5	118.68	+1.11	2.15
Managed Income (No Trail) Acc ♦F .. 5	118.39	+0.98	3.93
Managed Income (No Trail) Inc ♦F 5	116.39	+0.97	3.51
Monthly Income Plus (No Trail) Acc ♦F .. 5	112.42	+0.3	7.42
Monthly Income Plus (No Trail) Inc ♦F 5	93.93	+0.26	7.42
Pacific (No Trail) Acc ♦F 5	118.43	+0.3	0.9
Pacific (No Trail) Inc ♦F. 5	117.94	+0.29	0.9
Tactical Bond (No Trail) Acc ♦F. 5	101.33	–0.04	4.95
Tactical Bond (No Trail) Inc ♦F . 5	101.33	–0.05	4.95
UK Aggressive (No Trail) Acc ♦F 5	82.31	+0.43	2.3
UK Aggressive (No Trail) Inc ♦F 5	77.13	+0.4	2.35
UK Enhanced Index (No Trail) Acc ♦F. 5	231.74	+3.78	3.36
UK Enhanced Index (No Trail) Inc ♦F . 5	175.13	+2.86	3.46
UK Growth (No Trail) Acc ♦F . 5	73.06	+0.62	2.47
UK Growth (No Trail) Inc ♦F 5	67.55	+0.58	2.53
UK Smaller Companies Equity (No Trail) Acc ♦F 5	121.27	+1.5	1.75
UK Smaller Companies Equity (No Trail) Inc ♦F 5	120.9	+1.49	1.77
UK Smaller Companies Growth (No Trail) Acc ♦F 5	114.14	+0.81	0.87
UK Smaller Companies Growth (No Trail) Inc ♦F 5	114.03	+0.81	0.87
UK Strategic Income (No Trail) Acc ♦F 5	344.05	+3.22	3.67
UK Strategic Income (No Trail) Inc ♦F 5	314.51	+2.94	3.79
US Equity (No Trail) Acc ♦F 5	118.88	+0.45	0.78
US Equity Benchmark Plus (No Trail) Acc ♦F . 5	91.65	.....	0
US Equity Benchmark Plus (No Trail) Inc ♦F.. 5	90.44	.....	0

Invesco (LUX)
Dublin 00 353 1 439 8100 Hong Kong 00852 3191 8282
FSA Recognised
Invesco Management SA

	Selling Price	+or-	Yield
Invesco Asia Balanced A dist	$13.73	.....	–
Invesco Asia Opportunities Equity A.	$77.69	+0.5	0.00
Invesco Asia Pacific Real Est Sec Fd A Dist. 5¼	$8.13	+0.06	–
Invesco Asia Consumer Demand Fund A income 5¼	$9.67	+0.05	–
Invesco Asia Infrastructure (A) .	$11.82	+0.07	0.14
Invesco Absolute Return Bond Fund A .	€2.80	.....	1.45
Invesco Capital Shield 90 (EUR) A	€10.51	+0.01	–
Invesco Pan European High Income Fund A	€9.97	+0.11	7.19
Invesco Emerging Local Currencies Debt A Inc.	$10.30	+0.05	–
Invesco Emerging Europe Equity Fund A ..	$9.71	+0.08	–
Invesco Energy A...........	$23.28	+0.55	–
Invesco Euro Corporate Bond Fund (A) .	€12.47	–0.02	3.99
Invesco Euro Inflation Linked Bond A ..	€14.38	+0.07	0.75
Invesco Euro Reserve A .	€319.89	.....	0.03
Invesco European Bond A	€4.82	–0.01	2.75
Invesco European Growth Equity A..	€12.44	+0.08	–
Invesco Global Absolute Return Fund A Class 5¼	€9.30	+0.01	–
Invesco Global Bond A Inc..	$5.06	–0.01	2.33
Invesco Global Inc Real Estate Sec A dist..	$7.28	+0.02	–
Invesco Global Inv Grd Corp Bond A Dist ..	$10.41	.....	–
Invesco Global Leisure A..	$15.33	+0.25	–
Invesco Global Structured Equity A .	$26.95	+0.19	–
Invesco Greater China Equity A	$30.13	+0.31	–
Invesco India Equity A ...	$34.31	–0.03	–
Invesco Nippon Select Equity A	Y199.00	.....	–
Invesco Nippon Small/Mid Cap Equity A	Y598.00	–2.00	–
Invesco Pan European 130/30 Equity Fund A EUR 5¼	€4.68	.....	–
Invesco Pan European Equity A EUR Cap NAV..	€9.80	+0.11	–
Invesco Pan European Small Cap Equity A.	€10.17	+0.08	–
Invesco Pan European Structured Equity A	€7.87	+0.09	–
Invesco UK Investment Grade Bond A..	£0.84	.....	–
Invesco US 130/30 Equity Fund A dist . 5¼	$7.58	+0.1	–
Invesco US Structured Equity A	$12.22	+0.15	–
Invesco USD Reserve A .	$87.00	.....	2.69

Invesco Global Asset Management Ltd (IRL)
Dublin 00 353 1 439 8100 Hong Kong 00 852 2842 7200
FSA Recognised

	Selling Price	+or-	Yield
Invesco Stlg Bd A QD F..	£2.32	.....	6.52
Invesco Sterling Rerserve F	£1.71	.....	2.78
Invesco US Equity A.......	$11.77	+0.14	–
Invesco Asian Equity A ..	$4.45	+0.04	–
Invesco ASEAN Equity A	$72.87	+0.39	0.00
Invesco Bond A	$27.08	.....	2.24
Invesco Continental Eurp Small Cap Eqty A	$96.90	+1.46	0.00
Invesco Emerging Markets Equity A	$32.28	+0.53	0.00
Invesco Emerging Markets Bond A..	$18.92	+0.02	5.91
Invesco Continental European Equity A	€4.95	+0.06	–
Invesco Gilt A	£12.44	–0.01	2.67
Invesco Global Small Cap Equity A NAV	$69.75	+0.93	0.00
Invesco Global High Income A NAV .	$11.78	+0.05	7.11
Invesco Gbl R/Est Secs A GBP F F .. 5¼	£4.76	–0.02	–
Invesco Global Health Care A	$64.00	+0.29	0.00
Invesco Global Select Equity A .	$8.77	+0.05	–
Invesco Japanese Small/Mid Cap Equity A.	$19.66	–0.06	0.00
Invesco Jap Eqty Core A	$1.51	+0.01	–
Invesco Japanese Equity A.	$16.87	+0.06	0.00
Invesco Korean Equity A	$17.50	.....	0.00
Invesco PRC Equity A.....	$45.23	+0.82	0.00
Invesco Pacific Equity A.	$34.69	+0.4	0.00
Invesco Global Technology A	$8.86	+0.11	0.00
Invesco Global Telecom A	$14.23	+0.18	0.00
Invesco UK Eqty A	£4.63	+0.01	–

Managed funds service

Managed funds service

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+	0.10	0.08	0.10	Qtr
CAF Bank Ltd				
PO Box 289 Kings Hill, West Malling, Kent ME19 4JQ 03000 123456				
Caf Gold Balances Under £2 Million	0.20		0.20	Qtr
Caf Gold Balances Over £2 Million	1.00		1.00	Qtr
CAF Cash Cheque Acc				
Cafcash Balances from £1–250k	0.10		0.10	Qtr
Cafcash Balances from £250,001 – £1M	0.10		0.10	Qtr
Cafcash Balances > £1M	0.10		0.10	Qtr
CCLA Investment Management Ltd				
80 Cheapside, London EC2V 6DZ 0800 022 3505				
CBF Church of England Deposit Fund	0.50		0.50	3Mths
COIF Charities Deposit Fund	0.50		0.50	3Mths
Close Brothers Limited – Treasury Services				
10 Crown Place, London EC2A 4FT 020 7655 3407				
14 Days Notice Deposit				
£20,000 to £99,999	1.25	1	1.26	6Mthly
£100,000 to £4,999,999	1.50	1.20	1.51	6Mthly

Exchange Traded Funds

	Notes	Price	Chng	52 week High	52 week Low	Yld	Nav	Vol '000s
UBS								
DJEurSTX50A	€	£23.62	+0.11	£27.71	£16.19	3.7	-	21
DJEurSTX50I	€	£23881.90	+334.37	£27,625.71	£16,699.47	3.9	-	0
FTSE 100	SFr	£49.45	-0.01	£54.72	£34.06	3.7	-	6
MSCI Can A	C$	£17.22	+0.10	£19.05	£15.99	0.4	-	-
MSCI EMU	€	£72.68	+0.51	£84.10	£49.45	3.0	-	37
MSCI EMU VA	€	£30.23	+0.22	£34.87	£29.40	0.2	-	40
MSCI Eurp A	€	£36.62	-0.06	£40.96	£31.14	0.3	-	-
MSCI Eurp I	€	£36640.57	-58.05	£40,264.07	£36,435.66	0.4	-	-
MSCI Japan	SFr	£19.64	-0.13	£20.49	£15	1.5	-	28
MSCI PexJp	$	£23.25	+0.22	£25.62	£22.29	0.5	-	1
MSCI USA	SFr	£64.98	-0.27	£68.85	£46.05	1.2	-	1
MSCI USA I	$	£67408.60	+73.43	£68,072.61	£60,130.02	0.3	-	-
MCSI World	SFr	£71.06	+0.41	£76.12	£49.29	1.4	-	0

Net asset values and splits analytics supplied by Fundamental Data Ltd as a guide only (www.funddata.com).
See guide to Financial Times Share Service.

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 +44 (0)207 873 4211**.

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.

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.

Market data

FT500 - World's Largest Companies

Stock	Price	Day Chng	52 Week High	52 Week Low	Yld	P/e	MCap m$
ChnghwTl	59.30xa	-0.5	68.20	58.20	6.47	13.82	17,934
ChngKong	91.90	-0.3	108.20	55.95	2.67	14.18	27,390
ChristianDior	70.35	0.4	76.50	37.36	2.36	18.04	17,513
Chubb	48.50	-	53.79	34.44	2.89	7.82	16,566
ChubuElec	2.27k	-	2.43k	2.01k	2.63	16.85	19,701
ChUncHK	8.50	-	12.44	6.74	2.68	6.46	25,772
Cisco	23.76	-0.1	25.09	13.61	-	22.89	136,681
Citic Sec	27.25	0.4	38.80	20.51	1.84	23.18	26,453
Citigroup	3.20	-	5.42	0.97	15.31	-	91,026
CLP	52.80	-0.2	57.55	51	4.70	15.79	16,348
CME Group	276.35	-6.8	352.94	167.25	1.66	22.27	18,383
Inds Qatar	109.70	0.7	132.50	59.50	-	15.39	-
IndstrlBk	33.89	0.6	43.48	17.35	1.33	14.70	24,809
InfosysTec	2.47k	-	2.71k	1.15k	0.95	22.59	30,493
ING	6.53	0.2	9.82	1.77	-	-	34,250
Inpex	665k	9.0	849k	582k	0.97	15.68	17,457
Intel	19.70xd	0.1	21.55	12.05	2.93	25.43	108,783
IntSPaolo	2.70	0.1	3.23	1.30	-	33.78	43,867
ItauHldFin	36.45xd	0.2	40.63	18.47	0.38	18.87	44,809
ITC	243.80	-0.7	271.30	155.75	1.52	24.09	19,933
ItuasaPf	11.28	-	12.46	5.75	0.48	17.88	16,271
JapanTob	328k	17.5	358k	216k	1.70	26.89	36,509
RogCmB	33.74	0.3	35.66	25.40	3.44	20.45	15,193
Rosneft	218.29	-4.7	272.35	154.29	0.88	-	76,451
RWE	64.17	0.4	69.26	46.39	7.01	10.99	46,009
RylBkC	54.75xd	0.9	58.66	25.52	3.65	21.64	72,832
RylDShlA	1.72kxd	-	1.95k	1.36k	6.16	13.99	95,067
SABMill	1.67k	-	1.86k	906	2.51	22.56	41,088
SanofiAv	52.20	-0.5	58.90	38.43	4.21	21.84	94,280
SantndrBrzl	21.51xd	0.3	24.30	19.60	0.92	-	44,045
SAP	31.80	-0.1	36.04	24.50	1.57	21.20	53,406
Sasol	276.70	1.6	319.50	241	3.07	12.09	22,827
SaudiBasic	85.25	0.3	91.75	33.60	1.76	53.28	68,195
Yum!Brnds	33.16	0.1	36.96	23.37	2.41	14.96	15,509
Zijin Mng	6.27	0.1	9.33	5.57	1.82	24.02	3,232
Zurich Fin	241.70	3.6	264.75	124.20	6.62	10.75	33,312

STOCK MARKET - WORLD MARKETS AT A GLANCE

Country	Index	Feb 10	Feb 9
Argentina	Merval	2239.37	2233.74
Australia	All Ordinaries	4532.96	4520.74
	S&P/ASX 200 Res	4906.58	4883.46
	S&P/ASX 200	4513.42	4505.07
Austria	ATX	2451.71	2414.49
Belgium	BEL 20	2440.79	2413.18
	BEL Mid	3300.65	3278.71
Brazil	Bovespa	65051.42	64718.17
Canada	S&P/TSX Met & Min	954.26	963.90
	S&P/TSX 60	660.93	659.78
	S&P/TSX Comp	11286.33	11274.24
Chile	IGPA Gen	17429.18	17447.17
China	Shanghai A	3127.39	3092.11
	Shanghai B	245.83	242.89
	Shanghai Comp	2982.50	2948.84
	Shenzhen A	1173.11	1155.30
	Shenzhen B	582.80	573.03
	FTSE/Xinhua A200	8672.31	8550.17
	FTSE/Xinhua B35	8100.98	7976.89
Colombia	CSE Index	11442.82	11377.28
Croatia	CROBEX	2143.71	2159.12
Cyprus	CSE M&P Gen	1398.24	1352.63
Czech Republic	PX	1132.40	1111.60
Denmark	OMXC Copenhagen 20	346.31	348.74
Egypt	EGX 30	6933.91	6947.03
Estonia	OMX Tallinn	556.36	551.82
Finland	OMX Helsinki General	6464.73	6483.95
France	CAC 40	3635.61	3612.76
	SBF 120	2665.15	2647.80
Germany	M-DAX	7353.23	7289.16
	XETRA Dax	5536.37	5498.26
	TecDAX	780.81	784.18
Greece	Athens Gen	1940.82	1895.96
	FTSE/ASE 20	975.19	948.26
Hong Kong	Hang Seng	19922.22	19790.28
	HS China Enterprise	11345.64	11200.33
	HSCC Red Chip	3942.00	3927.20
Hungary	Bux	20660.12	20622.83
India	BSE Sens	15922.17	16042.18
	S&P CNX 500	4079.70	4104.00
Indonesia	Jakarta Comp	2483.44	2489.49
Ireland	ISEQ Overall	2922.23	2884.28
Israel	Tel Aviv 100	1065.03	1058.81
Italy	FTSE MIB	21241.63	20818.97
	FTSE Italia Mid Cap	23597.14	23267.09
	FTSE Italia All-Sh	21746.12	21342.01
Japan	Nikkei 225	9963.99	9932.90
	Topix	883.50	881.57
	S&P Topix 150	762.31	760.13
	2nd Section	2072.96	2069.25
Jordan	Amman SE	5463.01	5455.74
Kenya	NSE 20	3604.74	3604.95
Latvia	OMX Riga	338.29	335.19
Lithuania	OMX Vilnius	309.39	310.25
Luxembourg	Luxembourg General	1074.67	1120.95
Malaysia	FTSE Bursa KLCI	1246.17	1233.86
Mexico	IPC	30746.05	30818.48
Morocco	MASI	11019.41	11008.64
Netherlands	AEX	316.10	317.06
	AEX All Share	492.11	493.99
New Zealand	NZX 50	3085.51	3076.45
Nigeria	SE All Share	23130.44	23011.96
Norway	Oslo All Share	388.95	396.94
Pakistan	KSE 100	9733.36	9786.46
Peru	Lima Gen	14176.46	14133.49
Philippines	Manila Comp	2857.24	2797.61
Poland	Wig	37786.61	37616.01
Portugal	PSI General	2621.97	2587.68
	PSI 20	7631.94	7497.80
Romania	BET Index	5112.26	5034.58
Russia	RTS	1389.55	1400.38
	Micex Index	1327.24	1338.16
Singapore	FTSE Straits Times	2734.39	2745.02
Slovakia	SAX	238.30	239.55
Slovenia	SBI 20	4102.01	4091.78
South Africa	FTSE/JSE All Share	26359.17	26455.10
	FTSE/JSE Top 40	23663.47	23778.30
	FTSE/JSE Res 20	47161.78	47526.48
South Korea	Kospi	1570.12	1570.49
	Kospi 200	205.94	206.01
Spain	Madrid SE	1089.54	1067.41
	IBEX 35	10455.00	10275.40
Sri Lanka	CSE All Share	3774.34	3785.28
Sweden	OMX Stockholm 30	937.05	944.80
	OMX Stockholm AS	296.47	298.52
Switzerland	SMI Index	6333.99	6314.75
Taiwan	Weighted Pr	7441.84	7361.04
Thailand	Bangkok SET	688.41	685.89
Turkey	IMKB Nat 100	50567.50	50826.36
UK	FTSE 100	5131.99	5111.84
	FT30	1847.20	1829.30
	FTSE All Share	2628.67	2618.21
	FTSE techMARK 100	1703.92	1708.17
	FTSE4Good UK	(u)	4265.89
USA	S&P 500	1068.13	1070.52
	FTSE Nasdaq 5000	5583.99	5595.07
	Nasdaq Cmp	2147.87	2150.87
	Nasdaq 100	1749.76	1753.84
	Russell 2000	595.82	595.17
	NYSE Comp.	6819.12	6835.16
	Wilshire 5000	11035.06	11055.45
	DJ Industrial	10038.38	10058.64
	DJ Composite	3383.83	3394.38
	DJ Transport	3856.14	3869.88
	DJ Utilities	367.44	369.49
Venezuela	IBC	58609.96	57609.09
Vietnam	VNI	490.91	482.89
Cross-Border	DJ Stoxx 50 €	2415.97	2397.77
	DJ Euro Stx 50 €	2700.17	2668.43
	DJ Global Titans $	162.33	162.75
	Euronext 100 ID	640.52	636.75
	FTSE Multinatls $	(u)	984.12
	FTSE Global 100 $	875.25	876.58
	FTSE4Good Glob $	(u)	3917.44
	FTSE E300	987.13	980.96
	FTSE eXT All Share €	153.05	153.55
	FTSEurofirst 80 €	3463.15	3427.04
	FTSEurofirst 100 €	3118.14	3095.82
	FTSE Latibex Top €	4751.80	4742.40
	FTSE Eurotop 100	2098.94	2085.62
	FTSE Gold Min $	(u)	2801.73
	FTSE All World	185.47	185.33
	FTSE World $	323.44	323.27
	MSCI All World $	(u)	1101.18
	MSCI ACWI Fr$	(u)	281.25
	MSCI Europe €	1059.21	1052.80
	MSCI Pacific $	1949.84	1952.15
	S&P Global 1200 $	1235.62	1236.60
	S&P Europe 350 €	992.38	985.89
	S&P Euro €	1086.27	1075.03

(c) Closed. (u) Unavailable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET - MOVERS and SHAKERS

AMERICA

ACTIVE STOCKS	stock traded m's	Close price	Day's change
Intel	56.2	19.69	+0.04
Cisco Systems	50.5	23.76	-0.13
Microsoft	47.9	27.99	-0.02
E TRADE Fin	44.8	1.45	-0.05
Oracle Corp	40.1	23.11	-0.40
Activision	39.7	10.10	+0.05
Sprint Nextel	36.3	3.36	-0.29
Citigroup	30.6	3.20	+0.02
Dell	28.8	13.75	+0.20

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
AmerIntGrp	26.92	+3.78	+16.34
Baidu	482.13	+47.12	+10.83
Millicom Intl	77.99	+4.96	+6.79
Legg Mason	26.45	+1.37	+5.46
Downs			
Dean Foods	15.19	-2.45	-13.89
New York Times	10.62	-1.05	-9.00
Sprint Nextel	3.36	-0.29	-7.95
ScrippsNtwk	40.58	-3.18	-7.27

Based on the constituents of the S&P500 and the Nasdaq 100 index

LONDON

ACTIVE STOCKS	stock traded m's	Close price	Day's change
Lloyds Bkg	287.2	50.00	+1.80
RBS	122.4	32.60	+0.74
Vodafone	94.4	138.60	+0.35
Barclays	60.0	277.85	+8.55
BP	35.6	569.70	+6.10
ITV	35.1	50.55	+0.45
HSBC	32.9	658.20	+7.90
Centrica	28.8	272.60	+8.10
BT	27.6	131.40	+0.80
Leg&Gen	25.5	72.20	+2.05

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Emblaze	46.25	5.50	+13.50
ICAP	337.00	32.20	+10.56
CSR	477.20	33.20	+7.48
StJmsPl	244.00	14.60	+6.36
Downs			
Autonomy	1,522.00	-88	-5.47
Tell	39.19	-1.81	-4.41
PV CRY SOL	47.00	-1.93	-3.94
Stobart	125.70	-4.90	-3.75

Based on the constituents of the FTSE All-Share index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	Close price	Day's change
Unicredito SpA	370.3	1.99	+0.07
Telecomltal	132.7	1.10	+0.02
IntSanPaolo	88.9	2.70	+0.12
BcoSantdr	86.2	9.98	+0.36
ENEL	61.5	3.80	+0.07
BBVA	58.5	10.16	+0.33
Fortis SA/NV	56.1	0.86	+0.01
BCPort	53.6	0.79	+0.04
Fiat	40.3	8.18	+0.10
Iberdrola	37.1	5.89	+0.05

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
EFGEbk	6.00	0.40	+7.14
Fortis SA/NV	2.56	0.15	+6.09
BCPort	0.79	0.04	+5.51
Bankinter	6.42	0.32	+5.49
Downs			
Arcelor Mittal	26.61	-1.99	-6.94
Peugeot	21.21	-1.10	-4.93
HeidelbergCement AG	41.22	-1.80	-4.18
Thyssen Krupp	22.50	-0.61	-2.62

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	Close price	Day's change
TOSHIBA	108.5	420	+1
Mitsub UFJ FG	62.8	453	-3
Mizuho Fin	58.2	173	-2
Hitachi	42.3	306	-1
NISSAN MOTOR	39.2	743	+12
NIPPON STEEL	28.2	323	+4
NYK Line	27.5	335	+9
NomuraHld	24.3	634	-7
PIONEER	21.0	338	-11
Mazda Motor	20.8	226	+4

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Nisshinbo Hldg	811	73	+9.89
YOKOGAWA ELECTRIC	749	64	+9.34
OBAYASHI	342	21	+6.54
EBARA	416	25	+6.39
Downs			
COMSYS Holdings	833	-77	-8.46
Taiyo Yuden	1154	-77	-6.26
NITTO BOSEKI	179	-8	-4.28
CLARION	137	-5	-3.52

Based on the constituents of the Nikkei 225 index

MARKET VOLUME

MAJOR MARKET VOLUMES

	Feb 10	Feb 9	5 day average
NYSE	1008	1239	1275
NASDAQ	2031	2231	2385
UK	3623	3829	4405
France	222	198	247
Germany	224	223	269
Japan	1531	1610	1647

Volumes are rounded to nearest million.

NYSE RISES AND FALLS

	Feb 10	Feb 9	Feb 8
Issues Traded	3125	3135	3120
Rises	1500	2385	1077
Falls	1497	666	1957
Unchanged	128	84	86
New Highs	53	43	30
New Lows	9	13	13

STOCK MARKET - RATIOS

	Feb 9 Yield	Feb 9 P/E	Feb 8 Yield	Feb 8 P/E	Week ago Yield	Week ago P/E
Argentina	6.4	16.5	6.4	16.6	6.1	17.4
Australia	4.2	16.3	4.2	16.4	4.1	16.6
Austria	3.3	30.8	3.3	30.1	3.1	32.4
Belgium	4.2	24.6	4.2	24.5	4.0	25.9
Brazil	3.1	13.9	3.1	13.6	2.9	14.4
Bulgaria	4.8	8.6	4.8	8.6	4.7	8.8
Canada	2.7	20.9	2.8	20.6	2.7	21.1
S&P/TSX †	3.2	18.2	3.2	18.7	3.1	19.1
Chile	3.5	19.6	3.5	19.5	3.4	20.0
China	2.7	16.2	2.7	15.9	2.6	16.7
Colombia	3.2	14.4	3.3	14.2	3.2	14.2
Croatia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cyprus	5.9	3.8	6.0	3.7	5.4	4.1
Czech Rep.	6.0	11.9	6.1	11.8	5.8	12.4
Denmark	1.2	18.7	1.2	18.6	1.1	20.0
Finland	4.2	18.8	4.2	18.8	3.9	19.8
France	3.9	19.8	3.9	19.7	3.7	20.8
Germany	3.3	24.5	3.3	24.2	3.1	25.7
DAX 30 †	3.8	18.0	3.8	18.0	3.6	20.4
Greece	3.0	10.6	3.1	10.2	2.8	11.5
Hong Kong	2.6	16.4	2.6	16.3	2.5	16.8
Hang Seng †	2.9	18.0	3.0	17.8	2.9	18.4
Hungary	2.1	13.0	2.1	12.8	2.0	13.8
India	1.0	19.9	1.0	19.7	1.0	20.7
Indonesia	2.4	17.2	2.4	17.1	2.3	18.8
Ireland	1.7	14.0	1.7	14.1	1.6	13.4
Israel	2.6	15.4	2.7	15.4	2.6	15.6
Italy	3.8	17.3	3.8	17.3	3.6	18.5
Japan	1.9	31.7	1.9	31.8	1.8	33.4
Topix †	1.8	17.0	1.8	16.9	1.8	18.3
Luxemburg	2.6	17.0	2.5	17.2	2.5	17.0
Malaysia	2.9	18.9	2.9	19.0	2.9	19.3
Malta	4.3	5.9	4.4	5.8	4.3	5.9
Mexico	1.7	17.3	1.7	17.2	1.7	17.6
Netherland	3.5	22.5	3.5	22.4	3.4	23.8
AEX †	3.2	-	3.2	-	3.2	-
New Zealand	5.5	18.6	5.4	18.7	5.4	19.0
Norway	1.9	20.1	1.9	19.9	1.8	21.1
Pakistan	5.0	10.3	5.0	10.3	5.1	10.1
Peru	3.3	34.3	3.3	34.0	3.2	35.5
Philippines	3.0	15.1	3.0	15.4	2.9	15.6
Poland	2.4	48.9	2.4	48.6	2.3	52.1
Portugal	3.9	15.4	3.9	15.3	3.6	16.8
Romania	2.2	10.1	2.2	10.1	2.1	10.6
Russia	1.6	13.0	1.7	12.8	1.5	14.3
Singapore	2.8	19.2	2.9	19.1	2.9	19.1
Slovenia	1.5	19.4	1.5	19.4	1.5	19.4
South Africa	2.7	14.4	2.7	14.3	2.7	14.7
South Korea	1.3	18.1	1.3	17.9	1.3	18.4
Spain	4.9	10.7	4.7	10.6	4.6	11.6
Ibex 35 †	5.4	9.5	5.4	9.4	5.4	10.4
Sri Lanka	1.9	20.9	1.9	20.9	1.9	20.5
Sweden	2.8	12.0	2.9	11.9	2.8	12.4
Switzerland	2.3	17.1	2.3	17.1	2.2	17.9
Taiwan	2.8	27.5	2.8	27.1	2.7	27.8
Thailand	3.3	17.0	3.2	17.2	3.2	17.2
Turkey	1.5	11.0	1.6	10.8	1.4	11.9
UK	3.4	11.4	3.4	11.3	3.3	11.7
USA	2.0	19.9	2.0	19.6	1.9	20.8
Dow Jones †	2.8	15.6	2.8	15.7	2.7	16.0
S&P 500 †	2.5	16.4	2.4	16.5	2.4	16.9
Venezuela	14.9	0.4	16.2	0.4	15.9	0.4

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: ThomsonReuters

INTEREST RATES www.ft.com/bonds&rates

INTEREST RATES - MARKET

Feb 10	Over night	Day change	Week change	Month change	One month	Three month	Six month	One year
US$ Libor*	0.17063	-	-0.003	-0.003	0.22844	0.25000	0.38875	0.85000
Euro Libor*	0.28438	0.003	0.003	0.008	0.38438	0.59719	0.91938	1.20125
£ Libor*	0.52188	0.002	0.008	0.013	0.53063	0.63063	0.85938	1.28063
Swiss Fr Libor*	0.05000	-	-0.003	-0.005	0.09500	0.24833	0.33000	0.62833
Yen Libor*	0.11750	-	-0.001	0.004	0.15563	0.25438	0.45688	0.68313
Canada Libor*	0.25833	0.005	0.005	0.013	0.30000	0.41667	0.69333	1.23583
Euro Euribor	-	-	-	-	0.42	0.66	0.97	1.23
Sterling CDs	-	-	-	-	0.59	0.69	0.81	1.10
US$ CDs	-	-	-	-	0.18	0.20	0.33	0.80
Euro CDs	-	-	-	-	0.30	0.40	0.70	1.05
US o'night repo	0.18	-	-0.030	0.050				
Fed Funds eff	0.13	-	-0.010	0.030				
US 3m Bills	0.11	0.005	0.005	0.055				
SDR int rate	0.23	-	-	-				
EONIA	0.32	0.005	-0.010	-0.027				
EURONIA	0.25	0.002	-0.002	0.008				
SONIA	0.47	0.009	0.015	0.019				
LA 7 Day Notice	0.35-0.30							

	Over night	One Week	One month	Three month	Six month	One year
Interbank £	0.55-0.30	0.52-0.35	0.53-0.37	0.63-0.45	0.85-0.70	1.28-1.10

*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. LA 7 days notice: Tradition (UK).

Feb 10	Short term	7 days notice	One month	Three month	Six month	One year
Euro	0.46 - 0.21	0.45 - 0.35	0.52 - 0.27	0.61 - 0.36	0.91 - 0.76	1.25 - 1.05
Danish Krone	0.98 - 0.68	1.17 - 0.67	1.12 - 0.72	1.35 - 0.85	1.55 - 1.05	1.60 - 1.10
Sterling	0.54 - 0.44	0.68 - 0.45	0.72 - 0.44	0.86 - 0.51	1.09 - 0.74	1.26 - 0.96
Swiss Franc	0.26 - -0.04	0.16 - 0.01	0.34 - 0.02	0.46 - 0.13	0.65 - 0.33	0.80 - 0.48
Canadian Dollar	0.45 - 0.27	0.30 - 0.10	0.27 - 0.17	0.40 - 0.30	0.95 - 0.65	1.20 - 1.10
US Dollar	0.26 - 0.16	0.25 - 0.15	0.37 - 0.22	0.42 - 0.22	0.80 - 0.54	1.05 - 0.90
Japanese Yen	0.09 - 0.02	0.18 - 0.03	0.30 - 0.06	0.43 - 0.17	0.55 - 0.27	0.73 - 0.41
Singapore $	0.30 - 0.01	0.38 - 0.05	0.45 - 0.18	0.70 - 0.43	0.80 - 0.50	1.02 - 0.56

Source: Reuters. Short term rates are call for the US Dollar and Yen, others: two day's notice.

INTEREST RATES - OFFICIAL

Feb 10	Rate	Current	Since	Last	Mth ago	Year ago
US	Fed Funds	0.00-0.25	16-12-2008	1.00	0.00-0.25	2.00
US	Prime	3.25	16-12-2008	4.00	3.25	5.00
US	Discount	0.50	16-12-2008	1.25	0.50	2.25
Euro	Repo	1.00	07-05-2009	1.25	1.25	4.00
UK	Repo	0.50	05-03-2009	1.00	0.50	5.00
Japan	O'night Call	0.10	19-12-2008	0.30	0.10	0.50
Switzerland	Libor target	0.00-0.75	12-03-2009	0.00-1.00	0.00-1.00	2.25-3.25

Source: ThomsonReuters

INTEREST RATES - FUTURES

Feb 10		Open	Sett	Change	High	Low	Est. vol	Open int
Euribor 3m*	Mar	99.32	99.32	+0.01	110.00	99.31	76,218	716,739
Euribor 3m*	Jun	99.07	99.08	-	99.09	99.05	163,620	758,715
Euribor 3m*	Sep	98.83	98.84	-0.01	98.87	98.81	201,642	602,463
Euribor 3m*	Dec	98.61	98.62	-0.01	98.65	98.57	186,199	409,439
Euroswiss 3m*	Mar	99.74	99.73	-	99.74	99.73	2,065	50,555
Euroswiss 3m*	Jun	99.70	99.70	-	99.71	99.69	6,505	59,132
Euroswiss 3m*	Sep	99.59	99.60	-	99.61	99.58	4,567	34,926
Sterling 3m*	Mar	99.33	99.35	+0.02	99.38	99.33	68,668	317,715
Sterling 3m*	Jun	99.21	99.24	+0.03	99.27	99.20	122,546	337,230
Sterling 3m*	Sep	98.95	99.03	+0.06	99.06	98.94	129,427	314,891
Sterling 3m*	Dec	98.59	98.71	+0.09	98.75	98.57	184,886	349,616
Eurodollar 3m†	Mar	99.705	99.71	+0.005	99.720	99.705	196,504	1,184,439
Eurodollar 3m†	Jun	99.575	99.57	-0.010	99.595	99.555	227,326	1,098,393
Eurodollar 3m†	Sep	99.340	99.31	-0.035	99.370	99.295	363,900	928,713
Eurodollar 3m†	Dec	99.020	98.97	-0.055	99.060	98.955	395,309	897,797
Fed Fnds 30d‡	Feb	99.868	99.87	+0.00	99.868	99.868	02	85,999
Fed Fnds 30d‡	Mar	0.000	99.85	-	0.000	0.000	-	55,627
Fed Fnds 30d‡	Apr	0.000	99.84	-0.01	0.000	0.000	16	68,337
Euroyen 3m‡‡	Mar	99.565	99.575	+0.005	99.575	99.565	4,367	263,867
Euroyen 3m‡‡	Jun	99.620	99.630	+0.005	99.635	99.620	7,384	260,327
Euroyen 3m‡‡	Sep	99.635	99.640	-0.005	99.650	99.635	3,643	234,406
Euroyen 3m‡‡	Dec	99.640	99.640	-0.005	99.645	99.640	1,358	137,335

Contracts are based on volumes traded in 2004. Sources: * NYSE LIFFE. † CME. ‡‡ TIFFE

INTEREST RATES - SWAPS

Feb 10	Euro-€ Bid	Euro-€ Ask	£ Stlg. Bid	£ Stlg. Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	1.16	1.21	0.92	0.95	0.41	0.47	0.52	0.55	0.43	0.49
2 year	1.56	1.61	1.59	1.63	0.70	0.78	1.14	1.17	0.44	0.50
3 year	1.93	1.98	2.19	2.23	1.02	1.10	1.73	1.76	0.50	0.56
4 year	2.25	2.30	2.66	2.71	1.30	1.38	2.24	2.27	0.58	0.64
5 year	2.52	2.57	3.01	3.06	1.55	1.63	2.65	2.68	0.68	0.74
6 year	2.75	2.80	3.27	3.32	1.76	1.84	2.97	3.00	0.80	0.86
7 year	2.96	3.01	3.48	3.53	1.94	2.02	3.23	3.26	0.94	1.00
8 year	3.12	3.17	3.65	3.70	2.09	2.17	3.43	3.46	1.09	1.15
9 year	3.26	3.31	3.78	3.83	2.22	2.30	3.59	3.62	1.23	1.29
10 year	3.37	3.42	3.89	3.94	2.33	2.41	3.73	3.76	1.36	1.42
12 year	3.56	3.61	4.04	4.11	2.48	2.58	3.95	3.98	1.57	1.65
15 year	3.74	3.79	4.18	4.27	2.63	2.73	4.17	4.20	1.81	1.89
20 year	3.85	3.90	4.18	4.31	2.67	2.77	4.32	4.35	2.05	2.13
25 year	3.81	3.86	4.13	4.26	2.62	2.72	4.38	4.41	2.14	2.22
30 year	3.72	3.77	4.06	4.19	2.54	2.64	4.41	4.44	2.18	2.26

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 exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: ICAP plc.

Market data on the web

Much more data, including many tables not 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' link on the home page or go to www.ft.com/marketsdata. Bond data can be found at www.ft.com/bonds&rates.

UK gilt prices can be found at www.ft.com/gilts. A full commodity data service with hundreds of price quotes can be found at www.ft.com/commoditiesdata.

For additional currency data visit www.ft.com/currencydata.

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FTSE GLOBAL EQUITY INDEX SERIES

Feb 10 Countries & regions	No of stocks	US $ index	Day %	Mth %	YTD %	Total retn	YTD %	Gross Div Yield
FTSE Global All-Cap	7296	312.15	0.1	-8.4	-5.9	367.68	-5.7	2.4
FTSE Global Large Cap	1116	286.58	0.1	-8.5	-6.2	341.37	-6.1	2.6
FTSE Global Mid Cap	1628	383.36	0.1	-8.1	-5.1	441.31	-5.0	2.1
FTSE Global Small Cap	4552	388.74	0.2	-8.3	-4.8	440.97	-4.7	1.8
FTSE All-World (Large/Mid Cap)	2744	185.47	0.1	-8.4	-6.0	229.28	-5.9	2.5
FTSE World (Large/Mid Cap)	2291	323.44	0.1	-8.4	-6.0	536.96	-5.9	2.6
FTSE Global All Cap ex UK	6958	316.67	0.1	-8.3	-5.7	369.57	-5.5	2.3
FTSE Global All Cap ex USA	5130	374.60	0.3	-9.6	-7.2	454.73	-7.1	2.8
FTSE Global All Cap ex Japan	6052	315.33	0.1	-8.8	-6.4	373.87	-6.3	2.5
FTSE Global All Cap ex Eurobloc	6521	309.54	0.0	-7.6	-5.0	360.73	-4.9	2.2
FTSE All-World Developed	2000	284.30	0.0	-8.2	-5.8	336.45	-5.6	2.6
FTSE Developed All-Cap	5844	293.37	0.0	-8.2	-5.7	345.32	-5.5	2.5
FTSE Developed Large Cap	787	268.41	0.0	-8.2	-6.0	319.86	-5.8	2.6
FTSE Developed Europe Large Cap	190	292.81	0.4	-11.4	-9.9	372.22	-9.7	3.6
FTSE Developed Europe Mid Cap	295	370.42	0.4	-10.9	-8.3	449.78	-8.2	2.9
FTSE Developed Europe Small Cap	906	445.98	0.4	-9.2	-5.5	534.25	-5.4	2.5
FTSE North America Large Cap	266	243.82	-0.2	-6.7	-4.3	281.52	-4.1	2.1
FTSE North America Mid Cap	387	341.03	-0.2	-6.7	-3.7	381.12	-3.5	1.7
FTSE North America Small Cap	1752	348.03	0.0	-7.9	-4.2	383.09	-4.1	1.3
FTSE All-World North America	653	161.08	-0.2	-6.7	-4.2	191.72	-4.0	2.0
FTSE All-World Dev ex North Am	1347	191.16	0.2	-9.7	-7.5	247.21	-7.3	3.1
FTSE Japan Large Cap	166	263.99	-0.2	-3.2	0.7	290.35	0.7	2.2
FTSE Japan Mid Cap	292	323.75	0.0	-2.3	1.4	352.64	1.4	1.8
FTSE Japan Small Cap	786	344.74	-0.6	-1.7	1.0	382.44	1.0	2.3
FTSE Japan (Large/Mid Cap)	458	105.42	-0.2	-3.0	0.8	130.92	0.8	2.1
FTSE Asia Pacific Large Cap ex Japan	352	497.44	0.3	-10.4	-8.1	619.55	-7.9	2.7
FTSE Asia Pacific Mid Cap ex Japan	480	622.05	1.0	-11.0	-7.6	760.10	-7.4	2.2
FTSE Asia Pacific Small Cap ex Japan	933	496.61	1.1	-11.9	-8.8	602.17	-8.7	2.3
FTSE All-World Asia Pacific ex Japan	832	389.48	0.4	-10.5	-8.0	516.79	-7.8	2.6
FTSE All Emerging All-Cap	1452	651.64	0.4	-10.2	-7.7	780.96	-7.7	2.2
FTSE All Emerging Large-Cap	329	635.82	0.3	-10.4	-8.1	762.66	-8.0	2.3
FTSE All Emerging Mid-Cap	415	735.45	0.7	-9.5	-6.4	888.93	-6.3	2.2
FTSE All Emerging Small-Cap	708	625.65	0.8	-9.7	-7.1	737.51	-7.1	1.9
FTSE All-World All Emerging Europe	60	463.36	-0.4	-8.1	-5.7	552.30	-5.7	2.0
FTSE Latin Americas All-Cap	188	1226.24	0.5	-12.1	-9.0	1518.82	-9.0	2.4
FTSE Middle East Africa All-Cap	182	642.44	-0.5	-6.7	-5.1	800.81	-5.0	2.8
FTSE UK All Cap	338	268.16	0.3	-9.3	-8.2	345.13	-7.9	3.5
FTSE USA All Cap	2166	260.81	-0.2	-6.7	-4.0	297.44	-3.9	1.9
FTSE Europe All Cap	1512	323.29	0.4	-11.0	-9.1	404.37	-8.9	3.3
FTSE Eurobloc All Cap	775	330.12	0.7	-13.3	-11.2	414.70	-11.1	3.7
FTSE RAFI All-World 3000 Index	2963	4097.54	0.4	-9.9	-6.1	4334.00	-6.0	2.3
FTSE RAFI US 1000 Index	979	4675.60	0.0	-7.6	-3.3	5162.73	-3.2	1.7

Countries & regions	No of stocks	US $ index	Day %	Mth %	YTD %	Total retn	YTD %	Gross Div Yield
Oil & Gas	152	381.51	-0.3	-11.2	-8.0	488.20	-7.8	3.0
Oil & Gas Producers	110	352.65	-0.3	-11.2	-8.6	455.22	-8.4	3.2
Oil Equipment & Services	32	342.99	0.1	-10.1	-2.6	416.88	-2.5	1.6
Basic Materials	260	471.37	-0.3	-13.8	-9.4	592.86	-9.3	1.9
Chemicals	102	403.95	0.2	-9.4	-6.5	511.72	-6.4	2.6
Forestry & Paper	15	159.87	-0.6	-15.2	-11.5	214.73	-11.5	2.0
Mining	56	1009.40	-0.5	-15.9	-10.8	1248.78	-10.8	1.2
Industrials	483	195.70	0.0	-8.2	-4.3	237.31	-4.1	2.3
Construction & Materials	111	354.33	0.3	-12.1	-8.6	446.05	-8.4	2.5
Aerospace & Defense	25	256.80	-0.3	-4.5	-1.0	309.34	-0.9	2.5
General Industrial	54	127.91	0.1	-8.7	-3.8	163.32	-3.4	2.5
Electronic & Electrical Equipment	66	214.45	0.1	-5.4	-3.9	246.82	-3.8	1.9
Industrial Engineering	89	402.59	-0.1	-8.5	-3.5	485.33	-3.3	2.0
Industrial Transportation	84	325.13	0.0	-8.9	-4.6	392.80	-4.6	2.5
Support Services	54	171.34	-0.3	-7.0	-3.6	199.32	-3.5	2.3
Consumer Goods	339	248.43	0.1	-4.8	-3.9	304.32	-3.7	2.5
Automobiles & Parts	70	225.64	-0.4	-8.8	-6.8	273.27	-6.7	1.4
Beverages	40	310.26	0.1	-5.1	-6.1	383.68	-6.1	2.5
Food Producers	89	347.29	0.1	-4.9	-4.5	437.09	-4.3	2.7
Leisure Goods	28	171.88	0.6	-0.7	3.1	199.89	3.1	2.3
Personal Goods	61	333.44	0.1	-5.3	-3.9	401.14	-3.9	2.2
Tobacco	13	579.91	0.3	-2.0	-1.1	877.91	-0.7	4.6
Health Care	133	219.29	-0.6	-3.7	-2.8	265.21	-2.5	2.5
Health Care Equipment & Services	58	295.95	-0.6	-4.7	-2.2	316.96	-2.1	0.8
Pharmaceuticals & Biotechnology	75	169.06	-0.6	-3.4	-3.1	207.46	-2.7	3.0
Consumer Services	330	186.94	-0.2	-4.8	-3.6	216.04	-3.6	2.1
Food & Drug Retailers	46	186.54	-0.2	-3.9	-3.2	219.05	-3.1	2.4
General Retailers	99	244.87	-0.2	-4.3	-3.4	278.68	-3.4	1.8
Media	82	121.42	-0.1	-7.3	-6.5	140.49	-6.4	2.4
Travel & Leisure	103	190.49	-0.1	-3.2	-0.9	222.90	-0.7	2.1
Telecommunication	110	131.21	0.0	-6.3	-7.1	175.02	-6.7	5.0
Fixed Line Telecommuniations	57	120.07	0.2	-8.3	-9.3	167.45	-8.8	6.0
Mobile Telecommunications	53	126.45	-0.3	-3.5	-3.9	160.69	-3.9	3.8
Utilities	149	245.51	0.1	-8.2	-7.6	348.65	-7.4	4.6
Electricity	106	260.64	0.1	-7.1	-6.2	370.94	-6.1	4.4
Gas Water & Multiutilities	43	273.42	0.2	-9.9	-9.7	390.13	-9.5	5.0
Financials	604	158.19	1.0	-10.6	-7.2	206.55	-7.1	2.4
Banks	243	170.55	1.1	-11.7	-7.7	233.64	-7.6	2.3
Nonlife Insurance	70	128.67	0.7	-4.9	-3.5	153.29	-3.4	2.6
Life Insurance	40	142.96	1.6	-10.9	-6.0	185.21	-6.0	2.3
Technology	184	94.13	-0.2	-8.2	-6.7	102.10	-6.6	1.2
Software & Computer Services	65	146.25	-0.4	-8.0	-7.7	156.54	-7.6	1.1
Technology Hardware & Equipment	119	76.96	0.0	-8.3	-6.0	84.09	-5.9	1.3

FTSE 100 SUMMARY

FTSE 100	Closing price	Day's change
3i	259.20	+6.20
Admiral Group	£11.43	+0.05
Aggreko	930	+35
Alliance Trust P	310	+2.60
AMEC	756	+4.50
Anglo American	£23.28	-0.33
Antofagasta	846.50	-18.50
ARM Holdings	197.30	-2.40
ABF	890	+13
AstraZeneca	£28.27	+0.12
Autonomy Corp	£15.22	-0.88
Aviva	361.60	+17.10
BAE Systems	343.40	-0.40
Barclays	277.85	+8.55
BG Group	£11.15	+0.03
BHP Billiton	£18.57	-0.29
BP	569.70	+6.10
British Airways	211.10	+5.80
Brit Am Tobacco	£20.95	+0.18
British Land	447	+0.70
B Sky B	528.50	+2
BT Group	131.40	+0.80
Bunzl	627	+1.50
Burberry Group	608	+4
Cable & Wireless	139.50	+0.90
Cairn Energy	328.60	+1.60
Capita Group	704.50	+4.50
Carnival	£22.45	+0.10
Centrica	272.60	+8.10
Cobham	226.30	-2.10
Compass Group	451.40	+7.80
Diageo	£10.25	+0.11
ENRC	920	-9.50
Experian	600	+3.50
Fresnillo	723	-6
GlaxoSmithKline	£11.96	-0.23
G4S	256.10	+1.40
Hammerson	393.60	+9.30
Home Retail Grp	261.30	+5.50
HSBC	658.20	+7.90
ICAP	337	+32.20
Imperial Tobacco	£20.19	-0.19
Inmarsat	725	+13
Intercont Hotels	910.50	+10.50
Intl Power	326	+5.80
Intertek Group	£11.76	+0.22
Invensys	307.60	+3.50
Johnson Matthey	£15.26	+0.28
Kazakhmys	£12.59	-0.16
Kingfisher	207.40	+3.30
Land Secs Group	640.50	+6
Legal & General	72.20	+2.05
Liberty Intl	454.50	+6.80
Lloyds Banking G	50	+1.80
London Stock Exch	655.50	+16
Lonmin	£17.88	-0.19
Man Group	217	-2.80
Marks & Spencer	337.10	+2.50
Morrison Supermk	295.20	+1.50
National Grid	632	+10
Next	£19.08	+0.08
Old Mutual	101.30	+4
Pearson	863.50	+3.50
Petrofac	990	+10
Prudential	581.50	+21.50
Randgold Resourc	£44.25	-0.38
Reckitt Benckise	£31.87	+0.53
Reed Elsevier	483.10	-2.70
Resolution	74	-1
Rexam	286.60	+0.40
Rio Tinto	£31.40	-0.41
Rolls-Royce Gp	488.80	+0.10
Royal Bank Scot	32.60	+0.74
Royal Dutch Shel A	£17.20	-0.29
Royal Dutch Shel B	£16.52	-0.25
RSA Insurance	127.80	+2.70
SABMiller	£16.73	+0.04
Sage Group	223.80	+0.80
Sainsbury	318.80	+0.20
Schroders	£11.47	+0.27
N/V	941.50	+11
Scot Sthrn Enrgy	£11.56	+0.13
SEGRO	309.30	+7
Serco Group	501	+6.80
Severn Trent	£11.28	+0.07
Shire	£12.38	-0.09
Smith & Nephew	633	-2.50
Smiths Group	£10.04	-
Standrd Chartrd	£14.41	+0.21
Standard Life	196.20	+4.60
Tesco	417.80	+0.85
Thomas Cook Grp	232.10	+2.80
TUI Travel	260.70	+2.70
Tullow Oil	£11.70	+0.12
Unilever	£18.56	+0.15
United Utilities	531	+2.50
Vedanta Resource	£23.74	-0.08
Vodafone Group	138.60	+0.35
Whitbread	£13.73	+0.18
Wolseley	£13.60	+0.25
WPP	583.50	+7
Xstrata	£10.13	-0.16

Source: ThomsonReuters

NEW UK 52 WEEK HIGHS AND LOWS

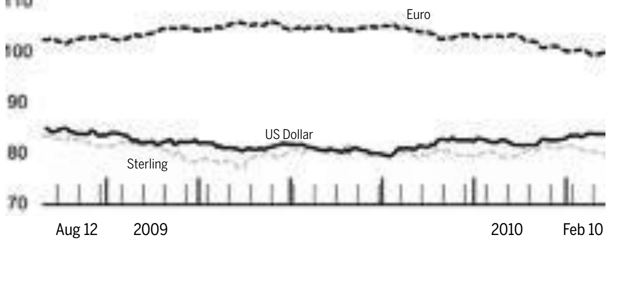
Data based on intra-day share trading in those companies listed on the London Share Service.

NEW HIGHS (17).
Food & Beverages (1), Devro Insurance, Lancashire Mining, ArcExplor Real Estate, CathayIn Tech - Software & Services (2), Dimensn, Kofax Conventional (Ex Private Equity) (3), BiotechGth, F&CMgdPrt, GSDynOps Zero Dividend Preference Shares (1), PrmEgyWt AIM (1), Wynnstay (3), Bowleven, GTL Res, Ithaca Engy (2), Datatec, Port S/W (1), Oakley Cap

NEW LOWS (12).
GILTS (5), 6¼% Treasury Stock 2010, 4¼% Treasury Gilt 2011, 7¾% Treasury Loan 2012-2015, ½% Index-linked Treasury, 0.625% Index-linked Treasury Stock 2040 Financial General (1), Resolutn Mining, UK Coal Conventional (Ex Private Equity), BlckRHSUK AIM (1), THB, Iofina (2), Eckoh, Goindustry

CURRENCY RATES www.ft.com/currencydata

Bank of England Indices



FX - EFFECTIVE INDICES

	Feb 10	Feb 9	Mth ago		Feb 10	Feb 9	Mth ago
Australia	95.0	94.7	99.6	Sweden	76.0	75.7	76.1
Canada	105.5	106.0	109.2	Switzerland	121.9	121.8	122.2
Denmark	111.1	111.0	112.3	UK	79.8	79.8	79.5
Japan	158.1	158.5	149.4	USA	83.9	84.0	82.7
New Zealand	98.9	98.7	104.1	Euro	100.00	99.75	103.10
Norway	104.3	104.1	105.4				

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

VOLATILITY INDICES

	Feb 10	Day Chng	Prev.	52 wk high	52 wk low
VIX †	25.40	-0.60	26.00	53.25	16.86
VXD †	22.25	-0.38	22.63	47.54	14.59
VXN †	25.23	-0.35	25.58	51.46	17.73
VDAX ‡	23.50	-0.10	23.60	24.95	19.04

† 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.

ADVERTISED BASE LENDING RATES

	%
• B.B.V.A	0.50
Marfin Popular Bank	3.00
Habib Bank AG Zurich	0.50
Investec Bank (UK)	0.50

• Members of London Investment Banking Association

For further information on any of these rates please contact each bank directly.

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Aerospace & Defence

Automobiles & Parts

Banks

Basic Resource (Ex Mining)

Chemicals

Construction & Materials

Electronic & Electrical Equip

TT Elect ...‡	80	-2.50	91	15.75	5.2	2.8	251
XP Power ...	428	-	460	133.25	4.9	10.8	14

Financial General

3i ....‡	259.20	+6.20	314.80	108.66	0.4	-	6,822
AberAsM ...	115.40	+1.70	155.60	111	5.2	-	7,074
Absa R.....‡	£11.04	+0.10	£11.35	527.56	4.2	10.6	968
AccidEx	9.63	-0.12	31	9	-	-	100
Ashmore ...	228.30	+3.60	311.20	92.75	5.3	13.3	12,307
BlueBay	334.10	+15.50	393	73	1.9	36.7	222

Food & Beverages

Health Care Equip & Services

House, Leisure & Pers Goods

SSL Intl....†	759xd	+6	795.50	422.75	1.3	24.9	3,153
TaylorWm ..	37.70	+0.75	54.90	15.50	-	-	37,573
Victoria....‡	225	-	227.50	112.50	2.9	60.6	7
Vitec	406	+4.75	426.75	152	4.5	7.8	5

Industrial Engineering

600 Group .	16.50	-	23.50	10	-	-	22
Bodycote..‡	175	+4	199	104	4.7	16.9	1,613
Castings....	198.50	-5	208.25	105	5	53.8	43
CharterInt..	682	+10	797	330.75	3.1	7.8	1,413

Industrial General

Industrial Transportation

Insurance

Media

Reed Els †¤	483.10	-2.70	547.50	403.75	4.2	19.9	18,576
STV Grp	47.50	+0.25	106.75	39.75	-	3.7	0
Tarsus......	108.50	-3	124	48	5.5	12.3	22
ThmReut C$¤	£21.76	+0.19	£21.94	£15.47	3.3	21.5	434
UtdBusMd.†	413	+3.30	514.50	364.75	5.9	10.2	2,184
UTV Med ..‡	102	+2	122	36	2	11.4	4
Wilmngtn...	130.50	+0.50	148.75	88.50	5.4	28.4	91
WPP	583.50	+7	627.50	349.75	2.7	11.9	21,371
Yell	39.19	-1.81	86	11.75	-	1	34,324

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Mining

Oil & Gas

Pharmaceuticals & Biotechnology

Real Estate

REITs

Real Estate Inv & Services

DvlptSec ..†	282.50	+0.50	366.50	122	1.7	-	46
DTZ Hgs	82	+1	117	25.75	-	-	188
Grainger....	125.10xd	+0.10	194.62	39.93	1.8	-	1,079
HelclBar....	312	-1	426.10	243.75	1.4	-	407
HK Land $ ..	287.71	-5.09	310.63	124.76	2.9	-	2,544
Invista......	42.50xd	-0.25	46	13.75	8.3	-	172
Lon&Assc .†	39.50	-1.50	53.50	28	2.9	-	4
Medicx	72.75	-	85	64	6.6	-	71
Mntview ....£	42.50	-	£43	£21	3.6	12.5	-
MWB Gp....	39.50	+0.25	70	21	-	-	157
PnthrSec ...	317.50	-	357.50	212.50	3.8	-	0
Plaza	131.25	+1	193.75	43.75	-	-	-
Q'tainEst ...	62.25	+0.75	117.49	3.54	-	-	2,061

Support Services

Retailers

Telecommunications

Tobacco

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Travel & Leisure

Utilities

Tech - Hardware

SpirentCm †	109.80	+0.70	113	36	1	9.9	5,473
Trafmstr....	31	-0.50	41.50	16.50	-	7.4	135
Vislink......	25	-	32	18	5	15.4	26
Xaar........	85	-	107.75	44.75	2.9	71	52

Tech - Software & Services

Alterian	139.50	+0.50	214	46.50	-	9.7	50
Anite	32.75xd	+0.25	40	24.50	2.9	41.6	69
AVEVA.....†	£10.16	+0.04	£11.12	460	0.9	18.5	843
Computcnt†	287.10	-2.90	345	105	3	9.9	144
Dimensn ...	81	-1.05	**84.50**	33.75	1.5	17.1	7,823
DRS Data..‡	13	-	16.50	10.25	-	-	19

Investment Companies

Conventional (Ex Private Equity)

Edin UK....‡	226	+0.25	245	155	4.4	244.4	7.5
Edin US....†	539.50	-0.50	562	401	2.0	571.6	5.6
Edin WWd ..	219.50	+1	254.98	122.51	0.9	258.8	15.2
EgyptTst $ ..	£18.28	+0.02	£19.32	£10.43	-	£20.7	11.7
Elec&Gen...	349.50	+4	392	257.09	2.3	411.5	15.1
EP Global...	167	+1.50	178	111	1.9	174.3	4.2
Estabmt ...†	164	-	165	106	2.1	184.5	11.1
Euro Ast ...†	563.50	+0.50	622	350	5.9	615.9	8.5
EuroInvT ...	499.75	+1.75	572.32	314.23	2.7	590.6	15.4
F&C Cp&I..†	191	-0.50	214	139	4.3	195.8	2.5
For F&C Euro see EuroInvT							
F&CMgdPt .	80	-	83	51.50	-	82.1	2.5
F&CMgdPrt.	86	+1.50	**87.50**	58	5.1	85.4	-0.7

Conventional - Property ICs

VCTs

Ordinary Income Shares

Income Shares

Capital Shares

Zero Dividend Preference Shares

Exchange Traded Commodities

Conventional - Private Equity

Candover..‡	534	+5.50	605	78.50	-	932	42.7
Dun Ent ...‡	300	+4.75	352	204	3.1	401.4	25.3
Electra ....u	£13.01	-0.04	£13.44	560	-	£17.1	23.7
F&C PvtEq. ‡	121.50	+0.50	123.25	41.50	-	198.1	38.7
Res Vtg	4.75	-	7	3.25	21.1	7.5	36.3
GraphEnt...	298.25	-6.75	336.50	142	1.5	398.5	25.2
Hen PvEq...	148	+1	170	58	-	301.4	50.9
HgCapital ..	833.50	+4	880	640	3.0	956.1	12.8
JPM Pvt Eq$	1.20	-	-	-	-	–	-
Mithras.....	86	-	86	44	5.8	126.7	32.1
Nthn Invs...	164	-	188	95.50	4.5	254.8	35.6
Pantheon...	476.50	+3	490	130	-	848.4	43.8

For ETF's please see the Managed Funds Section. Net asset values and splits analytics supplied by Morningstar as a guide only (www.morningstar.co.uk). See guide to Financial Times Share Service.

Market data provided by THOMSON REUTERS

TRADED VOLUMES IN THE FT SHARE SERVICE

The volume figures shown on the Financial Times Share Service pages are aggregated totals from the following exchanges and trading platforms: The London Stock Exchange, PLUS Markets, Markit BOAT, BATS, Nasdaq OMX Europe, Instinet Chi-X and Turquoise.

FTSE ACTUARIES SHARE INDICES

UK SERIES

Produced in conjunction with the Faculty and Institute of Actuaries — www.ft.com/equities

	£ Stlg Feb 10	Day's chge%	Euro Index	£ Stlg Feb 9	£ Stlg Feb 8	Year ago	Div. yield%	Cover	P/E ratio	Xd adj	Total Return
FTSE 100 (100)	5132.0	+0.4	4551.9	5111.8	5092.3	4234.3	3.56	1.86	15.09	20.24	3257.42
FTSE 250 (250)	9064.3	+0.5	8039.8	9020.0	9010.4	6496.3	2.58	1.53	25.38	13.33	5371.87
FTSE 250 ex Inv Co (203)	9486.2	+0.6	8414.0	9432.6	9427.2	6694.0	2.66	1.73	21.74	13.13	5707.69
FTSE 350 (350)	2686.0	+0.4	2382.4	2675.1	2665.8	2181.0	3.44	1.83	15.87	9.78	3461.22
FTSE 350 ex Inv Co (302)	2676.3	+0.4	2373.8	2665.3	2656.1	2173.7	3.46	1.85	15.58	9.84	1773.25
FTSE 350 Higher Yield (97)	2830.1	+0.3	2510.2	2821.1	2823.3	2481.4	5.11	1.40	14.01	17.14	3488.10
FTSE 350 Lower Yield (253)	2338.4	+0.5	2074.1	2327.2	2310.9	1757.2	2.05	2.74	17.84	3.84	2175.10
FTSE SmallCap (264)	2761.4	+0.1	2449.31	2758.05	2761.18	1824.75	2.85	‡	‡	6.80	3241.26
FTSE SmallCap ex Inv Co (162)	2344.0	+0.2	2079.07	2339.94	2346.63	1507.27	3.31	‡	‡	6.59	2854.42
FTSE All-Share (614)	2628.7	+0.4	2331.55	2618.21	2609.36	2125.45	3.43	1.79	16.34	9.50	3431.02
FTSE All-Share ex Inv Co (464)	2613.6	+0.4	2318.18	2602.96	2594.15	2115.96	3.46	1.82	15.90	9.58	1761.38
FTSE All-Share ex Multinationals (552)	740.6	+0.9	544.44	734.05	734.44	602.28	3.12	1.15	27.92	1.26	1044.48
FTSE Fledgling (170)	4004.3	+0.2	3551.72	3997.24	4007.50	2442.68	3.29	‡	‡	6.38	6207.60
FTSE Fledgling ex Inv Co (109)	4729.7	+0.2	4195.08	4719.83	4739.97	2633.76	3.46	‡	‡	3.64	7135.03
FTSE All-Small (434)	1898.2	+0.1	1683.61	1895.72	1898.17	1239.61	2.90	‡	‡	4.50	2861.59
FTSE All-Small ex Inv Co (271)	1723.1	+0.2	1528.31	1720.01	1725.18	1085.01	3.33	‡	‡	4.48	2661.57
FTSE AIM All-Share (895)	659.2	+0.8	584.7	654.2	655.7	404.3	0.80	‡	‡	0.66	670.05
FTSE Sector Indices											
Oil & Gas (22)	**8126.6**	**-0.1**	**7208.02**	**8133.67**	**8100.20**	**7484.91**	**4.78**	**1.60**	**13.07**	**43.97**	**5439.56**
Oil & Gas Producers (15)	7760.2	-0.1	6883.08	7769.49	7740.56	7209.24	4.88	1.58	13.00	43.24	5358.39
Oil Equipment Services (6)	15749.5	+1.1	13969.34	15584.15	15304.48	10204.03	1.39	4.29	16.71		9844.89
Basic Materials (28)	**6017.7**	**-1.3**	**5337.49**	**6096.39**	**5946.61**	**3409.78**	**0.94**	**9.44**	**11.27**	**0.40**	**4968.97**
Chemicals (5)	4758.9	+1.1	4221.03	4707.65	4725.53	3222.41	2.49	1.77	22.62	10.14	3578.69
Forestry & Paper (1)	3996.2	+0.4	3544.51	3982.10	3975.04	1962.84	1.87	0.87	61.11		3468.24
Industrial Metals & Mining (3)	5479.6	-0.6	4860.20	5514.31	5405.11	2952.54	0.66	7.73	19.64		4405.43
Mining (19)	19093.7	-1.4	16935.49	19361.39	18864.54	10763.91	0.88	10.28	11.00		8199.63
Industrials (119)	**2391.5**	**+0.4**	**2121.22**	**2381.03**	**2381.63**	**1890.57**	**2.87**	**2.16**	**16.12**	**1.33**	**2036.47**
Construction & Materials (11)	3333.8	+0.5	2956.98	3317.46	3315.41	3508.20	4.33	1.52	15.16		2712.30
Aerospace & Defense (10)	3079.0	-0.2	2730.93	3084.60	3074.31	2753.44	3.50	2.07	13.83	1.57	2764.80
General Industrials (7)	1764.7	-	1565.24	1764.30	176	1409.51	2.84	1.35	26.13	1.05	1582.03
Electronic & Electrical Equipment (11)	1804.1	+0.4	1600.20	1796.45	1787.35	1363.80	3.61	1.26	21.92	5.65	1390.10
Industrial Engineering (13)	4156.0	+0.7	3686.22	4127.56	4133.72	2371.30	3.35	2.22	13.43	3.69	4184.77
Industrial Transportation (9)	2673.1	-1.1	2370.94	2702.51	2707.82	1780.61	4.33	1.15	19.99		1788.72
Support Services (58)	3479.2	+0.9	3085.92	3447.84	3458.34	2619.17	2.22	2.72	16.61	1.33	3023.15
Consumer Goods (36)	**9114.0**	**+0.7**	**8083.88**	**9052.55**	**9112.27**	**7438.33**	**3.31**	**1.44**	**20.99**	**45.03**	**5299.28**
Automobiles & Parts (1)	2509.7	-1.3	2225.99	2543.21	2550.40	1387.27		-	‡		1999.47
Beverages (4)	7692.1	+0.7	6822.63	7638.52	7679.26	6092.03	2.92	1.85	18.52		4476.68
Food Producers (12)	4786.7	+0.8	4245.68	4748.38	4760.27	3553.39	3.58	2.70	10.34	49.69	3346.01
Household Goods & Home Constructi (11)	5188.4	+1.4	4601.99	5114.63	5144.01	4566.94	2.52	‡	‡		3007.78
Leisure Goods (3)	2038.5	+2.1	1808.05	1996.96	1984.30	902.71	2.67	3.74	10.01		1373.81
Personal Goods (3)	9235.2	+0.9	8191.39	9156.79	9024.25	5002.24	1.79	2.46	22.74	41.81	5276.06
Tobacco (2)	25664.9	+0.3	22764.02	25596.52	25898.21	22593.78	4.06	1.30	18.98	217.60	12114.00
Health Care (21)	**6006.9**	**-0.9**	**5327.96**	**6060.82**	**6033.24**	**5812.01**	**4.49**	**1.91**	**11.66**	**123.91**	**3447.51**
Health Care Equipment & Services (7)	3628.5	-0.2	3218.32	3634.62	3620.97	2871.04	1.29	2.64	29.40	2.19	2767.40
Pharmaceuticals & Biotechnology (14)	8293.4	-0.9	7355.98	8371.40	8332.91	8111.60	4.68	1.90	11.26	181.00	4192.36
Consumer Service (93)	**2996.8**	**+0.7**	**2658.06**	**2976.41**	**2970.04**	**2399.11**	**2.88**	**2.66**	**13.01**	**4.87**	**2263.64**
Food & Drug Retailers (6)	4868.2	+0.2	4317.92	4856.50	4837.96	4290.26	2.96	2.03	16.65		4499.00
General Retailers (28)	1542.3	+0.8	1368.00	1530.40	1520.69	1139.40	3.14	2.17	14.65	1.59	1415.40
Media (24)	3358.7	+0.5	2979.05	3343.45	3344.65	2653.87	3.07	2.73	11.94	0.85	1655.02
Travel & Leisure (35)	4002.2	+1.4	3549.83	3948.59	3949.06	3006.42	2.47	3.85	10.50	20.56	3144.00
Telecommunications (8)	**2160.9**	**+0.4**	**1916.62**	**2152.52**	**2167.55**	**2035.61**	**5.18**	**2.13**	**9.05**		**1686.62**
Fixed Line Telecommunications (6)	1896.1	+0.7	1681.76	1882.43	1892.45	1651.04	3.43	0.16	80.00†		1302.48
Mobile Telecommunications (2)	3205.8	+0.3	2843.43	3195.54	3218.92	3064.54	5.53	2.38	7.60		2178.14
Utilities (9)	**5885.6**	**+1.7**	**5220.39**	**5785.57**	**5840.76**	**6019.69**	**5.44**	**0.75**	**24.65**	**2.57**	**4621.76**
Electricity (3)	6688.0	+1.4	5932.03	6594.99	6681.58	6811.94	5.66	1.80	9.79		6415.64
Gas Water & Multiutilities (6)	5345.1	+1.9	4740.93	5246.84	5288.49	5472.95	5.35	0.25	75.63	3.38	4251.51
Financials (246)	**3548.0**	**+1.7**	**3146.99**	**3488.45**	**3478.08**	**2559.00**	**3.06**	**0.58**	**56.23**	**2.27**	**2534.40**
Banks (5)	4438.5	+1.8	3936.81	4359.48	4334.18	2939.29	2.45	1.70	24.04		2509.20
Nonlife Insurance (12)	1501.8	+1.4	1332.07	1481.47	1482.86	1464.64	4.86	1.87	11.00		1957.33
Life Insurance/Assurance (9)	3629.1	+3.7	3218.88	3501.14	3543.40	2881.40	4.52	‡	‡		2587.93
Real Estate Investment & Services (25)	1717.2	+0.4	1523.08	1711.16	1704.17	-	3.65	‡	‡	7.67	3827.49
Real Estate Investment Trusts (15)	1641.6	+1.1	1456.07	1623.06	1606.35	-	4.08	‡	‡	5.55	1559.39
Financial Services (30)	3874.2	+1.4	3436.32	3819.02	3816.63	2873.17	5.05	‡	‡	8.02	3347.65
Equity Investment Instruments (150)	5003.8	+0.1	4438.24	4999.45	4983.87	3869.70	2.16	0.12	80.00†	9.35	2293.59
Non Financials (368)	**3029.2**	**-**	**2686.78**	**3028.50**	**3017.92**	**2519.45**	**3.53**	**2.09**	**13.52**	**13.58**	**3463.72**
Technology (32)	**530.5**	**-0.5**	**470.55**	**533.08**	**531.45**	**321.82**	**1.18**	**3.68**	**23.12**	**1.69**	**611.03**
Software & Computer Services (23)	653.8	-1.0	579.90	660.41	657.34	429.86	1.28	3.86	20.26	2.74	765.51
Technology Hardware & Equipment (9)	511.8	+1.2	453.96	505.81	506.84	226.16	0.86	2.81	41.58		557.26

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	5127.23	5118.92	5149.71	5166.23	5177.51	5149.37	5149.78	5148.92	5129.51	5179.58	5106.30
FTSE 250	9052.04	9049.83	9075.18	9111.50	9140.39	9110.93	9107.14	9115.39	9059.97	9140.79	9035.95
FTSE SmallCap	2759.88	2760.84	2760.86	2761.78	2762.29	2764.14	2762.75	2765.05	2757.96	2765.27	2756.41
FTSE All-Share	2626.12	2622.47	2636.84	2646.35	2651.40	2637.98	2638.04	2637.92	2627.35	2652.13	2616.82

Time of FTSE 100 Day's high: 12:43:45 Day's low: 15:31:30 FTSE 100 2005/06 High: 5538.07(11/01/2010) Low: 5060.92(05/02/2010)
Time of FTSE All-ShareDay's high: 12:44:00 Day's low: 15:32:00 FTSE 100 2005/06 High: 2832.47(11/01/2010) Low: 2596.72(05/02/2010)

 † Sector P/E ratios greather than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

INVESTMENT COMPANIES:

SPLIT CAPITAL INDICES

Share Class	Method	Feb 10	1 day % chg	1 mth % chg	1 yr % chg	3 yrs % chg	5 yrs % chg	No of stks
Capital	Capital Ret	177.83	-	-7.82	2.67	-61.58	-24.81	6
Income	Capital Ret	22.56	-0.07	-6.61	5.27	-30.62	-12.05	8
	Total Ret	100.48	-0.08	-4.62	18.64	-10.01	37.62	8
Ord Income	Capital Ret	18.46	-0.34	-5.54	20.53	-64.06	-45.54	13
	Total Ret	51.11	-0.35	-5.47	23.87	-58.87	-30.15	13
Zero Dividend	Capital Ret	178.88	0.03	-0.43	19.97	5.28	24.58	20

Sources: **www.morningstar.co.uk, www.theaic.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 STOCK MARKET TRADING DATA

	Feb 10	Feb 9	Feb 8	Feb 5	Feb 4	Yr ago
SEAQ Bargains	860,516	836,245	1,301,770	969,211	906,839	729,839
Order Book Turnover (m)†		5105.9	8141.6	6813.6	5117.9	8716.1
Order Book Bargains †		611,343	900,136	779,993	609,244	739,581
Order Book Shares Traded (m)†		1498.0	2294.0	1942.0	1309.0	1706.0
Total Mkt Bargains ‡		648,921	942,743	815,322	645,013	762,534
Total Equity Turnover (£m)‡		8413.5	10432.8	9476.5	8809.6	19848.0
Total Shares Traded (m)‡	2118.0	2781.0	3763.0	3074.0	3025.0	2986.0

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

RISES AND FALLS

	Rises	Falls	Same
Gilts	47	16	1
Basic Materials	16	35	4
Consumer Goods	34	18	5
Consumer Services	62	27	15
Financials	77	34	28
Health Care	8	15	9
Industrials	70	63	34
Oil & Gas	19	14	3
Technology	17	14	3
Telecommunications	7	2	0
Utilities	9	0	0
Others	254	296	427
Totals	620	534	529

Financial Times Share Service

FTSS continued - AIM

Aerospace & Defence

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Cohort ‡	105.50xd	-	183	92.50	1.8	10.9	57

Automobiles & Parts

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Enova Sys	100	-	105	25	-	-	-

Banks

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
BCB Hldgs	104.50	-	182.50	90	-	2.2	-
EIIB	2.93	-	5	2.25	-	-	-
ICB	85	-	85	60	-	-	-
IslamicBB	4.75	-	8.50	4.25	-	-	-

Basic Resource (Ex Mining)

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
CropperJ ‡	132.50	-	156	52	4.7	5.8	-
UraniRes	2.25	-	2.75	0.88	-	-	238

Chemicals

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
CEBrazil	13	-	18.50	5.50	-	-	3
NormanHay	79.50	-	88.50	55	5.0	-	25
PHC	196.25	+8.25	289	146	-	-	40
Plantic	11.75	-0.25	16.25	6.13	-	-	44
Scapa	16.50	+0.50	19.75	9	-	3.1	50
TyraTech	10.50	-	75.50	8.50	-	-	-
Zirax	1.13	-	6.63	0.88	-	-	199

Construction & Materials

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Abbey	427.50	-	500	292.50	-	-	-
ArchialGp	8.25	-	12.50	3.25	-	-	-
AshleyHse ‡	67	-	85	67	7.5	6.8	1
Aukett q	4.13	+0.25	7.75	2.75	-	-	203
Billington ‡	165	-	190	125	6.7	6	-
Eleco	37	-	48.50	25.50	2.2	-	125
JamesHal ‡	567.50	-6.50	636	355.74	4.4	12.2	2
LupusCap ‡	63.50	+0.50	70	5.75	-	17.3	97
Prosperity	150	+1.50	154.50	22.50	0.7	-	19
Renew	34.50xd	+0.50	49.25	24	8.7	67.5	13
Romag	65	-	71.50	30	-	43.3	10
SWP q	10.75	-	10.75	7.09	-	13.2	-
WChinaCm	443.50	+38	507.50	62	-	11.6	362

Electronic & Electrical Equip

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AdvnPowr	10	-	15.50	6	-	-	-
Coe Grp	8	-0.50	10	5	-	-	6
Datong	40	-	46	11.50	-	-	-
Densitrn	4	-	7.50	3.13	-	-	-
Dewhrst	224d	-	224	153	2.7	5.8	3
Elektron	13	-	13.25	7.38	3.5	-	26
LPA q	30	-	42.50	29	3.0	23.2	-
Minorpln	20	-	155	20	-	-	3
RCG Hld	66.75	+7.25	100	42.75	2.0	3	989
ThorpeFW	600	-	720	415.52	2.7	8.4	-
Zytronic	209xd	-4.50	216	84	2.4	18	4

Financial General

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Alb&Bond	261	-	283	177	3.4	13.3	19
Alt Energy ‡	2.89	-	3.27	2.68	-	-	-
AmbriCap	29.50	-	36.50	13	5.1	-	50
Amphion	12.50	-0.25	18.50	9.50	-	-	12
Arbuthnot	392.50	-	445	205	5.4	-	-
Arden Ptrs q	103.50	-	110.50	47	-	20.1	-
AstaireGrp ‡	3.38	-	7.75	3.13	-	-	150
Aurora	33.50	-	44	10.25	-	37.9	34
BP Marsh	92.50	-	132.50	51.50	-	-	-
Bravelt	28	-	34	23.50	-	-	3
Brightsid	26.50	-	35	17	-	19.4	8
BrooksMc	552.50	-	578.50	245	1.0	24.5	1
Canaccord	587.50	-	650	225	1.0	14.9	-
CaptlMgt	3.75	-	9.50	3	-	-	-
Capcon	5.75	-	6.50	5	-	-	-
Cavanagh	54	-	62	54	-	-	-
Charlemgn ‡	16	-0.50	20	7.50	6.8	9.1	414
CityLonGp ‡	291.50xd	-3.50	326	122.50	5.8	13.6	6
ClimateEx	582	-6	992.50	400	-	-	7
Davenham	7.50	-	25	6.75	-	-	2
EIH $	30.47	+0.03	46.88	19.52	-	-	-
EquestInv	42.50	-	315	37.50	-	-	-
Eurovestc	16	-	16.50	10.75	-	-	468
Evolve	3	-0.25	6.50	3	-	-	-
Fairpoint	71.50	-	81.50	40	2.8	9.7	20
Fiske ‡	69.50xd	-	76.50	53.50	5.8	23.1	3
H&T Gp ‡	263.50	-2.75	327	177	2.7	9.6	9
ImpaxGp	40.50xd	+0.50	48.50	18.25	1.0	19.1	44
IMAC	43.50	-0.50	49	15	-	-	-
Imp.Innov	482.50	-	490	285	-	52.3	-
Invista Re	62	-1.50	79.50	37.50	3.7	-	15
Invocas	22.50	-	51	21.50	-	-	-
Leeds	13.75	-	15.50	10.50	-	-	-
Lonrho	12.25	-0.50	14	1.94	-	-	2,383
MattioliWds ‡	237.50xd	-	251.50	210	1.8	14.6	108
MidasCaptl	20.50	-	24	8.50	-	-	1
NeoviaFin	56.75	+1.50	65	34	-	14.6	42
Numis	142.50xd	-	180	115	5.6	-	5
Park Grp	19.75	-	22.75	14.25	6.7	9	-
PlusMkts	4.38	-	9.75	4.13	-	-	774
PolarCap	88.50	+1	94.50	29	5.1	8.4	-
PrinCapHld	16.50	-	56.50	13.50	-	-	-
QuayleMn	725	-	875	345	4.1	10.5	-
RAB Cap	17.50	-0.75	26	9.38	13.7	-	402
Rapid Real	77	-	88	77	-	12.7	-
RSM Tenon	46	-1	62.75	37.75	3.3	9.5	62
Share	28	-	32.50	23.50	0.8	24.1	4
ShoreCap	33.50	-	41	13.25	0.9	-	10
Starvest	6	-	12.25	5.50	-	60	-
STM Group	25.50	-	43.50	25.50	2.4	3.9	2
Syndicate	2.40	-0.01	8.65	1.75	-	-	1,189
TradEmiss	85	+1.50	117	60	5.3	-	13
Vantis ‡	26.50	+2.50	92	16.75	-	-	2
Westhouse	64	-	92.50	16.50	-	-	-
WH Ireland ‡	43	-	84	43	-	-	-

Food & Beverages

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
ChinaFood	23	-2	46	22.50	-	4.5	15
FinsbryFd	22.75	+0.25	33	12.25	-	9.9	44
Glisten	133.50	+47	167.50	37.50	-	-	410
MPEvans	360	+9.75	390	206	1.9	14.6	16
Nichols ‡	343.75	+0.25	360	189	3.3	13.1	5
PureCircle	239	-	296.50	152.50	-	46.4	520
RealGdFd	6.13	-	8.13	1.88	-	-	47
Sorbic Int	27.50	-	48.50	27	-	2.8	-
SweetChin	2.50	-	4	1.75	-	-	-
Ukrproduct ‡	27.50	-	33	6.50	2.2	5.1	-
Wynnstay	259	+9	259	161	2.5	9.9	13
Zetar	207	+7	212.50	92.50	-	8.1	21

Health Care Equip & Services

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Advnc Med	32	-	38.50	22.25	-	16.9	83
CareTech q	435	+7.25	465	280	1.1	40.6	28
CVS Grp	201.75	+3.75	206	115	-	34.1	79
DeltexMed	14.25	-	15.75	8.13	-	-	604
ImmunDiag	699.50	+27	780	131.50	0.2	28.3	12
LiDCO	17.75	-	26	5.50	-	-	100
LombrdMT	0.98	-	2.90	0.98	-	-	960
SurgcIIno	2	+0.13	2.15	1.13	-	10.3	171
Tristel	58.50	-	63	36	2.9	16.8	39
WrenExtra	8.25	-	17	5	-	-	-

House, Leisure & Pers Goods

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Airea	13.75	-	19.50	5	-	-	0
Armour	15xd	-0.50	17.25	7	2.0	10.8	1
Artisan	32.50	-	51.50	19	-	-	-
CassidyBr ‡	64.50	-	69.50	31.50	6.2	11.4	-
CEPS	25	-	27	13.50	-	4.3	-
ChapelHp	14.75	-	15.25	9.75	-	-	2
ChurchIl	272.50	-	287.50	160	5.1	0	-
DawsnInt	2.63	-	3.25	1	-	-	10
Pittards	2.25	-	2.50	1.38	-	-	50
Portmern	307.50	-12.50	370	102.50	4.8	43.1	4
SinclairW	102.50	-1	108.50	51.50	3.4	16.1	7
SwallfId	128.50	-	130	61.50	5.0	12.1	-
TelfordHmst ‡	92.50	-	112	20	0.8	4.4	7
TheoFenI	46	-	51	12.50	-	-	-
WalkerGb	25	-0.75	25.75	7	-	12.3	162

Industrial Engineering

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Avingtrans	37.50	-	49	26.50	-	9.2	117
Chamberlin ‡	54.50	-	80.50	38.50	-	-	-
ClydeProc ‡	54	-	63.50	16.50	-	4.8	3
Energetix	46.50	-	55.50	27	-	-	-
Hamworthy ‡	295	-3	310.50	152	3.0	9.3	44
Hydro Intl	92	-4	120	87.50	3.3	9.2	10
Lincat	457.50	-	475	320	6.3	8.9	1
Metalrax	5.38	-	9.50	3.50	-	-	7
Pres Tech	222.50	-	248.50	155	3.0	7.1	1
Pursuit	138.50	+0.25	154	43	-	-	64
Tanfield	25.50	-0.75	91.25	23	-	-	264
TEG Grp	40.50	-	56	35	-	-	63
Titan Eur ‡	23.50	-	38	12	-	-	9

Industrial General

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AccsysTchE	43.06	-0.51	125.83	36.50	-	-	136
API Group	6.75	-	14.75	4.50	-	-	1
Powerflte	28.50	+1	35.50	11	-	3.7	20
Symphony	9.50	-	14	2	-	11.6	165

Industrial Transportation

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
ACM Gp ‡	204xd	-1	217	147.50	4.3	6.2	5
Autologic	25.50	-	38	13	-	-	-
BalticOilT	19.50	-	24.75	6.50	-	-	38
SuttonHrb	44.50	-	73.50	37.50	4.3	-	21

Insurance

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Al ClmsSlt	18.25	-0.50	20.50	13	3.3	8.6	-
CBG Gp	53.50	-	134	43.50	1.2	-	2
Gable	14.50	-	15.75	4.13	-	14.4	198
Hampden	99	-	107.50	70	-	-	-
THB q	52d	-1	76.50	52	4.8	49.6	85

Media

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Adventis	16	-0.50	29.50	14.50	4.5	7	9
Altitude	7.25	-	12.50	4.75	-	26	24
AsiaDigtI	0.50	+0.03	3.13	0.38	-	-	1,955
Avesco	21.50	-	30.50	18.50	-	-	20
Cello Gp	33	-	46.50	25.50	3.8	6.3	20
Coolabi	7.38	-	11	5	-	-	-
ElecWord	4.38	-	4.63	3	-	10.2	8
FirstArt	21	-	32.50	9.50	-	-	0
Freshwater	21	-	42.50	19	6.0	14	-
Huveaux	8.13	-	9.25	4.50	-	-	-
IndianFilm	39.25	+0.25	61.50	22.50	-	5.6	-
Infoscreen	2.88	-	2.88	1.25	-	10.1	-
Intl Grt	50.50	-1.50	86.50	16	-	-	17
M&Csaatc	78	-	90.50	24.75	4.6	5.1	-
MBL	178	-	190	72	3.4	4.6	10
Metrodom	2.25	-	2.63	1.13	-	-	-
MissionMk ‡	27	-	49.50	21.50	-	2.5	6
Motivcom	78.50	-	78.50	17.50	2.9	14.8	-
Next15Cm	63.50	-	71	26	2.7	16.3	2
Phorm	362.50	+5	575	105	-	-	74
Talent	3	-	6.50	2.25	-	-	-
Toluna ‡	254.50	+1	256	221	0.7	25	1
YouGov	41.50	-	70	28.50	-	-	142

Mining

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
ACR	11.50	-	17.75	5.50	-	-	141
AfrcnAura	68.50	-2	82.75	21	-	57.1	173
AfricanDs	46	+5.50	56	19.50	-	-	96
AfricanEag	3.88	-	12.50	1.13	-	-	221
AfricanMin	391.25	+31.25	455	20.50	-	-	191
AlliedGold	15.50	-	30	15.50	-	-	93
AMC	5.25	+0.13	16.50	0.47	-	-	198
ArchipelR	35.50	+0.25	39.50	26.63	-	-	-
ATH Res	76	-	95.50	37	8.1	76.1	2
AvocetMng	87.75	+2.50	107	64	-	54.7	437
BeowMin	3.13	-0.25	4.63	1.25	-	-	32
CaledonR	36.25	-0.75	72.50	12.75	-	71	67
Caledonia	4	-	6	3.50	-	-	-
ChurchillM	100.75	+0.75	129	29	-	-	556
Connema	17.50	-	26.50	9	-	-	2
Cluff Gold	62.75	-1.25	80.50	29.25	-	-	263
CoAL	132	-4.25	146.75	34.50	-	-	1,243
C'roy Diam	4.75	-	6.13	2.25	-	-	46
DiamondCp	9.50	-	31.50	9.50	-	-	0
EastPlats $	76.27	-0.75	88.81	15.86	-	-	2,296
EMED Mg	11.75	-0.25	15.75	3.38	-	-	795
EuroGoldfld	350	-1.50	446.50	136.50	-	-	5
EuroNickel	6.49	-0.11	12.50	2.75	-	-	622
FstneDiam	39.50	+0.25	49.50	13.50	-	-	308
GCMRes	116	+7.50	140	26.75	-	-	699
Goldstone	1.28	-	3.10	0.35	-	-	-
GriffinMng	4.75	+0.75	51.50	19.50	-	-	131
HighldGld	89.50	+1.25	104	37	-	10.3	238
Horizonte	9.13	+0.13	13	4.25	-	-	646
JubileeP	34.75	+1.50	60.25	7.13	-	-	224
KarelianDd	2.50	-	3.75	2.25	-	-	-
KirklandLk	422.50	+5	612.50	277.50	-	-	5
KopaneDd	14.50	+2.75	21.25	1.38	-	-	10,938
LandoreRes	13.25	-	19.25	8.25	-	-	21
LondMining	208	-	257	195	-	-	30
MDM Eng	170	-	185	40	4.2	15.2	56
MetalsExp	11.50	-	24.25	8.25	-	-	68
MineralRL	66.50	+0.50	86	61.50	-	4.1	6
Mwana	11.75	-0.25	17.75	3	-	-	1,578
Nyota Min	9.13	-	11.50	2.50	-	-	373
OrosurMin	24.75	+0.25	43.50	15	13.3	-	31
OvocaGd €	16.70	-0.03	42.48	8.95	-	-	-
Oxus	7.65	-0.20	16.25	4.76	-	7	894
Palmaris	5.75	+0.25	7.13	2.13	-	-	200
Patagonia	14	-	18.50	6.88	-	-	242
PersianGd	7	-	10.25	3.13	-	-	4
Petra q	52.25	+0.50	88.75	23	-	-	1,065
RambIMIts	32	-0.50	38	7.13	-	-	64
ShantaGold	7.50	+0.13	9.13	1.38	-	-	219
SiriusExpl	4.75	-	15.50	1.38	-	-	3,586
SNR	16	+1.50	21.50	7.50	-	-	167
Solgold q	6.50	-0.25	17.25	4.38	-	-	88
Stratex	3.63	-	4.63	1.75	-	-	160
TanzanOne ‡	12.25	+0.25	26	10.50	-	-	228
TitaniRes	9.50	-	19.75	3.25	-	-	-
VaneMinrl	4.38	-	6.13	3.13	-	-	212
WestAfDd	3.75	-0.13	5.13	2.75	-	-	43
ZincOx	57.75	+3	84	32.50	-	-	20

Oil & Gas

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AlkneEng	16.50	-	25.75	13.50	-	9.2	-
AmeriRes	14	+0.50	17.25	1.63	-	-	900
AscentRes	5.38	-	10.75	2.50	-	-	707
Aurelian	34.25	+1.50	41.25	11.50	-	-	511
BorSthnPet	66.50	+2	78	16	-	-	1,246
Bowleven	115.50	+1.50	117.50	33	-	4.2	1,369
BPC	3.58	+0.10	5.25	1.63	-	-	3,023
CeresPow	140.75	+0.75	240.75	80	-	-	384
ChriotO&G	37	+1	55	15.50	-	-	205
Circle Oil	31.25	+0.25	40	17.25	-	-	535
Coastal	292.50	+4.50	389.50	83.50	-	-	1
CoveEnergy	24.25	+1	32	5	-	-	330
DesirePtl	108	+12.75	134	26	-	-	4,329
Dominion	6.38	+1.25	13	5.13	-	-	2,235
Egdon Res	13.25	-	17.50	8	-	-	24
Enegi Oil	10.50	-0.50	47.50	2.75	-	-	948
EncoreOil	14.75	-	19	7.25	-	45.4	68
FalkldO&G	149	+7.50	182.25	61.50	-	-	1,320
FaroePet	120	-0.25	158.50	61	-	-	147
FronteraR	9.63	+0.25	24.50	6	-	-	28
GeoPark	399	-	445	195	-	-	-
GETECH	14	-	24.50	13	43.3	44.3	-
GlobalPet	9.50	+0.38	14.25	4.75	-	-	40
GreatEEgy	477.50	-	502.50	205	-	-	3
GrnDnGas $	424.98	+0.46	476.37	197.51	-	-	44
GTL Res	79	+1	82.50	9	-	-	210
GulfKeyst	84.50	-3.50	130.50	4.55	-	-	2,965
Gulfsands	264	+2	289.75	124.50	-	34.9	137
Hydrodec	13	-0.25	17	5.50	-	-	32
Indus Gas	482.50	-7.50	510	105	-	-	-
Infrastrata	85	+2.50	136	35	-	-	144
Iofina	39.25	-4	99	40	-	-	47
Ithaca Engy	98.50	+3.25	99	18.75	-	-	201
ITM Power	17.50	+0.25	38	8.25	-	-	21
KBC Adv ‡	44.50	-	50	29	3.3	9.5	20
Kentz ‡	215.50	+4	225.50	101.50	1.9	12.5	445
Leed Petro	5.15	-0.08	26	5	-	44	729
Ienigasoil	3.13	-	6	2.13	-	-	3,865
Max	16.75	+0.25	31.75	2.10	-	-	1,435
NauticalPt	49.25	-	77	21.75	-	56.9	7
Nighthawk	27.50	-0.50	40	21.50	-	-	1,733
Nthn Ptlm	129.50	+0.50	170	60	-	-	19
Pan Andn	15.25	-	16	5	-	-	100
PetrelRes	29	-	55.50	22	-	-	12
Petroceltic	11.75	-	21	3.30	-	-	2,532
PetroNeft	20.50	-	23.50	8.25	-	-	634
Plexus	35.50	-	48	24	1.9	26.8	28
PresidentPt	71	+2.25	78.75	20	-	-	301
Providence	3.43	-	5.10	2.05	-	-	262
Quadrise	3.25	-	6	1.75	-	-	-
RegalPtlm	79	+1.75	125.50	25.50	-	-	1,079
Resaca	34	-	61.50	22.50	-	8	-
Rockhop	64	+2.25	94.50	11	-	-	3,123
SeaEnergy	51.25	+0.25	86.50	36	-	-	343
Serica	66	-0.75	77	26	-	-	258
Sound Oil	2.45	+0.03	3.68	1.15	-	14.1	4,663
SygnOilflds	2.75	-	19	2.75	-	-	10
Stratic Egy	8.25	-	24	6	-	-	1
StrtgEgy	145	+6	224	33.60	-	9.2	502
TowerRes	4.33	+0.03	8	1.63	-	-	10,412
TXO	2.63	+0.63	4.38	0.75	-	-	628
UralsEngy	5.38	-	16.75	2.38	-	-	23
Velosi	91	+1.50	111.50	35.50	0.7	6.2	9
VictorOil	3.95	+0.10	7	2.50	-	-	8,749
VolgaGas	213.75	-0.25	270	34	-	-	13
Westmount	104	-	118.50	30	-	2	1
XtractEngy	2.35	-0.05	5.03	0.60	-	8.1	999

Pharmaceuticals & Biotech

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Abcam	£10.50	-0.05	£11.21	500	1.2	27	4
AllicePharm	29.25	-0.75	30.50	4.38	1.0	15.4	569
Chi-Med	185	-	208.50	46.50	-	-	-
e-Thera	37	-	43	28.50	-	-	-
Epistem	427.50	-	455	225	-	-	2
GeneMedx	8	-0.63	11.50	1.25	-	-	78
GW Phrms	90	+1.50	106	30	-	75	12
ImmuPhar	80	-0.50	144	71	-	3.5	18
IS Pharma	65	-0.50	97.50	56	-	16	133
Lipoxen	8.38	-0.13	29	4.25	-	-	366
MinsterPh	5.85	-	8	3.75	-	-	120
ReNeuron	7.05	+0.07	10.50	3.88	-	-	2,361
Sareum	0.40	-0.02	0.87	0.09	-	-	510
SilenceTh	14.25	+1.25	33	12.25	-	-	4,304
Summit Cp	5	-	24.50	0.88	-	1.8	-
VeronaPhm	14.75	-	22	3.13	-	-	186

Real Estate

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AguaTerra €	127.42	-0.20	192.94	125.43	-	-	-
AISIRealty	3.75	-	6	3.25	-	-	-
AlphaTiger	69	-	76.25	27.75	-	30.8	-
Atlas Est	62	-	98	31.50	-	-	-
CareCapit	4.13	+0.25	8.63	2.13	-	-	664
Carpathn €	14.72	+0.20	25.25	9.50	27.2	3.8	63
ChinaREO	340	+4	361.50	202.50	-	-	16
Ciref	53.50	-	77.50	44	5.7	-	6
Colliers	26.50	-	42	12.50	-	-	36
Conygar	119.75	-0.25	127.75	87	-	-	51
DDeutsch €	3.56	+0.01	11.37	2.03	-	-	-
Dolphin CI	51.50	-0.25	58.75	28.75	-	-	496
Engel EE	2.75	-	13	1.50	-	-	42
EquestBalk	18	-	27	12	-	-	1,349
Eredene	15.25	-	97.75	12.75	-	-	70
FirstPrp ‡	16.50	-0.50	18	10.75	6.1	5.9	38
FltchKng	26.50	-	42.50	25.50	3.8	7.2	-
Hawtin	4.88	-0.25	7	4.25	-	-	25
HML Holds	13.75	-	16.50	3	-	-	30
Inland	18.25	+1	22.25	6.25	-	-	223
Ishaan	60.25	-	58	18.25	-	5.6	-
Lok'nStor	82.50	-	90	33.50	1.2	-	-
Lon&Stam ‡	122	-	137	110.25	3.4	11	283
LXB Retail	95	-0.25	104	94.25	-	-	10
MacauPrp	112	-	115.25	50.75	-	-	8
Max Prop	119	-0.50	140	107.50	-	-	153
MirLand	219.50	-	260	48	-	-	5
NewRiver	293	-1	295	255	-	-	-
NordicLnd	23	-	50.50	22.50	-	-	-
Northacre	17.50	-	32.50	10.50	-	-	-
O12Estat	6.50	-	15	2.88	-	-	28
PSPI	71.25	-	84	36	76	-	20
RavenRuss ‡	49	-	55.50	11.25	1.0	-	121
RavenR Prf	93	-	100	89.50	12.9	-	33
RavenR Wrt	25	-	29.50	3.75	-	-	6
RomaniaPr	7	-	9	4.50	-	-	-
RugbyEst	256.50	-	266	195.19	-	-	1
Safeland	13	-	26	12.30	-	-	-
SA PropOp	65.50	-	73	60	-	5.4	-
SiriusRE €	15.60	-4.21	36.79	8.24	-	-	4,857
SofiaProp	4.88	-	14	4.25	-	-	75
Songbird	164.25	+0.75	360	92.71	-	-	349
SpeyDtim €	19.55	-0.03	39.70	6.27	-	-	69
SpeyMac $	41.05	+0.04	45.44	18.78	-	-	13
TaliesinPr €	659.05	-1.04	705.88	556.46	-	-	-
TerraceH ‡	18.75	-0.25	25.50	13	2.9	-	24
Treveria €	8.57c	-0.67	13.91	4.38	-	-	300
Trikona	45.75	-	61	22.75	-	-	4,103
UnitchCP	27.75	+0.25	29.75	7.20	-	-	-
VPF $	42.98	-0.27	46.77	39.25	-	-	-
Winkworth	82.50	-	84.50	80.50	-	-	5
XXI Centhnc	25.50	+3.50	40.50	7.50	-	-	118
YourSpace ‡	23d	-	31.50	5.50	-	-	-

Retailers

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
ASOS	417.50	+2.25	518	283	-	29.1	82
Ideal Shp ‡	136.50	-	144	21	-	-	-
Just Car	47	-1	67.50	40.50	3.5	8.3	4
Majestic	235.50	+1.25	259.50	139	4.2	15.9	6
Mulberry	164	-1	180	57	1.2	31.4	7
StanlGib	115.50	-	154.50	89	4.1	8.8	10

Support Services

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AndSyks ‡	95	-	145	53	-	4.8	5
Augean	36	-	60	28.50	-	6.1	-
Begbies ‡	87.25	+0.75	127	83	3.3	13.6	32
BrulinGp ‡	129	-3.50	149.50	82.50	4.2	9.1	7
Cape	229.75	+4.75	277.50	16.75	-	7.5	642
Cashbox	2.75	-	5.75	2.63	-	-	-
Christie ‡	44.50	-	66.50	19	-	-	-
Datacash ‡	207.25	-2.25	281	195	0.9	32.4	5
Driver	41.50	-	80	41.50	4.8	13	-
Eckoh	4.63	-0.13	8.75	4.63	-	-	253
EducatDv	141	+2	164.50	52.75	1.1	12.5	57
Empres	40	-	48.50	24.50	0.9	-	-
Garner	1.75	-	5.63	1.63	-	-	45
Goindustry	0.95	-0.03	2.80	0.83	-	-	4,870
Hargreav	673.50	+3.50	774	400	1.8	9.6	20
HcLocums ‡	239.50	+13	287	108	1.2	17.4	1,498
Heavyside	10	-	48.50	5	-	-	1
Hydrogen	87.50xd	-	94	32	4.7	-	-
ILX	24	-	41	19	6.3	9.7	-
Impellam	63.50	-	70	21	-	-	-
InterServs	164.50	+1	198.50	85.50	8.3	5.5	41
JhnsnSrv ‡	19.25	-	26	4.55	1.3	10.2	3
JourneyGp	3.25	-	6	2.38	-	-	1
Kellan	5.25	-	11.50	3.25	-	-	12
LegionGrp	1.63	-	2.25	1.38	-	-	7
LonSec	775	-	875	750	-	15.6	-
Maintel ‡	135	-	156	77.50	4.6	10.1	5
Matchtech	222.50	-	261	121	7.0	6.5	8
Mavinwood	0.37	-0.04	3.25	0.28	-	-	1,335
MayGurny ‡	230	-	277	116.50	2.3	15.5	18
MgdSupSv	9	-	14	7	-	-	28
Morson	72.50	-	126	53.50	8.3	4.9	217
MWBBsEx ‡	67.50	-	89	36	22.2	3.7	-
NwideAcc	82.50	-	117.50	75.50	6.1	8.9	27
NewmkSec	1.58	-	1.65	0.98	1.6	5.2	302
NWF	86	-	120	70	4.8	8.1	11
PennaCns ‡	194.50xd	-6.50	295	142.50	3.6	10.9	13
Petards	0.66	+0.11	0.78	0.23	-	4.4	2,182
Print.com	34.50	-	40	20.81	9.1	11.2	10
PSG Sols	24.50	-	33.50	10.50	-	30.5	-
Quadnetcs	165	+0.50	167	90.50	4.7	-	-
Real Office	11.50	-	12.50	9	-	6.4	-
RedhallGp	161xd	-4	235.50	121	2.7	11.3	31
Regenersis	43	-	63.50	41.50	-	4.8	-
ResInsInsn	0.43	-	1.10	0.20	-	-	-
SavileGrp	36	-	95.50	31.50	6.3	3.9	6
SDI Gp	5.38	-	12.75	1.25	-	-	4
Servoca	17.50	-	23.50	9	-	-	7
Silverdell	9.38	-	22	5.25	-	-	-
Speymill	10.50	-0.50	22.50	9.50	-	-	12
Supporta	30.50	-2	34.50	11	-	10	3
WaterHall	3.50	-	4.25	2	-	-	-
WidCrsNtw	100	-	115	82	3.5	14.5	-
WYG	42	-3.25	480	35.50	-	-	101

Tech - Hardware

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AminoTech ‡	31.75	-0.25	63	24.50	-	-	1,031
Intelek	14.25	-	17	13.50	3.3	5.1	-
IQE	16.75	-	20.50	3.38	-	-	649
ScottyG	29.50	-	70.50	27	-	13.1	300
Xp Tech $	20.21	-1.58	203.87	15.04	-	15.7	71

Tech - Software & Services

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AllocateSw	72	-	75	38.50	-	11.1	30
ANT	30.50	-	55.50	21.50	-	2	-
Blinkx	14.50	+0.25	24.75	12	-	-	536
BondInt	76	-	95.50	39	2.1	16.4	-
Brady	65.50	-	73	43.25	1.8	22.6	-
Datatec	262.50	-2.50	263.50	66.94	3.2	20.3	4
DDD	17	-	21.75	3.75	-	-	-
Dealogic ‡	182.50	-	182.50	77.50	2.7	13.9	9
EgSoltns	35.50	-	36.50	12	-	-	4
Endace	245	-	357.50	170	-	14.5	-
FFastFill	9.13	-	10.25	4.50	-	29.6	135
FocusSltn	35.50	-	43.50	20.50	-	6.5	2
Gladstone	27.25	-	30	18.75	-	10.9	18
Imaginat	4.50	+0.25	10.25	4.25	-	-	208
IntIgEnvs	8	-	13.50	6.75	-	10.2	-
Iomart	45.50	+1.50	52.50	29.50	0.7	-	226
K3BusTc	92	+2.50	93.50	59	0.5	10.1	13
Lagan Cap	8.50	-	15.50	7.50	-	-	-
Maxima ‡	89	-1	158.50	42.50	3.9	-	2
Monitise	17.50	+0.25	19.25	3	-	-	857
NCC Group ‡	405	-	410	210	3.1	-	2
OMG	21.50xd	-	28	18	0.7	26.9	6
OneClick	10.50	-	11.25	4.50	-	24.8	-
Patsyst q	22.75	-0.25	26.75	13.75	1.9	12.2	153
Pilat Globl	28.50	-	29	11	-	-	6
Playtech ‡	457	-10.75	525	265.50	3.5	48	476
Port S/W	23.75	+2.50	23.75	5	-	-	896
Prologic	36.50	-	45	31.50	-	10.8	-
Pub Tech	84	-1	97.50	37.50	-	-	-
Redstone	2.38	-	17.50	2.38	-	-	2
Sciisys ‡	44.50	+0.50	51	19.25	0.7	-	66
Sopheon	9	-	13.75	8	-	-	-
SportMed	3.38	-0.25	7.50	2	-	-	765
SQS	222.50	+1	253.50	135	4.3	7.8	15
Statpro	107.50	-	112	39	1.8	22.5	2
StratThght	35.50	-	49	29.50	-	-	1
SYNC	2.75	+0.13	4.75	2.50	-	-	2,678
Tikit	128.50	-	151.50	102	4.7	8.6	32
ViaLogy	6.75	+0.38	8.38	1.38	-	-	9,176

Telecommunications

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AltNetwks	142	+2.50	143	96	3.6	11.6	0
AvantiCom	487.50	+2.50	550	172	-	-	89
Daisy Grp	98	+1.25	107.75	31.20	-	-	18
GetmobEur ‡	120	-2.50	130	75	4.9	-	990

Travel & Leisure

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
AllLeisure q	78	-	102.50	62.50	2.3	-	-
Carluccio	90.50xd	-2.50	98	57.50	2.5	18.8	121
Celtic	46	-	46.50	39.50	-	40.1	1
6%CvPf	64	-	65.50	64	5.1	-	-
Cv Pf ‡	70	-	80	70	7.1	-	-
Dart ‡	46.25	-1.75	73	28	2.3	3	108
Fitbug	6.75	-0.13	20	6.13	-	10.7	11
GoalsSocc ‡	135.50	+3.50	233	100	1.4	10.4	6
Hotel Cpn ‡	102.50	-	135	100	4.3	-	-
InspiredGG q	39	-0.75	93	11.10	-	-	37
IRC	13.25	-	21.50	12.50	-	-	64
Millwall	0.02	-	0.09	0.01	-	-	106,707
MinoanGp	16.50	-	22	10	-	-	19
ParkPlaza	124	-	-	-	-	14.7	-
PeelHtls ‡	92.50	-	123	87.50	3.8	7.8	-
Prezzo	33.75	-	38	20	0.6	10.5	8
Sprtngbet	66.50	+0.50	78.25	36	1.5	10.2	1,448
Tottenhm	75	-	92	72.50	-	-	2
W & O q	2.50	-	4.25	1.88	-	-	-
WebisHldgs	1.75	-	3.75	1.38	-	8.2	-
Young A ‡	485	-5	545	425	2.7	12.7	-

Utilities

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Clipper Wp	136.50	-3	179.50	65.50	-	-	574
Helius	27	-	36	19	-	-	-
IndianEngy	80	-	86.50	78.50	-	-	2
IPSA	13.25	+0.25	23	11	-	-	68
ModernWtr	76.50	-	89	28.50	-	-	5
OPGPower	73.50	+2	95	24	-	-	41
RenEnGen	63	-0.50	72.75	27	3.2	-	951
RenewabEn	20	-	38	19	-	-	7
Rurelec	17.75	-	21.50	8.75	-	-	232

Investment Companies

Stock	Price	Chng	52 week High	Low	Yld	NAV	Dis or Pm(-)
AdFrntMkt $	38.49	+0.20	41.32	26.48	-	45.7	15.9
Cambium	73.25	-	83.25	35.50	4.1	95.6	23.4
CrysAmber	110.25	-0.50	117	94.50	-	120.5	8.5
Eclectic	87.50	-	95	45	0.6	101.1	13.5
IndiaCap	49	+0.75	51	22.50	-	58.3	16
Wts	1.88	-	3.75	1.50	-	-	-
JSM Indo $	38.97	+0.20	43.36	22.45	-	65.9	40.9
LonZim	35.50	-0.25	41	15.50	-	101.6	65.1
Marwyn Val	66.50	+1	66.50	9.50	-	-	-
Marwyn B	100	-	100	99.50	-	125	20
Oakley Cap	105.50	+3	105.50	59.50	-	139.5	24.4
PMEAfrica $	47.47	+0.05	47.47	24.65	-	64.6	26.5
RABSpSt	31.75	-	34	16.50	-	45.3	29.9
SparkVent	6.25	-	8.63	3.86	-	11.8	47
Tau Cap $	25.18	+0.03	25.18	8.11	-	43.7	42.4
TerraCat	58.25	-	58.75	28	-	66.6	12.5
Tiger Res	2.03	-	2.98	1.15	-	3.4	40.3
UtilicoEmg ‡	125.25	-0.25	128	89.25	3.6	137.6	9
Wrnt	25.50	+0.50	27.75	9.50	-	-	-
ValCatsF	34	-	55.50	34	-	38	10.4
VinacapVF $	94.32	+0.02	97.18	48.04	-	154.6	39
VinaLand $	55.01	+0.06	133.24	20.22	-	90.6	39.3
VNI $	23.82	+0.03	24.73	9.79	-	33.3	28.5

PLUS

Stock	Price	Chng	52 week High	Low	Yld	P/E	Vol '000s
Adnams ‡	£121	-	£123	£54.61	1.5	-	-
AH Medcl ‡	23	-	25.50	16	6.3	-	-
All Star Min	0.60	-	3.20	0.25	-	-	-
ArsenalFC	£9,250	-	£9,250	£6,650	-	16.3	0
GtWstnMng	15.50	-	18	15	-	-	-
GSC Prop	103.50	-	133.50	73.50	3.4	-	-
Ivy Medical	21.50	-	21.50	10.50	-	-	-
NewburyR	600	-	792.86	600	-	-	-
RangersFC	40.50	-	52.50	35.50	-	-	-
ShephdNm	775	-	990	585	2.9	17.3	-
Sprue Aegis	34.50	-	35.50	15.50	-	9.9	-
Thwaites	145	-	197	140	0.8	4.7	-
Wellington ‡	53	-	70	45	0.9	-	-
WessexExp	1.63	-	2.63	1.50	-	-	-

Market data provided by THOMSON REUTERS

Guide to FT Share Service

Data from ThomsonReuters, except UK Companies' earnings data which is supplied by Hemscott (Contact 020 3194 1200 for further information).

For all queries about data on the London Share Service pages, e-mail reader.enquiries@ft.com or call 020 7873 4211. 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. FTSE100 constituent stock names are 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. Saturday's edition shows current year highs and lows.

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 aggregated 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 the LSE, PLUS Markets, Markit BOAT, BATS, NASDAQ OMX Europe, Instinet Chi-X and Turquoise. Volumes shown for foreign securities are based on trading on the primary market.

A currency symbol after the stock name shows those priced in currencies other than sterling. Prices for those 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 date. 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.
# 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 dividend; xr ex rights; xa ex all; xR ex capital distribution.

The prices listed are indicative and, while believed to be accurate at the time of publication, the FT does not warrant or guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed price information. The London Share Service is a paid-for print listing service and may not be fully representative of all LSE listed companies. This service is available to companies, subject to the Editor's discretion. Contact Listings@ft.com for further information.

UK RIGHTS OFFERS

Issue price p	Amount paid up	Latest renun. date	High	Low	Stock	closing price p	+or-

There are currently no rights offers by any companies listed on the LSE.

UK RECENT EQUITY ISSUES

issue date	issue price p	Sector	Stock code	Stock	Close price p	+/-	High	Low	Volume 000's	Mkt cap (£m)
5/2	100	IvCo	DA2O	Downing Abs Inc VCT 2	100	-	100	100	-	1.7
5/2	0.15	IvCo	DA2A	Downing Abs Inc VCT 2 A	0.15	-	0.15	0.15	-	0.0
5/2	100	IvCo	OTV4	Octopus Titan VCT 4	100	-	100	100	-	1.0
4/2	1000		HZN	Horizon Acquisitions	982.50	-	£10	985	270	-
15/1	100	IvCo	DO1B	Downing Strct VCT1 B	100	-	100	100	-	1.2
15/1	0.1	IvCo	DO1C	Downing Strct VCT1 C	0.10	-	0.10	0.10	-	0.0
14/1	§5	PLUS	USOP	US Oil & Gas	11	1	11	7	33	2.9
12/1	100	IvCo	DP2D	Downing Plan 2D	100	-	100	100	-	1.2
12/1	100	IvCo	DP3D	Downing Plan 3D	100	-	100	100	-	1.2
12/1	0.1	IvCo	DP2E	Downing Plan Do 2E	0.10	-	2.53	0.10	-	0.0
12/1	0.1	IvCo	DP3E	Downing Plan Do 3E	0.10	-	2.53	0.10	-	0.0
30/12	100	IvCo	IERP	Invista Eur Pf	101	-	107	100	-	29.4
24/12	10	AIM	MCIL	Marwyn Capital I	16.25	0.75	17	11	400	10.2
24/12	10	AIM	MCII	Marwyn Capital II	13	-	13.50	11	-	6.4
21/12	100	IvCo	OVCT	Octopus VCT	100	-	100	100	-	2.1
18/12	§	PLUS	HDGP	Healthydays Group	24.50	0.50	24.50	24.50	-	3.0
18/12	p	IvCo	BARC	BlckRckAllBlu(£)	102.25	-	105	99.75	-	98.6
17/12	-	IvCo	BABV	Do($)	66.23	-	65.84	64.31	-	3.9
17/12	-	IvCo	BABF	Do(€)	91.39	-	92	90.22	-	1.0

§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.

BONDS

www.ft.com/gilts

GILTS - UK CASH MARKET

Feb 10	Price £	Red Yield	Day	Week	Month	Year	52 Week High	Low	Amnt £m
Tr 4.75pc '10	101.36	0.47	-0.01	+0.03	+0.06	-0.68	105.39	101.23	21,285
Cn 9pc Ln '11	111.48	0.83	-0.08	-0.02	-0.12	-0.85	118.61	99.40	7,312
Tr 5pc '12	107.47	1.32	-0.09	-0.07	-0.21	-0.83	109.96	106.56	26,867
Tr 8pc '13	120.37	2.13	-0.08	-0.04	-0.22	-0.42	125.99	119.27	8,377
Tr 5pc '14	109.96	2.67	-0.07	-0.03	-0.19	-0.13	115.60	108.74	28,057
Tr 4.75pc '15	109.02	2.98	-0.06	-0.01	-0.18	-0.21	115.18	107.64	24,968
Tr 4pc '16	103.90	3.33	-0.05	+0.00	-0.16	-0.08	110.72	102.39	25,827
Tr 4.75pc '20	105.98	4.02	-0.03	+0.03	-0.14	+0.03	114.91	104.36	20,118
Tr 8pc '21	135.50	4.06	-0.03	+0.02	-0.13	+0.10	149.12	98.74	22,686
Tr 5pc '25	106.76	4.38	-0.03	+0.01	-0.08	+0.05	117.79	104.74	22,099
Tr 6pc '28	120.94	4.36	-0.03	+0.03	-0.08	-0.04	133.73	117.47	16,932
Tr 4.25pc '32	99.47	4.43	-0.02	+0.04	-0.05	+0.03	108.15	93.57	24,618
Tr 4.25pc '36	96.88	4.45	-0.01	+0.04	-0.07	+0.13	106.76	92.59	20,227
Tr 4.75pc '38	105.24	4.43	-0.01	+0.04	-0.07	+0.17	116.86	94.82	22,759
Tr 4.25pc '55	98.35	4.33	-0.01	+0.05	-0.04	+0.14	107.54	92.00	20,147
War Ln 3.5pc	74.26	4.71‡	-0.01	+0.05	-0.07	+0.31	109.91	72.14	1,938

xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Red yield: Gross redemption yield. This table shows the gilts benchmarks & the non-rump undated stocks. A longer list appears on Mondays & the full list on Saturdays, and can be found daily on ft.com/bond&rates.
Source: ThomsonReuters

BONDS

www.ft.com/bonds&rates

BONDS - BENCHMARK GOVERNMENT

Feb 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/12	5.75	102.51	4.52	0.11	0.11	0.02	1.62
	04/20	4.50	92.20	5.51	0.04	0.03	-0.24	1.11
Austria	07/12	5.00	107.88	1.64	0.00	0.05	-0.12	0.26
	07/20	3.90	101.81	3.69	-0.02	0.01	-0.17	-0.59
Belgium	03/12	2.00	101.22	1.41	0.00	-0.03	0.39	-0.01
	09/20	3.75	100.11	3.74	0.01	-0.01	0.04	-0.60
Canada	06/12	1.50	100.30	1.35	0.09	0.06	0.05	0.17
	06/19	3.75	102.45	3.44	0.08	0.07	-0.15	0.37
Denmark	11/12	4.00	105.74	1.84	0.02	-0.09	-0.22	-0.67
	11/19	4.00	103.76	3.54	0.02	-0.02	-0.14	-0.25
Finland	02/11	5.75	105.08	0.74	-0.01	-0.05	-0.09	-0.77
	07/19	4.38	107.51	3.42	0.04	0.00	-0.14	-0.66
France	01/12	3.75	104.89	1.16	0.06	-0.06	0.01	-0.41
	01/15	2.50	100.23	2.43	0.06	0.06	-0.06	-0.23
	04/20	3.50	99.58	3.55	0.04	0.01	-0.03	-0.27
	04/41	4.50	106.45	4.13	0.08	-0.01	-0.13	-0.06
Germany	12/11	1.25	100.32	1.07	0.06	-0.07	-0.21	-0.39
	02/15	2.50	101.03	2.28	0.09	-0.01	-0.12	-0.16
	01/20	3.25	100.23	3.22	0.08	0.03	-0.16	-0.19
	07/39	4.25	105.60	3.92	0.09	0.01	-0.18	0.01
Greece	05/12	4.30	97.56	5.56	-0.49	-0.93	1.96	1.19
	07/19	6.00	99.59	6.05	-0.70	-0.67	0.46	0.43
Ireland	01/14	4.00	102.66	3.26	-0.19	-0.15	0.10	-1.25
	10/19	5.90	109.03	4.71	-0.11	0.00	-0.06	-0.75
Italy	02/12	5.00	106.37	1.69	-0.19	-0.14	0.26	-0.55
	02/15	4.25	106.43	2.87	-0.15	-0.03	0.13	-0.47
	03/20	4.25	101.95	4.05	-0.04	0.01	-0.02	-0.48
	08/39	5.00	104.11	4.80	-0.02	-0.02	-0.02	-0.47
Japan	02/12	0.20	100.07	0.17	0.01	-	-0.01	-
	12/14	0.50	99.93	0.52	0.00	-0.01	-0.01	-0.23
	12/19	1.30	99.70	1.33	0.00	-0.02	-0.04	0.02
	12/29	2.10	99.17	2.16	0.00	0.01	-0.01	0.03
Netherlands	01/12	2.50	102.57	1.14	0.04	-0.06	0.37	-0.60
	07/20	3.50	99.83	3.52	0.02	0.01	-0.12	-0.50
New Zealand	11/11	6.00	103.52	3.89	0.03	-0.10	-0.36	-
	05/21	6.00	100.88	5.89	0.02	-0.07	-0.19	1.26
Norway	05/15	5.00	107.82	3.35	0.00	-0.16	0.21	0.17
	05/19	4.50	104.90	3.86	-0.01	-0.11	-0.23	-0.13
Portugal	04/11	3.20	101.88	1.55	-0.63	-0.76	0.35	-0.32
	06/19	4.75	101.92	4.49	-0.33	0.04	0.50	-0.07
Spain	10/11	5.35	106.41	1.51	-0.31	-0.25	0.08	-0.68
	04/20	4.00	99.66	4.04	-0.10	-0.03	0.09	-0.40
Sweden	10/12	5.50	110.09	1.62	-	-	-0.04	0.20
	12/20	5.00	115.28	3.28	-	-	-0.14	0.05
Switzerland	06/12	2.75	105.30	0.45	-0.01	-0.09	-0.10	-0.27
	07/20	2.25	102.85	1.94	-0.01	-0.07	-0.18	-0.06
UK	03/11	4.25	103.81	0.66	-0.06	-0.04	0.11	-0.50
	01/15	2.75	99.28	2.91	-0.06	0.17	0.05	0.04
	03/19	4.50	104.41	3.92	-0.03	0.00	-0.15	0.16
	09/39	4.25	96.87	4.44	0.01	0.05	-0.15	0.11
US	01/12	0.88	99.98	0.88	0.10	0.03	-0.07	-
	01/15	2.25	99.44	2.37	0.11	0.01	-0.11	0.35
	11/19	3.38	97.39	3.70	0.10	0.06	-0.11	0.68
	11/39	4.38	95.75	4.64	0.12	0.08	-0.05	0.94

London close. Source: ThomsonReuters
Yields: Local market standard Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by non residents.

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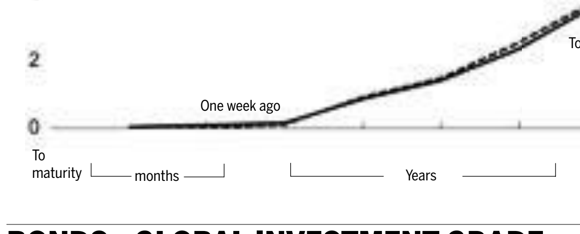
US yield curve



BONDS - GLOBAL INVESTMENT GRADE

Feb 10	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs Govts
US$										
Citigroup	01/11	6.50	A	A3	A+	103.66	2.46	0.12	-0.46	2.26
Morgan Stanley	04/12	6.60	A	A2	A	108.62	2.41	-0.04	-0.46	1.56
Household Fin	05/12	7.00	A	A3	AA-	109.50	2.62	0.01	-0.24	1.77
HBOS Treas UK	06/12	5.50	A+	Aa3	AA-	104.56	3.42	0.04	-0.25	2.55
Verizon Global	09/12	7.38	A	A3	A	112.98	2.10	-0.05	-0.29	0.70
Abu Dhabi Nt En	10/12	5.62	NR	Aa2	-	104.30	4.27	0.05	-0.27	3.12
Bank of America	01/13	4.88	A	A2	A+	104.43	3.27	0.07	-0.20	1.86
Goldman Sachs	07/13	4.75	A	A1	A+	103.98	3.50	0.12	0.03	2.10
Hutchison 03/33	01/14	6.25	A-	A3	A-	110.05	3.50	0.00	-0.12	2.10
Misc Capital	07/14	6.13	A-	-	A-	107.64	4.20	-0.06	-0.18	1.88
BNP Paribas	06/15	4.80	AA	Aa3	AA-	104.75	3.81	0.01	-0.68	1.50
GE Capital	01/16	5.00	AA+	Aa2	-	103.26	4.37	0.01	-0.16	2.03
Erste Euro Lux	02/16	5.00	AAA	-	-	60.82	14.47	-	-	11.33
Credit Suisse USA	03/16	5.38	A+	Aa1	AA-	105.99	4.24	0.08	-0.25	1.29
SPI E&G Aust	09/16	5.75	A-	A1	A-	102.76	5.25	-0.05	-0.07	2.18
Abu Dhabi Nt En	10/17	6.17	NR	Aa2	-	97.00	6.67	0.04	0.19	3.42
Swire Pacific	04/18	6.25	A-	A3	A-	106.16	5.32	-	-	2.03
ASNA	11/18	6.95	A	A3	A+	102.67	6.54	0.00	0.00	2.91
Codelco	01/19	7.50	A	A1	A	119.49	4.80	-	-0.04	1.16
AT&T Wireless	03/31	8.75	A	A2	A	127.57	6.36	-0.07	0.13	1.80
GE Capital	03/32	6.75	AA+	Aa2	-	89.71	7.72	-	-	3.21
Goldman Sachs	02/33	6.13	A	A1	A+	98.42	6.26	-0.06	0.19	1.69
Euro										
GE Cap Euro Fdg	05/11	4.00	AA+	Aa2	-	102.64	1.82	0.01	-0.28	1.08
HSBC Fin	06/12	3.38	A	A3	AA-	102.39	2.30	-0.03	-0.28	1.23
Xstrata Fin CA	06/12	4.88	BBB	Baa2	-	104.67	2.77	0.16	0.02	1.74
CCCI	10/12	6.13	A	A1	A+	108.33	2.83	-0.64	-1.15	1.74
Amer Honda Fin	07/13	6.25	A+	A1	-	111.36	2.71	0.02	-0.28	0.84
SNS Bank	02/14	4.63	A	A2	A-	103.04	3.79	0.09	-0.25	1.88
JPMorgan Chase	01/15	5.25	A+	Aa3	AA-	108.32	3.38	0.08	-0.05	1.13
Hutchison Fin 06	09/16	4.63	A-	A3	A-	100.47	4.54	0.09	-0.22	1.82
Hypo Alpe Bk	10/16	4.25	A	Aa2	-	82.85	7.60	0.07	-0.25	4.98
GE Cap Euro Fdg	01/18	5.38	AA+	Aa2	-	105.75	4.50	-0.11	-0.11	1.55
Unicredit	01/20	4.38	A	Aa3	A	97.42	4.71	0.26	0.43	2.63
ENEL	05/24	5.25	A-	A2	A	106.76	4.59	-0.04	-0.17	2.68
Yen										
ORIX 106	03/11	1.46	A-	-	-	99.09	2.32	0.00	-0.11	2.20
Amer Int	04/12	1.40	A-	A3	BBB	88.00	7.60	0.04	-2.24	7.83
Citi Group 15	09/12	1.11	A	A3	A+	94.75	3.32	-0.36	-0.10	3.06
ACOM 51	06/13	2.07	BBB	A3	A-	94.37	4.00	0.00	-0.35	3.74
Deutsche Bahn Fin	12/14	1.65	AA	Aa1	AA	102.06	1.21	0.00	0.09	0.68
Nomura Sec S 3	03/18	2.28	-	-	-	92.47	3.47	-0.06	-0.09	2.47
£ Sterling										
Morgan Stanley	04/11	7.50	A	A2	A	105.40	2.64	-0.06	-0.38	2.02
HSBC Fin	03/12	7.00	A	A3	AA-	107.55	3.21	-0.20	-0.70	1.88
Slough Estates	09/15	6.25	A-	-	-	102.15	5.79	0.00	-0.13	2.16
ASIF III	12/18	5.00	A+	A1	A-	81.39	7.86	0.00	-0.69	3.94

US $ denominated bonds NY close; all other London close. S* - Standard & Poor's, M* - Moody's, F* - Fitch. Source: ThomsonReuters

BONDS - HIGH YIELD & EMERGING MARKET

Feb 10	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HSBK Europe	05/13	7.75	B+	Ba2	B+	98.00	8.46	-0.36	1.15	5.62
Kazkommerts Int	04/14	7.88	B	Ba3	B-	90.00	10.93	-0.32	0.30	8.64
Bertin	10/16	10.25	B-	B1	-	104.80	9.26	-0.01	-0.52	6.27
High Yield Euro										
Royal Carib Crs	01/14	5.63	BB-	Ba3	-	91.00	8.39	0.01	0.69	6.50
Kazkommerts Int	02/17	6.88	B	Ba3	B-	86.75	9.56	0.00	-0.88	6.83
Emerging US$										
Bulgaria	01/15	8.25	BBB	Baa3	BBB-	114.00	5.00	0.05	0.21	2.63
Peru	02/15	9.88	BBB-	Baa3	BBB-	125.00	4.24	0.04	0.16	1.87
Brazil	03/15	7.88	BBB-	Baa3	BBB-	116.44	4.23	-0.06	0.16	1.87
Mexico	09/16	11.38	BBB	Baa1	BBB	138.00	4.61	0.06	-0.07	1.50
Argentina	01/17	11.38	DEF	Ca	D	39.85	34.82	0.02	0.17	31.78
Philippines	01/19	9.88	BB-	Ba3	BB	128.31	5.77	-0.04	0.16	2.08
Brazil	01/20	12.75	BBB-	Baa3	BBB-	156.94	5.29	0.10	0.18	1.60
Colombia	02/20	11.75	BBB-	Ba1	BB+	140.50	6.25	-0.03	0.52	2.56
Russia	03/30	7.50	BBB	Baa1	BBB	112.31	5.44	-0.04	0.22	2.33
Mexico	08/31	8.30	BBB	Baa1	BBB	122.50	6.37	-0.01	0.15	1.73
Indonesia	02/37	6.63	BB-	Ba2	BB+	94.00	7.13	0.09	0.24	2.49
Emerging Euro										
Brazil	02/15	7.38	BBB-	Baa3	BBB-	116.15	3.75	0.04	-0.03	1.52
Poland	02/16	3.63	A-	A2	A-	97.91	4.03	0.09	0.23	1.53
Turkey	03/16	5.00	BB-	Ba2	BB+	101.15	4.78	0.02	0.43	2.31
Mexico	02/20	5.50	BBB	Baa1	BBB	103.50	5.05	-0.05	-0.07	1.86

US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch. Source: ThomsonReuters

BOND INDICES

		Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit iBoxx Feb 8							
Overall (£)	1093	201.51	0.07	0.17	1.56	1.52	9.55
Overall ($) †	3262	182.28	0.28	0.06	1.52	0.06	1.52
Overall (€)	2276	166.03	0.18	0.33	1.13	0.86	8.52
Global Inflation-Lkd †	97	199.71	-0.41	-0.31	-0.96	-1.39	15.01
Gilts (£)	33	203.39	0.12	0.23	1.05	1.14	4.38
Corporates (£)	703	199.06	-0.07	-0.01	2.75	2.40	23.18
Corporates ($) †	2111	186.77	0.02	0.02	1.65	0.02	1.65
Corporates (€)	1196	161.78	0.07	0.20	1.84	1.36	17.88
Treasuries ($) †	156	179.66	0.48	0.08	1.66	0.08	1.66
Eurozone Sov (€)	261	166.70	0.22	0.38	0.85	0.61	6.00
ABF Pan-Asia unhedged	541	140.35	-0.38	-0.20	0.52	-0.15	10.13
FTSE Feb 10							
Sterling Corporate (£)	99	100.77	-0.01	-0.17	7.17	0.31	13.24
Euro Corporate (€)	361	101.81	-0.01	0.56	5.42	0.95	10.30
Euro Emerging Mkts (€)	20	91.96	0.13	0.21	19.29	0.72	26.60
Eurozone Gov't Bond	237	103.10	0.20	0.41	2.06	0.76	6.36

CREDIT INDICES

	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx Feb 8						
Europe 5Y	91.20	4.91	8.57	20.87	98.75	65.30
Crossover 5Y	492.09	24.01	39.45	91.00	608.60	384.07
HiVol 5Y	134.59	12.15	15.67	38.68	171.70	92.63
Japan 5Y	153.17	10.08	10.75	22.37	167.75	99.13
Markit CDX Feb 10						
Emerging Markets 5Y	288.34	-10.24	26.40	51.45	298.58	231.96
Nth Amer Inv Grade 5Y	102.43	-3.80	9.93	23.79	109.92	75.79
Nth Amer High Yld 5Y	624.81	-8.64	70.56	141.04	687.34	468.32
Nth Amer HiVol 5Y	180.17	-1.83	13.75	48.50	212.33	128.29

Websites: markit.com, ftse.com. All indices shown are unhedged. Currencies are shown in brackets after the index names. † Feb 9

GILTS - UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Feb 10	Day's chge %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 years (12)	107.99	+0.19	2102.07	+0.46	+3.03	2.12
2 5-10 years (7)	164.23	+0.29	2362.00	+0.80	+3.63	3.60
3 10-15 years (3)	171.82	+0.27	2509.36	+0.78	+3.45	4.09
4 5-15 years (10)	166.00	+0.29	2400.60	+0.79	+3.62	3.78
5 Over 15 years (14)	217.52	+0.21	2538.95	+0.15	+3.23	4.40
6 Irredeemables (1)	316.36	+0.27	3052.13	+0.20	-2.13	4.71
7 All stocks (37)	153.10	+0.23	2302.64	+0.46	+3.23	4.03

Index-Linked	Feb 10	Day's chge %	Month chge %	Year's chge %	Total Return	Return 1 month	Return 1 year
1 Up to 5 years (2)	306.97	+0.08	+0.20	+6.71	2097.91	+0.85	+9.45
2 Over 5 years (15)	356.16	-0.49	-3.67	+6.36	2467.55	-3.37	+8.16
3 5-15 years (5)	327.73	-0.19	-1.33	+7.23	2279.64	-1.03	+9.40
4 Over 15 years (10)	398.29	-0.76	-5.73	+5.50	2744.66	-5.44	+6.96
5 All stocks (17)	351.13	-0.40	-3.04	+6.22	2445.67	-2.69	+8.19

Yield indices	Feb 10	Feb 9	Yr ago		Feb 10	Feb 9	Yr ago
5 yrs	2.85	2.91	2.78	20 yrs	4.44	4.45	4.37
10 yrs	3.99	4.03	3.83	45 yrs	4.37	4.38	4.24
15 yrs	4.35	4.38	4.24	Irred	4.71	4.72	4.41

Real yield	Inflation 0 % Feb 10	Dur yrs	Feb 9	Yr ago	Inflation 5 % Feb 10	Dur yrs	Feb 9	Yr ago
Up to 5 yrs	0.00	2.59	0.00	1.99	0.00	2.59	0.00	1.26
Over 5 yrs	0.93	16.35	0.90	1.28	0.84	16.50	0.81	1.17
5-15 yrs	1.12	9.00	1.10	1.71	0.91	9.03	0.88	1.49
Over 15 yrs	0.86	23.28	0.83	1.14	0.82	23.37	0.78	1.06
All stocks	0.90	14.15	0.87	1.32	0.79	14.36	0.76	1.17

Stocks with 0 - 1 year to maturity are excluded from the yield indices. † Corrected values.
www.ft.com/ftsegiltindices.

BONDS - INDEX-LINKED

	Price Feb 9	Yield Feb 9	Yield Feb 8	Month return	Break even inflation*	Value Stock	Market	No of stks
Can 4.25% '21	131.45	1.36	1.34	-0.73	2.44	5.2	45.4	5
Fr 2.25% '20	107.25	1.50	1.54	0.42	1.97	18.2	155.1	11
Swe 4% '20	156.01	1.31	1.29	0.46	1.94	43.1	235.7	4
UK 2.5% '11	306.39	-1.63	-1.64	-0.06	2.38	4.8	208.4	16
UK 2.5% '16	293.72	0.64	0.64	-0.25	2.76	8.0	208.4	16
UK 2.5% '24	258.41	1.17	1.17	-0.76	3.24	6.8	208.4	16
UK 2% '35	153.34	0.92	0.90	-1.87	3.54	9.7	208.4	16
US 3% '12	108.25	-0.38	-0.38	-0.04	1.44	23.0	559.6	28
US 3.625% '28	123.77	2.05	2.02	-1.30	2.37	16.8	559.6	28

Representative stocks from each major market. Source: Merrill Lynch Global Bond Indices
* Diff between conventional and IL bond. † Local currencies. ‡ Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS - TEN YEAR GOV'T SPREADS

Feb 10	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	5.51	+2.29	+1.82	Netherlands	3.52	+0.30	-0.17
Austria	3.69	+0.47	-0.01	New Zealand	5.89	+2.67	+2.19
Belgium	3.74	+0.52	+0.04	Norway	3.86	+0.64	+0.16
Canada	3.44	+0.22	-0.26	Portugal	4.49	+1.27	+0.79
Denmark	3.54	+0.32	-0.16	Spain	4.04	+0.82	+0.35
Finland	3.42	+0.20	-0.27	Sweden	3.28	+0.05	-0.42
France	3.55	+0.33	-0.15	Switzerland	1.94	-1.28	-1.75
Germany	3.22	-	-0.48	UK	3.92	+0.70	+0.22
Greece	6.05	+2.83	+2.35	US	3.70	+0.48	-
Ireland	4.71	+1.49	+1.02				
Italy	4.05	+0.83	+0.36				
Japan	1.33	-1.89	-2.36				

Yields: annualised basis. Source: ThomsonReuters Selection made by ThomsonReuters.

Marco Annunziata
INSIGHT

Corporate, not sovereign, risk is the big worry for the eurozone

The precarious financial position of eurozone governments has polarised recent market concerns, and the still fragile condition of banks is well known. What has so far attracted much less attention, however, is the financial position of households and non-financial corporations (NFCs).

Yet it might well hold the key to the area's recovery prospects. While exports have kick-started the eurozone economy, sustainable growth depends on private consumption and investment, and both have, over time, become more sensitive to financial conditions. In recent research we have taken a closer look at the issue, and the results are sobering. Eurozone households and corporates ramped up their leverage during the credit boom. Household debt rose from 49 per cent at the end of 1999 to 63 per cent by mid-2009. For NFCs the ratio rose from less than 70 per cent to nearly 100 per cent. The debt servicing burden increased apace, as interest payments rose markedly as a proportion of earnings and disposable income respectively.

Households luckily started from relatively low leverage: even at 63 per cent, the debt-to-GDP ratio compares favourably to the US at nearly 100 per cent and the UK at more than 100 per cent.

Italy stands out for the prudence of its household sector . . . But the aggregate figures still send a clear and troubling message

Even more encouragingly, eurozone households have quickly started to deleverage and repair their balance sheets. Meanwhile, the ECB's monetary easing helped alleviate the burden. Our composite financing interest rate measure dropped from a peak of 6 per cent in October 2008 to 4.9 per cent in November 2009. Higher savings also enabled households to reduce liabilities without relying heavily on liquidating assets, unlike in the US, and hence allowed them to benefit from the recovery in asset prices of the last ten months. Overall, therefore, we can be cautiously optimistic that as labour market conditions stabilise, the savings rate will peak, supporting a recovery in consumption. But it will be a moderate rebound, and the higher debt ratios leave households more vulnerable to the rise in interest rates which will inevitably accompany the ECB's exit strategy.

The position of corporates looks much weaker. The post-Lehman collapse in global economic activity caused profitability to plunge, impairing NFCs' self-financing ability: their gross savings, which had been growing at 5.5 per cent a year between 2001-05, turned into a contraction of 8.5 per cent in the first half of 2009. NFCs reacted by virtually halting investment. In the past, a slowdown in the pace of investment normally went hand in hand with a narrowing of the corporate sector's financing gap – which is the extent to which NFCs need to resort to external sources of funding to cover their investment and operational expenses. This time the financing gap kept widening, to a peak of 5.5 per cent of gross value added in the second quarter of 2009. Faced with a combination of a high debt burden and plunging profitability, NFCs struggled to increase savings and deleverage, even as the ECB's monetary easing and the rebound in equity markets brought about a steep decline in financing costs.

The weakened financial position of the corporate sector is particularly worrisome, as it worsens the creditworthiness of NFCs as borrowers. This comes at a time when banks need to reduce the overall riskiness of their assets and ensure that the risk is adequately priced, and are under pressure to increase their capitalisation ratios. Combined with very low levels of capacity utilisation, this inevitably clouds the outlook for investment.

The weakened financial position of the corporate sector . . . comes at a time when banks need to reduce the overall riskiness of their assets

To be sure, the aggregate numbers mask significant distributional and cross-country variations within the eurozone. Italy stands out for the prudence of its household sector, with a debt of just 34 per cent of GDP, in sharp contrast to the Netherlands (107 per cent) and Spain (84 per cent). German companies had bucked the trend and deleveraged during the pre-crisis years, and are now in a sounder position than for example Italian corporates, which experienced a substantial rise in leverage.

But the aggregate figures still send a clear and troubling message – households and companies were not immune to the leveraging binge of the credit boom years, and this has left them in a vulnerable financial position. The ECB will soon need to move forward with its exit strategy, but it will have to keep a nervous eye on consumers and corporates whose high debt ratios leave them dangerously exposed to the attendant rise in financing costs. Moreover, once the economic recovery is more firmly established, companies will still need to continue the process of deleveraging, to avoid getting to the next downturn in as vulnerable a position: at nearly 100 per cent of GDP the debt ratio for eurozone NFCs is twice as high as in the US, where it has risen by a modest seven percentage points in the past 10 years.

Corporate debt is the Achilles heel of the eurozone's recovery – less talked about but just as dangerous as household debt in the US.

The author is chief economist at UniCredit

Endemol bows to creditor pressure on debt buy-backs

News analysis

The media group has given in to calls from its lenders, writes **Anousha Sakoui**

Endemol is the group behind the 'Big Brother' franchise Rex

The controversy over debt buy-backs has moved back into the spotlight following a decision yesterday by Endemol, the television company behind the *Big Brother* franchise, to back down in a fight with its lenders.

The decision follows calls by its lenders for the company to stop using gains from debt buy-backs to lift its earnings and keep within loan covenants.

The outcome could inspire other debt investors to challenge similar moves by borrowers.

The maker of TV programmes such as *Wipeout* and *Deal or No Deal*, is one of a number of companies to have taken advantage of heavy falls in the price of their debt to buy it back at a steep discount.

But last year lenders became concerned that these buy-backs could allow a company's shareholders to build a blocking stake in the debt and thereby influence future debt renegotiations or even block lenders from enforcing a default.

This prompted the Loan Market Association, a trade body representing lenders, to revise loan documentation in September to prohibit this in future deals.

More recently, lenders, including those to Endemol, became concerned that some companies were using gains made on the difference between the debt's market price today and its face value to inflate earnings.

In Endemol's case, €80m ($110m) of the €280m it is expected to generate in earnings before interest, tax, depreciation and amortisation for the full year of 2009, will be gains linked to debt buy-backs, according to a person close to the company.

The move prompted three of its lenders, Centerbridge, Sankaty Advisers and GoldenTree, holding about 20 per cent of the company's senior debt, to ask the company to stop using these gains when calculating loan covenants.

After negotiations, Endemol has said that while it will continue debt buy-backs, it will no longer consider future gains when calculating covenants. It also agreed to pay lenders' costs.

The person close to Endemol said it would not have breached covenants last year even without the gains from debt buy-backs and it did not foresee any issues in terms of complying with covenants in 2010. It believes it would have prevailed had the issue gone to court.

For lenders to companies that may be struggling to meet their covenants, the decision could set a precedent preventing the use of such debt buy-backs to help keep companies within covenants. Shareholders would either have to inject fresh funds to cure breaches or enter negotiations to restructure the loans.

People close to the situation said the company did not want to antagonise its creditors and instead wanted to resolve the situation to be able to concentrate on running the business and executing its growth strategy.

One finance lawyer said that an increasing number of lenders were looking to challenge how borrowers interpreted financing documentation.

Lenders have already started looking into whether they can challenge a similar move by Mauser, Dubai International Capital's German packaging business.

Chi-X becomes second-largest Europe bourse

By Jeremy Grant

Chi-X Europe has overtaken Deutsche Börse, the London Stock Exchange's UK markets and the Spanish exchange to become the second-largest European bourse by turnover less than three years after it was launched.

The development illustrates how the business of share trading has shifted away from the region's long-established exchanges to a series of recently launched alternative platforms.

Chi-X and other so-called "multilateral trading facilities" (MTFs) like BATS Europe and Turquoise have emerged to take advantage of European Commission rules in 2007 that broke the national monopolies of the exchanges.

The MTFs were backed by banks that are the exchanges' largest customers, frustrated by the exchanges' high fees and slow technology.

According to figures published by the Federation of European Securities Exchanges, the trade association for the region's exchanges, Chi-X accounted for €108bn ($148bn) in equities trading turnover last month.

The four constituent exchanges of the NYSE Euronext group – France, the Netherlands, Belgium and Portugal – topped the list with €118bn.

The LSE's UK markets were third with €107bn, followed by Deutsche Börse on €102bn and Spain's BME exchange with €86bn. If Borsa Italiana were added to the LSE figure, given its ownership by LSE Group, the LSE Group would take top slot on €161bn at current exchange rates.

The MTFs have captured market share from the exchanges by offering cheaper fees and faster trading technology. That has forced the exchanges to follow suit with price cuts and technology upgrades of their own.

But the battle still facing Europe's incumbent exchanges was highlighted this week as NYSE Euronext reported a 45 per cent slump in revenues at its Euronext division in the fourth quarter.

Chi-X has captured about 20 per cent of trading in Germany's Dax stock index.

Market reports

Renewable Energy shares plunge

EUROPE

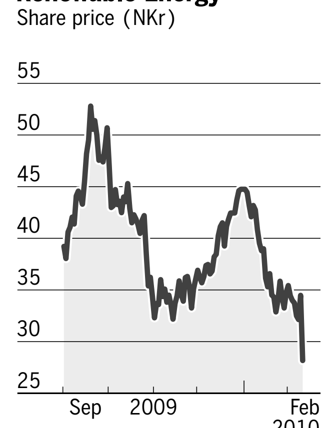
By Anjli Raval

Norwegian solar company **Renewable Energy Corporation** saw a sharp fall in its shares yesterday after it said it expected a poor first quarter that could put its financial ratios in breach of loan agreements.

REC's shares plunged 22 per cent but later pared losses to close down 19.9 per cent at NKr27.61. Its shares have lost more than 45 per cent in the past five months. The company, which is a bellwether for the sector, was the biggest loser on the FTSE Eurofirst 300, which closed 0.6 per cent higher at 987.13.

European banks rallied on optimism surrounding a possible rescue plan for Greece. Germany and other eurozone partners are prepared to lend Greece money or to buy its sovereign bonds to prevent the country's debt crisis spiralling out of control, according to officials in Berlin who spoke ahead of today's European Union leaders summit.

Renewable Energy
Share price (NKr)



Source: Thomson Reuters Datastream

EFG Eurobank jumped 7.1 per cent to €6, **National Bank of Greece** added 4.3 per cent to €14.40 and **Alpha Bank** advanced 2.9 per cent to €7.05.

Other eurozone periphery banking stocks, whose debt positions have also been under close scrutiny, gained following news of a potential Greek rescue.

Allied Irish Banks increased 8.7 per cent to €1.16, while Spanish **BBVA** added 3.4 per cent to €10.16.

Millennium BCP, Portugal's biggest listed bank, broke its downward trend since the start of the year, gaining 5.5 per cent to €0.79.

ArcelorMittal, the world's biggest steelmaker, fell after it said its markets would improve more slowly than hoped and profit forecasts for 2010 fell below analyst expectations. Its shares fell 6.9 per cent to €26.61.

Severstal, Russia's largest steelmaker, said yesterday it planned to issue Rbs15bn ($500m) of bonds to refinance debt and optimise its credit portfolio. The company spent heavily on acquisitions and on upgrading facilities before the 2008 downturn. Its shares fell 2.2 per cent to Rbs332.

Opec at odds with IEA over crude forecasts

COMMODITIES

By Chris Flood

Opec yesterday warned that the slow pace of global economic recovery in 2010 would lead to a subdued improvement in oil demand this year.

In its latest monthly report, Opec trimmed its forecast for global oil consumption growth in 2010 to 800,000 barrels a day.

Opec's view suggested significantly more pessimism among the cartel's members on the outlook for demand than projections released yesterday by the US government or the latest forecasts from the International Energy Agency.

The energy watchdog of the western world had forecast a rise of 1.44m barrels a day in worldwide demand for oil. Yesterday, the Energy Information Administration, the statistical arm of the US Department of Energy, revised its forecast for 2010 global demand growth up 120,000 b/d to 1.2m b/d.

Opec's view is also at odds with the forecasts of some of the biggest banks on Wall Street, which expect a gathering recovery in energy consumption to push oil prices close to $100 a barrel by the end of the year or in early 2011.

Nymex March West Texas Intermediate was 77 cents higher at $74.52 a barrel while ICE March Brent rose 41 cents to $72.54 a barrel. The March Brent contract was due to expire at the close today and April Brent, the benchmark from tomorrow, added 45 cent to $73.12 a barrel.

China's crude oil imports fell to 4m b/d in January, a sharp drop from the all-time high of 5m b/d in December but still up 33 per cent from a year ago.

However, sales of passenger cars in China reached 1.32m in January, up 115.5 per cent compared with the same month a year ago as buyers flocked to showrooms before the Chinese new year holidays.

Commenting on the disclosure that China's sovereign wealth fund is the fourth-largest investor in the US Oil exchange-traded fund, Olivier Jakob, of Petromatrix, the Swiss consultancy, said: "We still do not understand why such heavyweight institutions are ready to pay above-market embedded commissions to be invested in the ETF rather than directly in futures."

Heavy snow in parts of the US is expected to have an effect on **petrol** consumption as some drivers stayed at home. The latest report from MasterCard on weekly retail petrol sales showed a drop of 3.7 per cent against the previous week.

The report was compiled before the heavy snow arrived and traders expect a sharp fall in driving fuel demand in the data that will be released next week.

Nymex March RBOB unleaded **gasoline** fell just under 2 cents, or 1 per cent, to $1.9103 a gallon.

US natural gas prices moved lower in spite of weather forecasts predicting more snow in the US.

Nymex March Henry Hub slipped 2.8 cents, or 0.5 per cent, to $5.271 per million British thermal units.

Gold slipped 0.2 per cent to $1,072 a troy ounce as the dollar firmed.

Cocoa prices were firmer, with Liffe May cocoa up 0.5 per cent at £2,222 a tonne.

Kona Haque, analyst at Macquarie, noted that deliveries of cocoa from this year's harvest in the Ivory Coast have dropped off.

Macquarie said the global cocoa market was likely to record a supply deficit for a fourth consecutive season in the year to September 2010.

Sterling hit by downbeat UK forecast

CURRENCIES

By Peter Garnham

Sterling gave up early gains yesterday after the Bank of England's quarterly inflation report painted a gloomy picture of the UK economy.

The pound fell after the Bank cut its forecast for economic growth and said inflation would undershoot its 2 per cent target significantly if interest rates rose as fast as markets were predicting.

The report led to speculation that UK interest rates would be held at their current low levels for longer than expected and that the Bank might restart the £200bn ($312bn) asset purchase programme, which it put on hold after its policy meeting last week. Jonathan Loynes at Capital Economics said the report looked dovish and would raise questions over why the Bank had not extended its quantitative easing programme further.

By late afternoon in New York, the pound was down 0.8 per cent to $1.5589 against the dollar, lost 0.6 per cent to Y140.20 against the yen and dropped 0.4 per cent to £0.8812 against the euro.

Meanwhile, the euro lost ground, giving back some of the strong gains it made in the previous session as traders awaited news of a possible Greek bail-out.

Greece's fiscal woes have weighed on the single currency in recent weeks, sending it to an eight-month low of $1.3583 against the dollar on Friday.

However, the euro rallied sharply from its lows on Tuesday on speculation that the European Union would step in to shore up Greece's finances.

Traders said the market was likely to focus on a summit of EU leaders today for hints of any possible move.

Adarsh Sinha at Barclays Capital said that, while the announcement of an assistance package for Greece could stabilise markets in the short term, he did not expect the recent weakness of the euro to reverse.

"Any package from EU countries will raise the usual concerns about moral hazard and, perhaps more pertinent in the short term, whether the internal adjustment conditions will be successfully enforced," he said.

The euro fell 0.4 per cent to $1.3738 against the dollar and dropped 0.2 per cent to Y123.51 against the yen.

The dollar advanced after Ben Bernanke, chairman of the Federal Reserve, said the central bank would have to raise the discount rate, at which it makes emergency loans to banks, "before long" as part of the normalisation of Fed lending.

Mr Bernanke also reiterated his pledge to keep the Fed's main lending rate on hold for an extended period but this did not weigh on the greenback.

It rose 0.4 per cent to SFr1.0680 against the Swiss franc, was 0.3 per cent stronger at Y89.92 against the yen and up 0.8 per cent at $0.8718 against the Australian dollar.

CURRENCY RATES www.ft.com/currencydata

Feb 10	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	(Peso)	3.8463	0.0024	5.2688	-0.0109	5.9960	-0.0027
Australia	(A$)	1.1459	0.0003	1.5698	-0.0039	1.7864	-0.0015
Bahrain	(Dinar)	0.3770	-	0.5165	-0.0014	0.5877	-0.0006
Bolivia	(Boliviano)	7.0200	-	9.6164	-0.0260	10.9435	-0.0120
Brazil	(R$)	1.8560	0.0017	2.5424	-0.0045	2.8933	-0.0005
Canada	(C$)	1.0682	-0.0050	1.4632	-0.0109	1.6651	-0.0098
Chile	(Peso)	534.450	-7.6000	732.116	-12.4164	833.154	-12.7691
China	(Yuan)	6.8302	0.0035	9.3564	-0.0205	10.6476	-0.0062
Colombia	(Peso)	1969.75	-13.3250	2698.26	-25.5907	3070.64	-24.1436
Costa Rica	(Colon)	556.475	2.9950	762.288	2.0549	867.490	3.7280
Czech Rep.	(Koruna)	19.0550	0.0404	26.1025	-0.0150	29.7049	0.0307
Denmark	(DKr)	5.4349	0.0145	7.4450	-0.0003	8.4724	0.0133
Egypt	(Egypt £)	5.4875	-0.0025	7.5171	-0.0238	8.5545	-0.0132
Estonia	(Kroon)	11.4221	0.0308	15.6465	-	17.8059	0.0286
Hong Kong	(HK$)	7.7712	0.0000	10.6454	-0.0289	12.1146	-0.0133
Hungary	(Forint)	198.343	0.3050	271.700	-0.3150	309.197	0.1387
India	(Rs)	46.4900	-0.1650	63.6844	-0.3986	72.4733	-0.3365
Indonesia	(Rupiah)	9360.00	-20.0000	12821.8	-62.1030	14591.3	-47.1240
Iran	(Rial)	9885.00	-	13541.0	-36.5745	15409.7	-16.8045
Israel	(Shk)	3.7535	0.0200	5.1418	0.0136	5.8513	0.0248
Japan	(Y)	89.8400	0.4500	123.067	0.2857	140.052	0.5495
One Month		89.8280	0.0001	123.044	-0.0009	140.001	-0.0009
Three Month		89.7985	-0.0005	122.986	-0.0022	139.895	-0.0031
One Year		89.4135	-0.0300	122.290	-0.0232	139.101	0.0435
Kenya	(Shilling)	76.4500	-0.2000	104.725	-0.5576	119.178	-0.4420
Kuwait	(Dinar)	0.2884	0.0002	0.3951	-0.0008	0.4496	-0.0002
Malaysia	(M$)	3.4315	-0.0070	4.7007	-0.0223	5.3494	-0.0167
Mexico	(New Peso)	13.0595	-0.0747	17.8896	-0.1509	20.3585	-0.1388
New Zealand	(NZ$)	1.4469	-0.0021	1.9820	-0.0083	2.2555	-0.0057
Nigeria	(Naira)	150.810	-0.3500	206.587	-1.0387	235.098	-0.8026
Norway	(NKr)	5.9251	-0.0089	8.1165	-0.0341	9.2367	-0.0239
Pakistan	(Rupee)	84.9100	0.0100	116.314	-0.3004	132.366	-0.1287
Peru	(New Sol)	2.8600	-0.0044	3.9178	-0.0166	4.4585	-0.0118
Philippines	(Peso)	46.3450	-0.0450	63.4857	-0.2333	72.2473	-0.1490
Poland	(Zloty)	2.9720	-0.0003	4.0712	-0.0114	4.6331	-0.0056
Romania	(New Leu)	3.0046	-0.0006	4.1158	-0.0120	4.6838	-0.0061
Russia	(Rouble)	30.2610	-0.0903	41.4531	-0.2359	47.1739	-0.1923
Saudi Arabia	(SR)	3.7503	0.0002	5.1373	-0.0135	5.8463	-0.0060
Singapore	(S$)	1.4187	0.0005	1.9434	-0.0046	2.2117	-0.0016
South Africa	(R)	7.7394	0.0344	10.6018	0.0186	12.0650	0.0405
South Korea	(Won)	1160.25	-3.3500	1589.37	-8.8944	1808.71	-7.2005
Sweden	(SKr)	7.3285	-0.0418	10.0390	-0.0845	11.4245	-0.0777
Switzerland	(SFr)	1.0699	0.0026	1.4655	-0.0005	1.6678	0.0021
Taiwan	(T$)	32.0640	-0.0240	43.9229	-0.1516	49.9846	-0.0920
Thailand	(Bt)	33.1550	-0.0350	45.4174	-0.1708	51.6853	-0.1111
Tunisia	(Dinar)	1.3801	0.0027	1.8906	-0.0014	2.1515	0.0018
Turkey	(Lira)	1.5164	0.0016	2.0773	-0.0034	2.3639	0.0000
U A E	(Dirham)	3.6729	0.0001	5.0313	-0.0134	5.7257	-0.0061
UK (0.6415)*	(£)	1.5589	-0.0017	0.8787	-0.0014	-	-
One Month		1.5586	0.0000	0.8789	-	-	-
Three Month		1.5579	0.0000	0.8791	-	-	-
One Year		1.5557	0.0010	0.8791	-0.0005	-	-
Ukraine	(Hrywnja)	8.0700	-0.0100	11.0547	11.0547	12.5803	-0.0294
Uruguay	(Peso)	19.6500	-0.2500	26.9176	26.9176	30.6324	-0.4236
USA	($)	-	-	1.3699	-0.0037	1.5589	-0.0017
One Month		-	-	1.3698	0.0000	1.5586	0.0000
Three Month		-	-	1.3696	0.0000	1.5579	0.0000
One Year		-	-	1.3677	0.0002	1.5557	0.0010
Venezuela †	(Bolivar Fuerte)	4.2947	-	5.8831	-0.0158	6.6949	-0.0073
Vietnam	(Dong)	18474.0	-	25306.6	-68.3538	28799.1	-31.4058
Euro (0.73)*	(Euro)	1.3699	-0.0037	-	-	1.1380	0.0018
One Month		1.3698	0.0000	-	-	1.1378	-
Three Month		1.3696	0.0000	-	-	1.1375	-
One Year		1.3677	0.0002	-	-	1.1375	0.0006
SDR	-	0.6497	0.0011	0.8900	-0.0009	1.0128	0.0007

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. † Rate shown is 'petro-dollar' rate, preferential rate is fixed at 2.6 to the US Dollar. 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 5.94572, French Franc 6.55957, German Mark 1.95583, Greek Drachma 340.75, Irish Punt 0.787564, Italian Lira1936.27, Malta 0.4293, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Slovenia Tolar 239.64, Spanish Peseta 166.386

COMMODITY PRICES

Energy		Price*	Change
WTI Crude Oil †	Mar	74.52	0.77
Brent Crude Oil ‡	Mar	72.54	0.41
RBOB Gasoline †	Mar	1.9290	nc
Heating Oil †	Mar	1.9469	+0.0096
Natural Gas †	Mar	5.292	+0.002
Ethanol ◆	Mar	1.748	-0.013
Uranium		42.50	nc
Carbon Emissions ‡	Mar	€13.12	-0.29
Diesel (French)		605.75	+2.25
Unleaded (95R)		670.00	+10.00
globalCOAL RB Index		81.95	-0.43
Base Metals (♠ LME 3 Month)			
Aluminium		2052.00	+17.00
Aluminium Alloy		1890.00	+20.00
Copper		6629.00	+99.00
Lead		2092.50	+102.50
Nickel		17920.00	+520.00
Tin		15995.00	+470.00
Zinc		2157.50	+101.50
Precious Metals (PM London Fix)			
Gold		1069.50	-1.75
Silver		1560.00	+40.00
Platinum		1511.00	+15.00
Palladium		416.00	+1.00
Agricultural & Cattle Futures			
Corn ◆	Mar	363.00	+4.50
Wheat ◆	Mar	510.00	+27.75
Soyabeans ◆	Mar	939.00	+14.50
Soyabeans Meal ◆	Mar	276.40	+5.80
Cocoa ❖	Mar	£2246	+8
Cocoa ♥	Mar	3.012	+0
Coffee (Robusta) ❖	Mar	1295	-5
Coffee (Arabica) ♥	Mar	132.20	+1.80
White Sugar ❖	Mar	744.50	-5.10
Sugar 11 ♥	Mar	26.64	-0.43
Cotton ♥	Mar	72.82	+0.66
Orange Juice ♥	Mar	136.95	-0.70
Palm Oil	Dec	785.00	-5.00
Live Cattle ♣	Feb	88.825	+0.075
Feeder Cattle ♣	Mar	100.250	+0.275
Lean Hogs ♣	Feb	67.900	+0.375
Frozen Pork Bellies ♣	Feb	83.500	nc
Baltic Dry Index		2630	-76

Sources: † NYMEX, ‡ ECX/ICE, ◆ CBOT, ❖ NYSE Liffe, ♥ NYBOT, ♣ CME, ♠ LME/London Metal Exchange. * $ unless otherwise stated. London Closing prices.

INDICES

	Feb 9	% Chg Mnth	% Chg Year
S&P GSCI Spt	490.15	-9.7	45.1
DJ UBS Spt	129.33	-9.5	14.3
R/J CRB TR	264.80	-8.7	18.4
Rogers RICIX TR	3026.51	-10.1	22.4
M Lynch MLCX Spt	412.91	-9.7	40.1
UBS B'berg CMCI TR	1069.26	-9.4	24.1
LEBA EUA Carbon	13.66	9.7	34.6

Leading oil trader damps price hopes

Vitol highlights 'uncertain' demand

By Javier Blas

Vitol, the world's largest oil trader, yesterday said oil prices were set to trade within the current narrow range this year due to "uncertain" prospects for global energy demand.

The physical trader's sober view contrasts with more upbeat forecasts from several Wall Street firms, including Goldman Sachs and BofA Merrill Lynch. Goldman, for example, has forecast a strong recovery in consumption, with oil prices rising to $95 a barrel by the end of the year, and above $100 in early 2011.

After a strong rally until the middle of last year, oil prices have traded between $70 and $80 a barrel for the last four months and Vitol believes that range is here to stay for this year.

Ian Taylor, Vitol chief executive, warned: "The global economic outlook and the dynamics of future oil demand remain uncertain."

The Opec oil cartel yesterday sided with Vitol's cautious view, saying in its monthly report that "the slow pace of the recovery in the world economy in 2010 is putting pressure on oil demand". The cartel forecast oil demand growth at 800,000 barrels a day this year, far less than the International Energy Agency, the western countries' oil watchdog, which predicted a 1.44m b/d increase.

The trading house's comments came as it published its first annual financial statement, in which Mr Taylor said "2009 was a good year" for the group.

The privately owned company, with headquarters in London and Geneva, did not disclose its profitability, only saying that annual trading volumes increased to 316m tonnes last year, up 8.6 per cent from 2008.

Vitol said trading conditions this year would be "more competitive" than 2009.

The trading house's revenues dropped to $143bn in 2009, down 25 per cent from the previous year due to lower energy prices. Revenues are, however, a poor measure of a trader performance as they rise or fall with commodities prices, with little influence on profitability.

The laconic financial statement from Vitol is a small step in opening up, as trading companies have traditionally shunned publicity. Glencore, the world's largest trader of minerals, metals, oil and food, has started to publish biannual financial results and Gunvor revealed some financial details for the first time this year.

Industry executives believe the five largest oil traders – Vitol, Glencore, Trafigura, Gunvor and Mercuria – posted, as a group, record profits of about $3.5bn and $4bn last year from their operations in energy commodities. They made large sums of money on the back of volatile oil prices. In addition, they profited by buying oil and putting it into storage. The financial crisis, which hit banks' commodities desks, also benefited the traders.

View of the Day

Simon Derrick
BofNY Mellon

Pressure on Germany to bail out Greece is fundamentally bearish for the euro, argues Simon Derrick at Bank of New York Mellon.

He says one of the great constants for the currency markets has been that Germany would always fight to protect the credibility of its fiscal and monetary policy. But if Germany does agree to a bail-out it would mark a sea-change. "It would be the first time in modern market history, that Germany had failed to stick to this austere message," he says.

He says that although it might be right for Germany to come to the rescue, it should lead to a significant reassessment of how investors look at the euro. "Given that one of the euro's principal roles over the past decade has been to act as the world's second reserve currency, a role it took over from the deutsche mark, this does not sound like a positive," says Mr Derrick.

"If Germany is to in effect provide a guarantee to help underpin Greece then it will also come under pressure to provide similar support for Portugal, Spain and beyond."

He says that while, in the very short term, the euro may benefit from a relief rally, in the longer term the trend will be resolutely lower.

"On the bright side, if the cost of preserving political union is a weaker currency over time then perhaps this isn't that great a cost to bear," says Mr Derrick.

Post-crisis wrangle over best way to measure value

FT series
Toxic assets

In the fourth of the series, **Jennifer Hughes** reports on why the valuing of complex securities remains a subject of hot debate

FT Graphic: Natalie Croker
Photo: Dreamstime

When PwC, the administrators of Lehman Brothers' European operations, recently asked for quotes on a range of mortgage-based products held by the collapsed bank, they were disappointed: the prices offered were significantly lower than they reckoned they would get from holding the assets until the underlying loans matured.

Lehman's demise has come to symbolise much about the financial crisis, but the efforts of the PwC team to maximise the value from even this bit of the bank's vast portfolio highlights one of the most fundamental questions to be thrown up by the turmoil: how exactly should investors, regulators and managers measure what an asset is worth?

During the financial crisis, prices for most structured products such as collateralised debt obligations plunged as markets froze – virtually regardless of the credit quality of the underlying assets. For some it created bargains that were snapped up. For most banks and hedge funds, however, it led to devastating holes on balance sheets and performance statements because of the accounting focus on "fair value" – the practice of marking assets at current market prices.

The writedowns created a vicious circle where falling values prompted lenders to demand more collateral against their loans which in turn forced overleveraged players to sell assets, pushing prices down further.

The resulting industry anger was directed at the accountants and regulators who insisted on using market prices instead of allowing managers to calculate values using their own models.

But end investors – for whom audited numbers are ultimately produced – have generally supported the use of fair value because they feel it is more transparent. Some have said privately they do not fully trust valuation models that rely on a manager's own assumptions and inputs.

The different values achieved by the two systems became starkly clear when accounting rulemakers were forced to ease their fair value rules during the crisis. The International Accounting Standards Board did so in October 2008, just ahead of banks' third-quarter results.

The changes enabled banks to reclassify whole portfolios, including complex structured products, and value them using amortised cost, which is based not on market price, but on expected cash flows – in this case, from the loans and bonds that backed the securities.

The effects were clear within days. Deutsche Bank led the charge, reporting a third-quarter profit that it said would have been a loss without the rule change. It reclassified almost €25bn ($34.4bn) of assets, avoiding €845m in writedowns and adding €536m to its bottom line. Other banks reported similar moves.

Since the depths of the crisis, prices for so-called toxic assets have rallied somewhat although, with little trading, few reliable prices are available.

Meanwhile, the underlying debate about valuation has continued.

"It's gone a little too far in terms of relying on market prices because it assumes there is a fair amount of active trading in the market and there isn't. Even before the crisis, as deals became more structured and complex, the securities increasingly became buy-and-hold assets for investors" says Mike Nawas, former global head of structured finance at ABN Amro and now founder of Bishopsfield Capital Partners, an advisory firm.

"What we should be doing is trying to put more effort into validating the assumptions in valuation models, rather than just focusing on market pricing."

For structured instruments, even a market price is often based on assumptions. Some junior tranches of collateralised debt obligations – the slices that take the first losses – were valued at zero for a trading decision during the crisis because the total of expected defaults on the underlying loans were assumed to be greater than the original value of the tranche, meaning payouts from remaining performing loans in the pool would go instead to the more senior tranche holders.

> 'As an investor, you don't want to be sitting on any investment that's deeply underwater'

Some market watchers have also suggested the volatility could deter investors from returning to the market because strong underlying cashflows proved of scant comfort when they had to report severely depressed market prices.

"As an investor, you really don't want to be sitting on any investment that's reported as deeply underwater. The volatility in prices we saw might lead to some fear about getting back into structured products. But as the market stabilises, that will fade," says Steve Curry, Bishopsfield's other founding partner.

The volatility risk was enough last September to encourage Barclays to offload $12.3bn of such "toxic assets" to a new fund.

Because it lent the money to the new fund to cover the purchase, it effectively swapped the risk of further balance sheet volatility for more traditional loan risk. Other banks are reported to be considering similar deals.

The advantage for the Lehman administrators is that they have the relative luxury of being able to wind down its assets without worrying about the risk of see-sawing market prices. However their work on the defunct bank, and with other clients, has prompted them to think how traditional restructuring tools could be applied directly to structures such as mortgage-backed securities to help unlock the value.

"There are some traditional tools thath we think can be applied here," says Dan Schwarzmann, partner at PwC and one of four lead administrators on Lehman.

An expert in managing long-term risks, such as winding down insurance books in run-off, he said similar schemes could be potentially work for CDOs.

"We think there are ways of getting to, and unlocking, the underlying value here. It is a case looking at all the options, not just at the market prices," he added.

ICE eyes sovereign CDS clearing

By Hal Weitzman in Chicago and Aline van Duyn in New York

Financial institutions and regulators are in talks about the possibility of clearing sovereign credit derivatives in the wake of the debt crisis in Greece, according to ICE, the US-based electronic futures exchange group.

ICE has emerged as the leading global clearing organisation for credit default swaps – the over-the-counter contracts blamed by many for exacerbating the financial crisis – having cleared CDS contracts with a face value of more than $5,500bn in the past year.

Jeff Sprecher, chief executive, said yesterday the company was considering moving into sovereign debt. "Sovereigns present a unique risk and it's one that we're debating with the market and with regulators," he said.

So far, most of the CDS contracts that are cleared are for CDS indices, which represent baskets of corporate credits and which are the most liquid and widely traded types of CDS. Work has started on clearing CDS for individual entities, such as companies or banks, but it is still not apparent how many of these "single name" CDS can be pushed into clearing houses without creating risks for those clearers.

Jeff Sprecher: the sector presents unique challenges

Under centralised clearing, the clearing house absorbs the counterparty risk from financial contracts – a risk that came into focus after the default of Lehman Brothers in 2008. If the bank backing the derivative defaults, the clearing house will ensure that the contract is still honoured. Clearing houses charge margins to put aside to cover any potential defaults, and also often have pools of money set aside for emergencies.

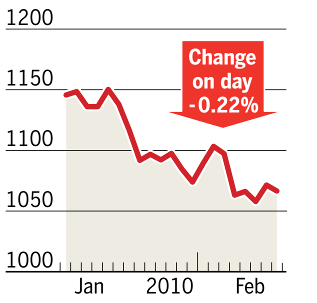
Although sovereign CDS are in strong demand as investors seek to hedge credit risk, liquidity and trading activity can sometimes be extremely low. Clearing houses need to be able to sell positions whenever they require, and illiquid markets could make this difficult. Already, some regulators have expressed concerns that moving too many instruments to clearing houses could make the clearers sources of systemic risk in the future.

Mr Sprecher said sovereign CDS presented a unique set of challenges. "For example, if you have an Italian bank that's writing protection against the default of the Italian government, what is that risk and is it possible for an Italian bank to survive the collapse of its own government?" he said. "Those are the kind of things that come into clearing sovereigns that the market has never really seen addressed in a holistic way before."

MARKETS

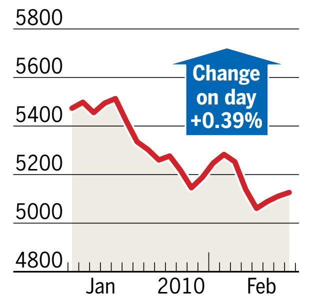
Thursday February 11 2010

S&P 500 index



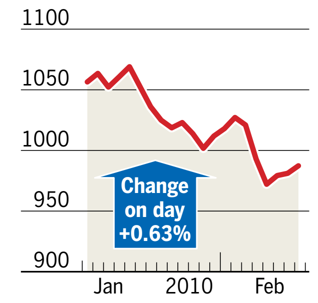
US equities
Remarks from Fed chief Ben Bernanke about the US policy outlook vied with fading concerns about sovereign debt to drive sentiment on Wall Street, as volumes were hit by adverse weather conditions

FTSE 100 index



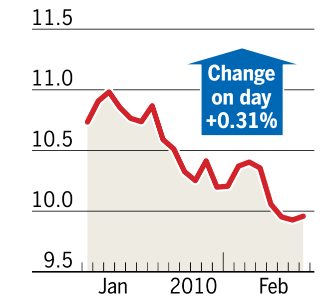
UK equities
The FTSE 100 rose as gains for financials offset weakness in commodity stocks. Life assurers staged a strong rally amid fading concerns about the sector's exposure to peripheral eurozone government debt

FTSE Eurofirst 300 index



European equities
Optimism about a possible rescue plan for Greece helped the Eurofirst 300 notch up a third successive rise, although the index ended well off the day's best. Gains for banks provided much of the upward impetus

Nikkei 225 Average
('000)



Asian equities
Stock markets in the region enjoyed a positive session, helped by robust Chinese trade data. The Shanghai Composite index rose 1.1 per cent while Hong Kong added 0.7 per cent and Taipei climbed 1.1 per cent

Source: Thomson Reuters Datastream

Markets updated at www.ft.com/markets

Bernanke comments damp investor sentiment

GLOBAL OVERVIEW

Wave of interest in Greek bonds

Sterling falls on grim UK outlook

By Dave Shellock

The fragile nature of investor risk appetite was underlined yesterday as uncertainty about US monetary policy overshadowed easing concerns about sovereign debt risk.

US stocks gave back a large chunk of the previous day's advance, commodity prices went into retreat and the dollar rallied as Ben Bernanke, the chairman of the Federal Reserve, addressed the ultimate withdrawal of liquidity in the markets.

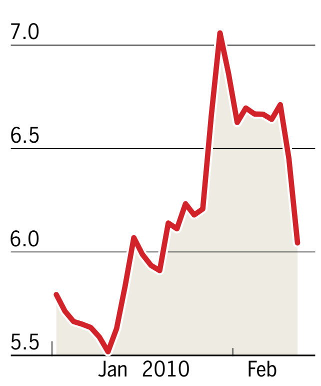
In a prepared statement for the House Financial Services Committee, the Fed chief said the gap between the discount rate and the Fed funds rate might see a modest rise "before too long" as part of the "normalisation of lending". But he said such a move would not signal any change in the policy outlook as he also reiterated a pledge that exceptionally low rates would be warranted for an extended period.

"The address appears to have dented investor confidence in the stock market," said Andrew Wilkinson, senior market analyst at Interactive Brokers. "The reference by Mr Bernanke to raising the discount rate has possibly rattled some nerves."

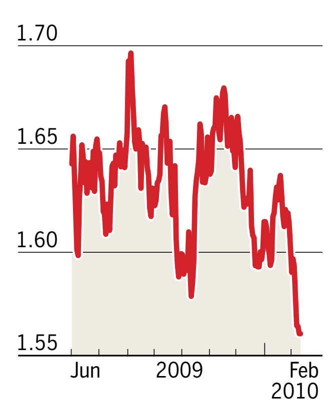
Rob Carnell, economist at ING, said the markets had responded to Mr Bernanke's words as if they were a further step in the direction of tightening. "We don't believe the note is any more than a clarification of possible exit strategies for the Fed, rather than a nod in the direction of imminent tightening."

"Mr Bernanke's purpose in setting out this additional detail today is not to prepare us for any dramatic change in policy, but to reassure us that they have the tools to tighten when the time comes. That may still be some way off."

Greek government bonds
10-year yield (%)



Sterling
Against the dollar ($ per £)



◀ Greek government bond yields dropped sharply as buyers continued to move in amid hopes that a solution to Greece's fiscal woes could be imminent, although many analysts remained sceptical

▶ Sterling fell against the firmer dollar after the Bank of England's quarterly inflation report raised the prospect that UK interest rates might stay low for longer than expected

Source: Thomson Reuters Datastream

Mr Bernanke's remarks offset a growing sense of optimism that the European Union would provide a bail-out for Greece, and possibly other fiscally-challenged eurozone nations such as Portugal and Spain.

They also overshadowed robust Chinese trade data, while news of a bigger than forecast US trade deficit had only a muted impact.

Greek **government bonds** attracted a wave of buying interest, with the yield on 10-year paper tumbling 40 basis points to 5.99 per cent and its spread over German Bunds narrowing 45bp to 284bp. The cost of insuring against a sovereign default by peripheral eurozone nations also fell sharply. Greek five-year credit default swaps plunged 66bp to 355bp according to data from Markit.

But analysts were sceptical that a special European Union summit today would result in concrete proposals for a bail-out for Greece.

Erik Nielsen, chief European economist at Goldman Sachs, warned that political leaders were unlikely to agree to more than some guidelines for how a rescue plan might take place.

"A firm commitment is virtually impossible, partly for the reason that bilateral lending would have to be approved by the national parliaments, if it goes beyond small amounts inside their cash holdings for a very short term," he said.

This uncertainty helped to halt the previous session's strong rally for the euro. Mr Bernanke's comments provided a further fillip to the dollar and weighed on short-dated Treasuries, with the two-year bond yield up 6bp at 0.88 per cent. The mood was not helped by a sloppy $25bn 10-year note sale.

Sterling was also a big mover on the **currency markets** after the bank of England's latest quarterly inflation report, and accompanying comments from governor Mervyn King, suggested the door was still open to further quantitative easing and that interest rate rises were still some way off. The pound shed 0.8 per cent against the dollar.

US **equities** went into reverse as policy concerns hit home. In New York, the S&P 500 was down 0.2 per cent, having climbed 1.3 per cent on Tuesday. The Dow Jones Industrial Average also lost 0.2 per cent and the tech-heavy Nasdaq Composite index fell 0.1 per cent.

European and Asian stocks showed a little more confidence in the Greek situation, with the FTSE Eurofirst 300 index rising 0.6 per cent and the Nikkei 225 Average up 0.3 per cent.

Commodities were volatile by the US rate concerns and the firmer dollar. US crude oil recovered from early losses to reach $74 a barrel.

Life assurers bounce back as European debt concerns ease

LONDON

By Bryce Elder and Neil Hume

Life assurers bounced off a six-month low yesterday as the FTSE 100's fragile rally continued into a third session.

Prudential and **Legal & General** were among the top gainers as concerns eased about their exposure European sovereign risk.

Duncan Russell, JPMorgan analyst, said that while the government bond crisis could trigger a "broader fixed-income meltdown", the direct risk to insurers seemed minimal.

"Overall shareholder exposure to UK govies is quite limited and only **Aviva** appears to have exposure to Portugal, Ireland, Italy, Greece and Spain," he said.

Prudential rallied 3.8 per cent to 581½p and Legal & General took on the 2.9 per cent. FTSE's life assurance index, down 9 per cent in the previous four days, registered its sharpest rally since November.

Bid speculation also played a part in the rally. Aviva led the sector gainers, up 5 per cent to 361½p as speculation revived that it could be vulnerable to a break-up bid led by **Resolution**.

Several names were mooted as potential partners in an approach, including Prudential and general insurers. However, the complexity of any hostile bid led many to doubt the trade.

Another theory was that US insurer Hartford Financial Services may try to buy a UK peer. But with Hartford still needing to pay back $3.4bn of state aid, there were again reasons for scepticism.

Resolution, which is due to post full-year results today, closed down 1.3 per cent to 74p.

Mixed signals on a possible Greek bail-out left the FTSE 100 up 20.15 points, or 0.4 per cent, to 5,131.99 after another choppy session.

Icap led the blue chip risers, jumping 10.6 per cent to 337p. Goldman Sachs upgraded the stock following a profit warning last week, which had sent the shares tumbling by 20 per cent.

"Investors need to distinguish between cyclical earnings pressures and secular regulatory pressures," analyst Chris Turner said. "Recent earnings weakness is the former."

British Gas owner **Centrica** took on 3.1 per cent to 272½p after Morgan Stanley turned positive based on falling wholesale gas prices.

Lloyds Banking Group was up 3.7 per cent to 59p, extending a bounce ahead of tomorrow's pricing on a debt-for-equity swap.

Merrill Lynch argued that Lloyds stock has recently been depressed by hedging rather than sovereign debt concerns and expected a rally once the share issue completes. "We think the shares look too cheap and we would buy into the reweight and the results on the February 26," it said.

Among the fallers, **Autonomy** fell 5.7 per cent to £15.22 after selling £500m of convertible debt for potential acquisitions.

Given persistent concerns that Autonomy has muddied its organic growth figures with acquisitions, several analysts considered the move baffling. They also questioned the logic of Autonomy's deal to buy a small US reseller as the company's model is to sell through partners.

A fourth straight weekly fall for its flagship fund dragged **Man Group** lower by 1.3 per cent to 217p. AHL Diversified's net asset value hit a two-year low after losing 0.2 per cent last week.

BHP Billiton led the miners lower after giving a cautious outlook for 2010 and dashing hopes of a new share buy-back programme.

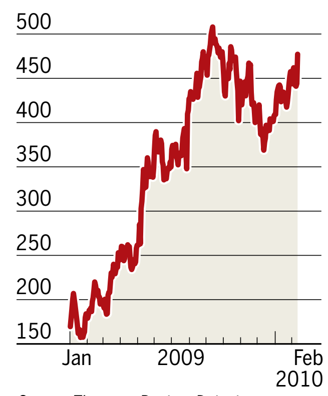
BHP lost 1.5 per cent to £18.56½ while **Xstrata** was down 1.5 per cent to £10.44 and **Rio Tinto** declined 1.3 per cent to £31.59½.

Among the mid-caps, **Sports Direct** rallied 3.7 per cent to 97p. A Serious Fraud Office report on suspected price-fixing by Sports Direct and JJB is expected today.

In-line results from **Telecity**, the data warehouse company, were eclipsed by talk that its two biggest shareholders, 3i and Oak Hill Capital, planned to sell their remaining stock. The pair hold 16.5 per cent each of Telecity shares. Telecity fell 3.1 per cent to 363p.

JD Wetherspoon was up 3.9 per cent to 448p following a report that it is near to agreeing a debt refinancing, with the pub operator said to be paying three times its current rate for the new £500m facility.

CSR
Share price (pence)



Source: Thomson Reuters Datastream

▲ CSR, the bluetooth chip maker, rose 7.5 per cent to 477¼p after posting better results than expected and reassuring guidance. Piper Jaffray said the shares, at 8 times 2011 earnings, were at an unjustified discount to US peers trading at multiples of about 15 times

Key indicators

FTSE 350	Closing price	Day's change	Day's chng%
Rises			
ICAP	337	+32.20	+10.6
CSR	477.20	+33.20	+7.5
St James's Place	244	+14.60	+6.4
Aviva	361.60	+17.10	+5.0
BlueBay Asset	334.10	+15.50	+4.9
Falls			
Autonomy Corp	£15.22	-88	-5.5
Yell Group	39.19	-1.81	-4.4
PV Crystalox	47	-1.93	-3.9
Stobart Group	125.70	-4.90	-3.8
Petropvlsk	852	-33	-3.7

Indices	Close	Day's change
FTSE 100	5132.0	+20.2
FTSE 250	9064.3	+44.3
FTSE 350	2686.0	+10.9
FTSE All-Share	2628.67	+10.46
FTSE All-Share yield	3.43	3.43
FTSE 100 Fut Mar	5102.5	+41
10 yr Gilt Yield	3.99	4.03
20yr Gilt All-Share Ratio	1.29	1.30

Qatar sidesteps Sainsbury talk

J Sainsbury could be in focus today after a cryptic comment from the Prime Minister of Qatar, its 26 per cent shareholder.

Sheikh Hamad Bin Jasim Bin Jaber Al-Thani told reporters in Doha that he "cannot talk about" adding to the stake — though the context of his comment was not clear. Sainsbury closed flat at 318¾p. Qatar was last rumoured to be looking at a bid for the supermarket in October.

Dominion leads explorers' rise

SMALL CAPS

By Neil Hume and Bryce Elder

Dominion Petroleum, an exploration company focused on east and central Africa, jumped 24.4 per cent to 6¼p on rumours of a fundraising and potential disposal.

Dominion's brokers were said to have started preparations for a fundraising to help finance drilling in Uganda, where the group has acreage south of Tullow Oil's fields that has been estimated to contain about 257m barrels.

Ahead of any fundraising, Dominion may sell its licences in Tanzania, dealers said.

There was spurious talk that Bluegold, the troubled hedge fund, could be looking to sell its 11.7 per cent stake in Dominion. Dealers dismissed the theory.

Desire Petroleum, the Falkland Islands oil explorer, climbed 13.4 per cent to 108p. On Monday, the Ocean Guaridna drilling rig will arrive at its Liz prospect in the North Falklands basin.

Kopane Diamond climbed 23.4 per cent to 11½p on news of discussions that could lead to an offer for the company.

The talk in the market was that the offer had been pitched at 22p-a-share in cash and stock and Namalwa Diamonds was tipped as a potential buyer.

Xcite Energy, the North Sea oil company, dipped 1.3 per cent to 39p even after it announced two new partners for its Bentley project.

Amec will be providing engineering expertise and ADTI will provide a heavy-duty deepwater drilling rig to undertake the drilling and testing of a well.

Coalminers were in focus after BHP Billiton's posted strong results from its coal operations. **GCM Resources** added 6 per cent to 116p.

Confectionery and snacks group **Glisten** jumped 54.3 per cent to 135p after recommending a 140p-a-share cash offer from management and Raisio, the Finnish food company that makes cholesterol-lowering ingredient Benecol.

That news saw shares in rival **Zetar** move 3.5 per cent higher to 207p.

Indices slide as heavy snow hits trading volumes

WALL STREET

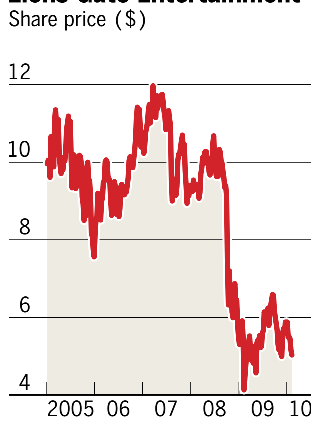
By Samantha Pearson in New York

US stocks edged into the red yesterday after Ben Bernanke, the Federal Reserve chairman, outlined the central bank's plans to reverse its loose monetary policy.

However, trading volumes remained low due to heavy snow on the east coast of the US that paralysed transport systems.

The S&P 500 fell more than 1 per cent after Bernanke's comments but recovered to end 0.2 per cent lower at 1,068.13. The Dow Jones Industrial Average lost 0.2 per cent to 10,038.38 and the Nasdaq Composite was 0.1 per cent lower at 2,147.87.

Lions Gate Entertainment
Share price ($)



Source: Thomson Reuters Datastream

However, the market had already opened in the red as investors waited nervously for greater clarity on Europe's response to the debt crisis in Greece.

Dean Foods led the S&P 500 lower after the dairy products company posted a lower profit than expected and gave a disappointing forecast for this year.

The group said it had suffered as high milk prices encouraged shoppers to switch to discount brands. Its shares, which only edged 0.2 per cent higher last year, plunged 13.9 per cent to $15.19.

ArcelorMittal, the world's biggest steelmaker, also weighed heavily on the market after a disappointing profit forecast for the first quarter. Its shares lost 7.1 per cent to $36.66.

In the technology sector, **Adobe Systems** rose 1.4 per cent to $32.76 after Credit Suisse upgraded the world's largest maker of graphic-design programs to "outperform" from "neutral". Analysts cited confidence in the future of Adobe Flash and the upgrade of its Creative Suite product later this year. **Sprint Nextel** posted a smaller quarterly loss than last year but the results were worse than Wall Street had forecast.

The third-largest mobile phone operator has been forced to offer deeper discounts to offset subscription declines, eroding the group's revenues. Its shares were initially up in pre-market trading but later fell 8 per cent to $3.36.

Micron Technology fell 6 per cent to $8.54 after the semiconductor company agreed to buy Numonyx Holdings for about $1.27bn in an attempt to compete better with rivals such as Samsung Electronics.

IntercontinentalExchange fell 3.2 per cent to $95.68 after the company missed its quarterly consensus estimate. However, profit during the period still jumped 70 per cent due to a rebound in energy trading.

Walt Disney gained 0.6 per cent to $30.03. The world's largest media company posted quarterly profit above analysts' consensus estimate thanks to rising television revenue and improving trends at its theme park business.

Lions Gate Entertainment fell 2.1 per cent to $5.08 after the independent TV and film studio reported a larger quarterly loss than expected.

EXECUTIVE APPOINTMENTS

FINANCIAL TIMES Thursday February 11 2010

Inside Working in Banking Pages 4 & 5

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Finance Director

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Our Client is a leader in its chosen markets and it has ambitious plans for the future. The company employs about 1,000 people worldwide and its UK corporate office is located close to Cambridge. Turnover is c.£80m and profit before tax is c.£6m.

As well as providing financial advice and leadership throughout the group, there will be the normal responsibilities for budgeting/forecasting, financial and management accounts/reports, taxation, stakeholder and capital relationships, procedures and processes, risk management and development of finance staff. Occasional overseas visits (to US and Europe, mainly) will be a feature of this exciting opportunity.

The successful candidate will be a qualified accountant, have relevant experience (ideally including some gained from a quoted PLC) and will definitely be an energetic, versatile and credible financial executive who communicates effectively.

Combining challenge, international perspective and the expectation to play a major part in the continuing success of an established company, this key role offers a reward package and a quality-of-life work environment that make it a great career move!

GCC

To apply, please email your CV and salary details directly to Graham Campbell, Director: graham@gcampbellconsulting.com. To discuss, call him on 07771 885632.

Graham Campbell Consulting Ltd - Search - www.gcampbellconsulting.com

flybe.

Group Financial Controller

Based in Exeter, with some UK and European travel required

Competitive six figure salary, benefits and relocation package

Flybe is the UK's leading domestic airline and one of Europe's largest and most successful regional aviation groups. It has invested $2 billion in 68 aircraft and operates one of the youngest and most environmentally sensitive fleets in the world. In 2008/09 Flybe carried over 7 million passengers generating revenues over £550m, on 190 routes, serving 12 countries, with 3,000 employees.

Reporting into the CFO and as a member of the Group's Senior Executive Team, we are recruiting a Group Financial Controller as part of the continuing development of the group reporting and finance function. The successful candidate will play a leading role in enabling the finance function to respond to the needs of a growing and increasingly international business, alongside the existing finance team and the soon to be appointed Director of Finance, Airline.

Specifically, the role will involve statutory and other external reporting requirements, leading the group finance function including treasury and tax, further improving internal controls and corporate governance structures, championing change initiatives, ensuring coordination across the function and managing a broad range of complex financial and business issues, including process improvement, performance measurement, M&A, risk management and financial systems strategy.

The successful candidate will be ACA or ACCA qualified, will have had experience within a significant group finance function and will ideally have IFRS experience. They will have worked within a complex, multi-site, consumer-facing organisation. A strong business partner and first rate communicator, they will naturally build trust and consensus.

This is an exciting opportunity to develop a career within a growing and market leading business based in the heart of the South West region.

THE ROSE PARTNERSHIP LLP

Interested candidates should forward a full resume to our retained search partner, The Rose Partnership, via Kate Butler at kate.butler@rosepartnership.com.

www.rosepartnership.com

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London, City **£Competitive Package**

With a heritage dating back to 1869, Williams de Broë is one of the UK's leading firms of investment managers. As Head of Compliance you will be responsible for the management of the Williams de Broë compliance function and support the Compliance Officer for the Evolution Group. You will also oversee the development of a compliance framework, whilst building strong relationships with the FSA and advising the company on any regulatory issues. Your main responsibilities will include:

- working with relevant line managers to ensure that governance and management controls align clearly with the allocated control function responsibilities
- ensuring that the compliance reporting provided to the executive management, boards and group structure is effective in informing them of key themes, status of issues and regulatory risks
- providing support on compliance matters to senior management and other areas of the business
- liaising with HR to ensure an approved persons process exists which clearly identifies control function responsibilities and monitors effectiveness of individuals
- supporting the HR department to make sure the T&C scheme is kept up to date and maintained in line with regulatory requirements whilst promoting compliance through training and awareness initiatives
- maintaining and updating compliance policy and procedures

It is essential that all applicants have held a CF10 and CF11 position, ideally within a private wealth environment.

This is a very exciting opportunity at a time of progress and growth. If you would like to apply for this role, please send your Curriculum Vitae to **Alex Hardy** at **Robert Walters, 55 Strand, London, WC2N 5WR**. Email **alex.hardy@robertwalters.com** or please call for a confidential discussion on **+44 (0) 20 7379 3333**. Web: **www.robertwalters.co.uk**

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Chief Financial Officer

Telecommunications

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This business, a leading telco provider in Asia, offers a range of mobile, fixed line and internet services throughout the region. It has enjoyed strong and profitable growth. The company has a proven commitment to providing innovative products and services coupled with a philosophy that places high value on customer satisfaction. To ensure the business continues to move forward and excel, it is now embarking on an exciting stage of strategic change. With ambitious plans in place, the business is seeking to strengthen the executive management team with the appointment of a highly talented CFO. Reporting to the CEO, you will be responsible for:

The Role:

- To participate fully as a member of the Board, pro-actively and positively involved in all key business decisions affecting the organisation with an ability to support the development of senior management effectiveness.
- To understand the Business, the marketplaces in which it operates and take an active role in identifying and developing strategic options and plans which will allow the business to maximise its revenue, share and profit growth around the world.
- Establish finance as a true 'business partner' globally, integrate finance across the matrix in the business and provide real value through the provision of quality, timely and accurate information, highlighting issues and trends.

The Candidate:

- Graduate calibre, qualified Accountant with experience ideally gained in a combination of Group and Divisional board level finance roles and with a strong record of success in an international blue chip organisation.
- Must demonstrate a progressive track record of success, including leadership and management skills to oversee operational financial performance effectively within a fast moving, forward thinking Telco organisation.
- Proven record of contributing to the business and strategic agenda, leading commercial change and supporting a business during its next phase of growth.

Please reply in confidence, with full career and current salary details, quoting reference MGF/31368 or go to www.odgers.com/31368

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Rank Interactive
Rank Group

Head of Finance

CENTRAL LONDON • SIX FIGURE PACKAGE

The Rank Group is a leading listed European gaming and betting company, with revenues approaching £550m, operating profits of £60m and a portfolio of established brands in gaming and leisure across Europe. The business operates with four key divisions, Mecca Bingo, Grosvenor Casinos, Top Rank Espana and Rank Interactive, and each has its own distinct management team.

We are currently seeking a Head of Finance for Rank Interactive which is a £55m revenue remote gaming and betting business, principally comprising Bluesq.com and meccabingo.com. Rank Interactive's primary market is the UK, although it also provides betting and gaming websites in Spanish, German, Danish and Swedish and development of its international offer will be a key strategic initiative going forward.

Working closely with both the Managing Director of Rank Interactive and the Group Finance Director and managing a small analytical finance team, this will be a highly operational finance appointment offering real breadth of involvement in all aspects of the strategic and financial management of the business. Acting as a critical business partner on all aspects of commercial growth and development, you will be expected to provide visionary and tactical guidance to your MD.

You should be a bright, analytical, qualified accountant with outstanding communication and interpersonal skills, capable of strategic thinking, yet possessing a willingness to take a more hands-on role when necessary, in what is a highly focussed management team. Prior experience of operating within an online business or of the gaming industry, would be advantageous. An interest and genuine passion for technology driven businesses is essential. Experience of opening new businesses internationally would also be helpful.

This is a genuine opportunity to partner with an industry experienced MD in a manageable scale of business with an interesting technology angle and real international exposure.

Please reply, with full career and salary details, to David Craig, Rohan McMaster or Andrew Steele at Walker Hamill, quoting reference DC 36007. Email: rank@walkerhamill.com

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Director of Finance

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The largest University in the UK with 2008/9 turnover of £750m, 11,500 employees and over 35,000 students, Manchester is pursuing an ambitious agenda aiming to be one of the top Universities in the world by 2015. The Director of Finance is one of the University's most senior executives and a member of the President's Executive Group, working closely with all members of the senior team.

The Director of Finance will lead, direct and manage the work of the Directorate, promoting innovation, a client-based approach and an ethos of professional excellence. With an operating budget of £4.5m, over 100 staff are deployed in Financial Accounting, Management Accounting, Corporate Accounting, Procurement and Faculty Finance.

A qualified accountant with an exceptional level of technical ability and distinction in leading a large and diverse professional finance function, you will be skilled in advising senior management and boards on strategic options and have a track record of success in leading change programmes. You will bring flair and imagination to help manage the University's complex funding streams and help guide it to ever-higher levels of achievement. You will also be a successful team player.

This is an exciting time to join the University of Manchester and help to shape its future, as it adapts to significant external change. To apply, please email your CV with a statement outlining how you meet the specification to 5643@wickland-westcott.co.uk. For an informal discussion, please contact Laurence Jackson on 01625 508100 quoting reference 5643.

Closing date for applications is 26th February 2010.

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Conditions for the above five positions are available on the Central Bank's website, **www.centralbank.ae** at Careers.

Applications should be made on the format available at the above link, through selecting the appropriate position from the drop-down list.

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Applicants should have experience of working in an economic research and analysis function in the private or public sector, a 2.1 at degree level or equivalent in economics and ideally also an economics-related post-graduate qualification. Experience of applied econometrics, VBA programming and desktop publishing packages would be advantageous.

We are looking for candidates with a keen interest in policy-orientated economics, good technical data analysis skills and the ability to apply economic principles rigorously. Excellent written and oral communication skills are essential for the interaction with a wide non-economics audience. The ability to work to tight deadlines without compromising attention to detail and accuracy is also required.

To apply, please print off application forms from the website (www.cbi.org.uk), complete quoting ref EC12 and send to Harpreet Sanghera, HR Department, CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

Alternatively, write to the above for the application pack. It is anticipated that interviews will take place towards the beginning of March and unfortunately only candidates selected for interview will be contacted.

Completed applications should be returned no later than 26th February 2010.

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The candidate should preferably be qualified in both common law and civil law. In the absence of one of these qualifications s/he should have substantial experience with an international law firm. Previous experience in EU law, in particular structural funds, public procurement and State aid would be an asset.

- Minimum three years' professional experience, notably in the field of structured financing, project financing in a law firm of international repute or a financial institution.
- Excellent knowledge of written and spoken English or French and good command of the other one.

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Graduate search back on track

But after a year of public scrutiny, some older bankers are looking for an alternative, writes Patrick Jenkins

A career in banking has never been for the faint-hearted. But with bankers being dragged through the mire by a hostile public, pay levels under threat, and tighter regulatory controls around the corner, working for a financial institution – whether it is Deutsche Bank or Dudley Building Society – is a tougher assignment than it has been for a long time.

Yet there is little sign of reluctance among new recruits. "In 2007, when the financial crisis started, I thought maybe people would be put off from studying finance," says Professor Andrew Clare at Cass Business School in London. "But I was totally wrong. Student numbers are way up." Cass has seen applications soar this past year by more than 60 per cent.

Enthusiasm is one thing; job opportunities are another. But they, too, are on the increase again, according to banks. Though some banks cut back substantially on graduate recruitment programmes last year, most have increased them for 2010.

Royal Bank of Scotland, one of those to suffer worst in the crisis, although is gradually rebuilding, has been through one of the most extreme peaks and troughs in graduate recruitment.

This year it plans to hire 596 graduates, more than double the 2009 number, and even ahead of the 500-550 pre-crisis average. UBS, the Swiss group that is rebuilding after severe losses, is hiring a similar number of graduates, bringing the recruitment tally back to pre-crisis levels, after a one-third drop.

Citi says it is hiring 330 graduates and interns in Europe, the Middle East and Africa this year, up 15 per cent. And Barclays says its graduate hires will be up 20 per cent this year after rising steadily through the crisis in line with the bank's growth.

More broadly, Barclays has been one of the big-name hirers of bankers from rivals, too, as it seeks to replicate in Europe and Asia the broad brush of investment banking businesses that it inherited in the US when it bought the American franchise of the defunct Lehman Brothers.

In recent weeks, the likes of UBS and Bank of America Merrill Lynch have been busy hiring.

New jobs are biased towards certain business lines. Many areas of investment banking – particularly trading – have thrived over the past year, spurred by exceptionally benign market conditions, themselves a consequence of state bail-outs and persistently low interest rates.

Risk management is also a booming area. With regulators encouraging banks to beef up the scrutiny of risk, banks have been hiring at all levels and have set up risk teams as distinct departments, rather than leaving them as part of audit units.

The changing shape of pay structures – with a greater proportion of bonuses paid in shares and deferred over several years – has done little, so far, to deter people from wanting to work in banking, says Prof Clare. "If you're 22 or 23, you're thinking long-term. I'm sure money is a motivating force. But this is an interesting, dynamic industry and that's the primary attraction."

In the money: Enthusiasm for finance is high and banks are once again ramping up their recruitment programmes Alamy

Banks have also dulled the pain. Led by the likes of Morgan Stanley, many have moved pre-emptively to increase basic pay in anticipation of reduced bonus levels.

Typically, managing director level basic salaries have gone up from £150,000 to as much as £300,000.

Bonuses have come under attack both from politicians and regulators. In addition to the 50 per cent supertaxes in the UK and France, levied on bonus pools, regulators – prompted by the Group of 20 countries – are insisting that up to 60 per cent of bonuses be deferred over three years in future.

That may make banking a less attractive industry. For traders, the bogeymen of banking, as far as politicians and regulators are concerned, there is a particular spur to move on.

As higher capital requirements bite and the threat of limits on trading activities in the US and beyond grow, many are predicting another wave of traders will move out of banking and into the "shadow banking" arena of hedge funds.

> Changing pay structures have not deterred people from wanting to work in banking

A whole coterie of experienced 40 and 50-something bankers are also looking for a way out of banking, headhunters say.

They cite prominent examples such as Robin Budenberg, who gave up a long, successful and well-paid career at UBS, to run UK Financial Investments, the government body that manages the state-owned bank stakes, earning a fraction of his previous salary.

Bob Wigley, formerly a Merrill Lynch director and one of the City of London's most prominent investment bankers, has become a serial non-executive, at low-profile companies such as Yell, the directories business, and Sovereign Reversions, a tiny financial services company.

Both men still have about 15 years of work in them before they hit retirement age.

"A lot of experienced bankers who are still relatively young and not ready to retire are now saying to themselves: 'What do we do after banking?' says Simon Hayes, head of financial services at Odgers Berndtson, the recruitment consultancy. "The combination of broader financial strictures and public criticism is prompting some to think about a fundamental shift in sectors."

For those who started out in the City in the late 1980s, just as the Big Bang overhaul of bank regulation put an end to restrictive practices and paved the way for a 20-year boom, the financial crisis and the political and regulatory backlash that has followed have been a rude awakening.

"The world has gone through 360 degrees," says one headhunter.

"In Thatcher's Britain, everyone wanted to get into banking. And it stayed like that for a while under Labour. But then came the crisis and the tax assaults and the public opprobrium."

Commitment and confidence

Banking has lost its sex appeal. After the bail-outs, the bonus caps and scenes of bankers summoned to explain their role in the near collapse of the global financial system, the idea of putting on a pinstripe suit and trading mortgage-backed securities has lost some of its allure.

"Some students are clearly questioning harder whether this is the right industry for them to go into at this time," says Sarah Crawford, head of recruiting for Europe at Goldman Sachs.

Nevertheless many tens of thousands of students will compete this year for a couple of thousand places on internship and graduate programmes.

Ms Crawford says: "We still have plenty of applicants who are sure this is for them." Even those who are not sure are strongly advised to apply for a summer internship while at university. Most banks run programmes, which they use to identify candidates with the greatest potential.

"The internship is our most important recruiting tool. We put a lot of time and resources into the programmes," says Barbara Smith, global investment bank campus recruiting manager at JP Morgan.

The chances of landing a full-time job at the end of a summer internship are good. Goldman, for example, offers 70 per cent of its summer interns full-time jobs. Other banks have been known to offer full time jobs to up to 90 per cent of the intern class.

Spending a summer on a programme also shows commitment. Ms Smith says this is a key quality: "We look for students who are dedicated to something. They could be athletes or involved in student government, for example. It helps to show us they have leadership and can juggle multiple demands."

Lyle Andrews, head of graduate recruitment for Europe at UBS, agrees: "We want to see you choose something you really want to do, commit to it and do something with it."

Successful candidates also tend to be ones who can "demonstrate a genuine interest in finance and a curiosity about the markets," says Ms Smith. But if that interest is somewhat lacking, they should at least prepare thoroughly.

"It is very easy to spot when a candidate has not done their research," says Jane Clark, head of campus recruitment for Europe and Asia at Barclays Capital.

She advises not to assume that all banks are the same. Studying the differences by reading newspapers and visiting websites is the best way to prove you have done your homework.

Asked to describe the ideal candidates, Ms Crawford says they should have "an entrepreneurial spirit, their own point of view and communications skills that are confident but not arrogant."

Communication skills are also highly rated by Malcolm Horton, global head of recruiting and programmes at Nomura. He explains: "We need to know we can give you the responsibility to sell our services to clients. That starts with you being able to sell yourself to us."

As Nomura expands its global footprint, he is also keen on language skills.

Degree subjects are less relevant, says Ms Clark.

"We look for a strong academic record but it can be in any discipline. It is a myth you have to have studied economics."

Following the mass redundancies and a large dip in hiring last year, banks are now back on campus looking for new recruits.

Mr Andrews says: "There is a lot of opportunity in the industry now. There is always a great demand and hunger for top talent."

Masa Serdarevic

Surreal start hasn't altered career path

Interview

Sharlene Goff talks to a young banker who survived the collapse of Lehmann Bros

Magdalena Sniegocka's career in investment banking got off to a shakey start. Just two months after celebrating her graduate job offer at Lehman Brothers she was walking back out the door, following the spectacular collapse of the US bank.

Looking back, she says it was hard to believe what was going on around her.

"It was so surreal," she says. "Everyone was asking: 'What now?' 'What's going to happen?' The banking industry was in trouble at that time and I knew it would be difficult to find another job."

But Ms Sniegocka, who is 25 and from Poland, was among the lucky ones.

Nomura, the Japanese investment bank, snapped up Lehman Brothers' Asian and European businesses and decided to keep on its latest intake of graduate employees. She walked straight into a new position as a junior analyst in Nomura's global finance emerging markets team.

Now, almost 18 months on from her hair-raising induction to the high-risk world of banking, she is feeling more settled.

Still in the emerging markets team based at Nomura's imposing UK office in Canary Wharf, Ms Sniegocka helps to structure finance for corporate clients and governments, covering areas such as equities, debt and derivatives.

Her role is client-facing and she spends most of her day speaking to or meeting companies that plan to raise fresh finance.

Her clients typically come from central and eastern Europe, the Middle East and Russia. Ms Sniegocka speaks fluent English, French and Spanish as well as her native Polish, having spent a year studying finance and economics in each of London, Paris and Madrid.

She finds it particularly rewarding to work on deals with clients from Poland, and is well placed within her team to get involved in these.

Ms Sniegocka's decision to enter investment banking stemmed from her longstanding interest in analysing companies

"I have good analytical skills and am quite good with numbers, so I was naturally attracted to finance," she explains.

In the penultimate year of her masters degree, she took an internship at Lehman Brothers and on the back of that was offered a job.

She likes the international focus of banking – and particularly Nomura's connection with Asia – and the different opportunities it throws up. "There is the chance to work with people from all over the world, which is really exciting," she says.

Ms Sniegocka also has the opportunity to travel and is regularly asked to go and

Ms Sniegocka (pictured) says she understands the public's anger about pay packages Daniel Jones

meet clients in different countries, so she can develop her own relationship with them.

She expects to have the opportunity to work overseas again, once she has completed her formative years as an analyst in London.

But the flipside to the benefits of her job is a gruelling

> 'The hours are something anyone who wants to join the industry should be aware of'

schedule of 12-hour days and tough targets.

"The hours are something I believe anyone who wants to join the industry should be aware of – it's part of the job," she says.

Her day typically starts around 8am and she rarely leaves the office before eight or nine o'clock, sometimes much later if she is in the final stages of an important deal.

In spite of this, Ms Sniegocka manages to achieve a good balance in her life. She is a keen sports enthusiast and took time out to climb Mount Kilimanjaro in Africa last year.

She says expectations of her in the office are high but at the same time there is a "great opportunity to outperform and to assume responsibility".

Her diary is difficult to plan as the course of each day depends on what happens in the financial markets and which clients call.

Most of her time is spent analysing situations in different companies – how exposed they are to currency movements or interest rates, for example – and assisting her team to prepare financing proposals for equity and debt.

Ms Sniegocka has not been deterred by the recent public backlash against bankers.

She says that while she understands the public's anger about some of the huge pay packages awarded to senior investment bankers, at the same time she knows how hard she and her team work every day.

She expects to stay in the financial industry for many years and is already keeping her eyes open for the next opportunity.

"I am trying to understand the different roles in the bank and to speak to different teams on a daily basis," she says.

However, she recognises that it is unlikely that she will ever again see the kind of event that shaped her first few months in the industry.

"We'll talk about the collapse of Lehman forever," she says. "But after all, I think it turned out to be a good opportunity."

Bonus culture remains strong

Analysis

Megan Murphy explains how changes to compensation rules have affected the industry

It seems that hardly a day goes by without fresh headlines about bankers and their bonuses, as institutions such as Goldman Sachs and JPMorgan begin distributing billions in profits just 16 months after the near-collapse of the global financial system.

From a rumoured – and, as it turns out, wildly exaggerated – $100m payday for Lloyd Blankfein, Goldman's chief executive, (he was actually awarded a relatively paltry $9m) to Royal Bank of Scotland's tussle with the UK Treasury over the size of the state-owned bank's bonus pool, the controversy over bankers' perceived return to "business as usual" has generated unprecedented public and political outrage.

In the absence of firm evidence that banks would exercise restraint after a year in which much of their profits were derived from exceptional conditions in the market, regulators across the globe have acted both unilaterally and in concert to curb the industry's excesses.

From the UK's so-called supertax on bonuses above £25,000 to new international guidelines agreed by G20 leaders, bankers are facing a barrage of reforms designed better to align risk with reward.

So how do the rules break down for the average banker – the ones not in line for mega-millions but still due a substantial cash bonus?

The structure of bankers' pay has long been much more complex than that of workers outside the financial services sector. When UBS recently overhauled its pay structure to take into account the G20 guidelines, for example, it released a detailed powerpoint presentation to staff to explain how the changes would work.

Investment bankers' pay is generally comprised of two elements – a fixed salary and what is known as variable compensation, i.e. a bonus. That bonus is then made up of two further elements – a straight cash payment, and a payment in deferred share awards that typically pay out over a one to three year period.

Somewhat counter-intuitively, the fixed salary component of bankers' pay has historically had a relatively low threshold, so even the highest-earning traders would only be taking home say, £150,000 in salary.

In past years, most bankers could also expect to receive anywhere from 60-90 per cent of their bonus in cash. During boom times, such as the run-up to the crisis, it was those large lump-sum payments that fuelled everything from booming house prices in London and New York to a notorious £44,000 alcoholic lunch at Petrus, one of Mayfair's leading restaurants.

One of the biggest shifts in the aftermath of the credit crunch has been to require banks to pay a much larger proportion of bonuses in shares. Under the G20 principles, for example, banks must defer 40-60 per cent of variable pay for at least three years, which (at least in theory) means that bankers have more incentive to work for the overall financial health of their employer, as opposed to boosting short-term profits.

That doesn't mean that the days of bankers piling into Porsche and Lamborghini dealerships once a year are

> Pay restrictions do not mean that the days of bankers piling into Lamborghini dealerships once a year are over

over. For a trader owed a £1m bonus, that still means he or she is looking at £400,000 in cash, which is then, of course, subject to tax.

But it does mean that bankers or those aspiring to be bankers will have to think more closely about how they structure expenses such as mortgages or school fees, as well as their loyalty to their chosen firm.

Most big banks have responded by raising basic salaries, which, while increasing their fixed expenses, reduces employees' reliance on one-off sums.

Whether any of these measures reduces systemic risk in the financial system, or can be dismissed as political posturing is contentious. Many bankers believe the compensation debate has obscured the real causes of the crisis.

What is certain, however, is that the rules of the game have changed – permanently.

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Back to the drawing board

Hopes ran high at Davos but the debates were inconclusive. By *Patrick Jenkins*

AMONG THE MANY ECLECTIC speakers at this year's World Economic Forum in Davos was Jeff Kinney, barnstorming author of the "Diary of a Wimpy Kid" children's books. Mr Kinney might have been a bit of a sideshow, but "wimpy" was just how many delegates saw the tone of the more core economic and financial agenda at Davos this year.

A year on from the bleakest forum in the WEF's four-decade history – when the mood had been dominated by existential angst about whether global capitalism could ever recover from the financial crisis – hopes were high for Davos 2010.

Emerging markets would provide an upbeat world view to counter the pessimism in the west. Politicians and financial regulators would sit down with bankers and decide a sensible framework for the banking markets of the future. Finance ministers and central bankers would get to grips with the most fundamental weakness of the global economy – its imbalances. In short, Davos would help set the world back on to a stable growth path.

In the event, the debates and the outcomes proved indecisive. "How was it?" asked one delegate of another at the executive bar in the main congress centre halfway through the four-day forum. "Nothing's going to happen. What's going to happen is the status quo."

Uncertainty was a pervasive descriptor of the mood at Davos this year. "People are uncertain – about regulation, about financial markets, about the economy," Lord Levene, chairman of the Lloyd's of London insurance market, told the FT. "There is 10 per cent unemployment in the US. So people are asking, 'How solid is the real economy?'"

A delegate takes part in a brainstorming session to "rethink, redesign, rebuild" at this year's World Economic Forum

The highlight of the week – if only for its sheer entertainment value – was the opening speech by Nicolas Sarkozy, president of France, who railed against bankers and financial markets, and said the world should be "taxing the exorbitant profits of finance to combat poverty". It was moralistic – uplifting even – but hardly the sort of rhetoric that a financial economy, struggling to recover from crisis, was hoping for.

There was, admittedly, a fair dollop of optimism about emerging markets. At a breakfast organised jointly by HSBC, the emerging markets-focused bank, and the FT, speakers trumpeted the promise of China, in particular.

China, it seemed, was not ready to take on a leadership role in Davos, in spite of its relative strength and western markets' relative weakness. There was symbolism – most strikingly, the disappearance of Microsoft from the chalet it has traditionally occupied right opposite the congress centre, and its replacement with CCTV, China's state-run television network. But there was no assumption of control. Li Keqiang, China's executive vice-premier, and the man widely tipped to succeed Wen Jiabao as premier in two years' time, gave the highest-profile speech of his career, but he steered largely clear of controversial topics, such as exchange rate policy and trade protectionism.

In the event, pressure from politicians on the issue of bank regulation produced some results

The International Monetary Fund was downbeat, too. Dominique Strauss-Kahn, the organisation's managing director, said growth was going to be slower than many countries hoped because their numbers did not add up. Exports would not be the panacea on which many were counting.

Surely, overall, the atmosphere was better than 2009? "No, it's much, much worse," said Michael Cohrs, co-head of investment banking at Deutsche Bank, "at least for bankers." Though the 2009 summit was dominated by talk of another Great Depression, with no one knowing whether financial capitalism and a globalised economy had any kind of future, at least then everyone was working together then to beat the crisis, Mr Cohrs said. "Now, no one's going in the same direction."

That is a neat summary of the general view of where the world is on the issue of bank regulation. The tone for discord was set over the previous couple of months, when first Alistair Darling, UK chancellor of the exchequer, then Mr Sarkozy, then Barack Obama, US president, realised there was political capital to be made out of making banks pay for the bail-outs they had received, both directly and indirectly.

Until then, there had been a measured process under way, overseen by international regulatory bodies such as the Financial Stability Board and the Basel Committee on Banking Supervision. The summit of the Group of 20 leading nations had set that overhaul in train last autumn, with new rules being set in close consultation with banks and a final blueprint due out by the end of this year.

Financiers complain that orderly rewriting of the rules – reliant on boosting capital and liquid funds and making risk-taking more expensive – has been hijacked for political ends by politicians intent on winning banker-bashing votes.

Early on in the Davos week, it seemed such friction would hamper any headway. But in the event, the pressure produced some results. First a pair of prominent bankers – Josef Ackermann, chief executive of Deutsche Bank and head of the Institute of International Finance, and Bob Diamond, president of Barclays – spoke out in favour of a global tax on banks, in the interests of a level playing field internationally for the sector.

Henrique Meirelles, governor of Brazil's central bank, right; Bill Clinton with Melinda Gates, below

By the time the Davos summit wound up, there were signs of international support for the US political crackdown on banks. Far from being a distraction from the regulatory process, Mr Obama's initiatives – a levy on the big banks and moves to derisk banks' activities, such as casino-style proprietary trading – were a helpful spur to global action, agreed Hector Sants, chief executive of the UK Financial Services Authority, and Philip Hildebrand, governor of the Swiss central bank. An Obama-style levy, structured as a pre-funded insurance scheme to protect against future bank collapses, was a model worth pursuing at a global level, both men suggested.

At a ski-resort congress, famed as much for its late-night parties as for its economic agenda, a meeting of minds that could set the direction of future global co-ordination was probably as much as anyone could hope for from Davos.

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Social anxieties and squabbles

FT writers give their verdicts on the mood and political moves at Davos

Gideon Rachman

Davos runs on social anxiety. There is so much going on that, like most delegates, I constantly have a feeling that I might be in the wrong spot. Was it a mistake to skip the session on Afghanistan, in favour of the lunch on neuroscience? Or should I perhaps be shunning the formal sessions in favour of the parties and dinners that takes place in the various hotels surrounding the conference centre? Or perhaps the really cool thing to do would simply be to go skiing?

This year, however, I discovered a variant on this familiar anxiety. Could it be that Davos itself is now the wrong place to be? Has the World Economic Forum passed its peak?

The thought was prompted by the relative lack of top politicians. In 2009, the forum boasted appearances by Vladimir Putin and Wen Jiabao, the prime minister of Russia and premier of China, respectively, as well as Gordon Brown of the UK and Angela Merkel, German chancellor.

This year, none of them showed up. The keynote address was given by Nicolas Sarkozy, president of France. But, Sarko aside, the political leaders who turned up were slightly second-tier – the presidents of South Korea, South Africa and Mexico were there. So were the prime ministers of Spain and Thailand. But the really major powers tended to send someone of slightly lower rank – a finance or a foreign minister, say.

Still, even if this turns out to be a long-term trend, I'm not sure it really matters. Big business still turns up in force. Bill Gates was holding court at the Seehof hotel, the "Google guys" had their annual party. And anyway the most important leaders are generally too grand to share a stage and confine themselves to making formal speeches – which are not really what Davos is all about.

The most interesting sessions are when you get a mix of people from all over the world to engage with each other. The discussion that the FT's Martin Wolf chaired on the global economy, which featured Larry Summers (Barack Obama's chief economic adviser), the deputy head of China's central bank and the French finance minister, was an example of Davos at its best – a rich discussion from people who are important and knowledgeable, but not too grand to engage in a proper debate.

Josef Ackermann, chief executive of Deutsche Bank (on screen), participates in a panel discussion at Davos, above

Chris Giles

On the surface, there was much relief at the World Economic Forum that the dire predictions of the 2009 meeting had not come true. A global depression, international economic squabbling, protectionism and the humbling of the big emerging markets were mercifully not a trait of 2009.

But though the news had generally been positive, the delegates at Davos 2010 were almost as willing to see the bleak side as they were a year ago.

The mood was certainly not helped by the meeting coinciding with severe market pressure on Greek government bonds, appearing to signal the start of a dangerous period for the eurozone. The widespread concerns reflected the understanding that on the big issues of international economic policies, action was as far off as ever.

Sometimes, seeming harmony masked larger divisions. In the big panel debate on the global economy, everyone agreed it would be dangerous to reduce economic stimulus too soon. Dominique Strauss-Kahn, managing director of the International Monetary Fund, said that the risks were asymmetric: if economies slipped into another recession after premature withdrawal of stimulus, there was nothing the world's authorities would be able to do. The rest of the panel nodded, including Zhu Min, deputy governor of the People's Bank of China, Larry Summers, chief economic adviser to Barack Obama, and Christine Lagarde, France's finance minister.

But a completely contradictory view was agreed at another panel, which included the no less important Jean-Claude Trichet, president of the European Central Bank and David Cameron, leader of the UK's Conservative party. They argued that market and public confidence in countries that were solvent would be boosted by spending cuts and tax increases, and this was now the most important economic policy for recovery.

If exit strategies could generate little international consensus, there was not much progress on the perennial issue of global trade imbalances. Mr Zhu reiterated China's commitment to shift demand towards consumption from exports, but refused to contemplate currency appreciation as a tool for this task. Mr Summers issued veiled threats about protectionism if countries continued to pursue mercantilist policies at a time of demand shortages. There was no dialogue between the two.

And throughout the meeting, delegates, including Mr Strauss-Kahn and Alistair Darling, UK chancellor, called for more rapid progress for international agreement on banking reform. But these calls came just after domestic politics dictated that contradictory unilateral regulatory moves were spreading around the world.

Should I shun the formal sessions in favour of the parties and dinners – or simply go skiing?

Gillian Tett

Three years ago, investment bankers in Davos tended to spend their time worrying about where to find the best parties. This year, they put on a decidedly sober face.

No wonder. After all, this particular Davos gathering could barely have come at a more sensitive time for the global financial industry. In the coming months, western governments are supposed to agree on reforms to financial rules, covering matters ranging from capital adequacy rules to derivatives trading.

Until mid-January, most bankers thought they had a good idea how these rules would play out, and were thus lobbying the Basel committees of international bank supervisors, to prevent global bureaucrats from adopting anything too onerous.

But in the days before the Davos meeting, the UK government unveiled a proposed bankers' bonus tax – and the Obama administration announced a bank levy, and the controversial "Volcker rule".

As a result, a peculiar – and ironic – twist permeated this year's debates. After spending last year moaning about bureaucrats, the bankers this year expressed cautious support for what international bureaucrats were doing, via the Basel committees.

The reason? Confronted with the sight of politicians weighing into the debate, many bankers decided that the prospect of dealing with them was even worse than letting bureaucrats rule the roost. Thus, senior bankers were at pains to express their support for "global co-ordination" in financial regulation – a shorthand for insisting that the Basel committees, rather than national governments, should now set the agenda.

In practice, that may be too little, too late. But if nothing else, the shift in alliances reveals that banking reform is now a very fluid game; all that partying – and networking – between bankers, bureaucrats and politicains in Davos, in other words, had a deadly serious point.

Keeping its distance

China made a point of disengaging from the global debate at Davos, says *David Pilling*

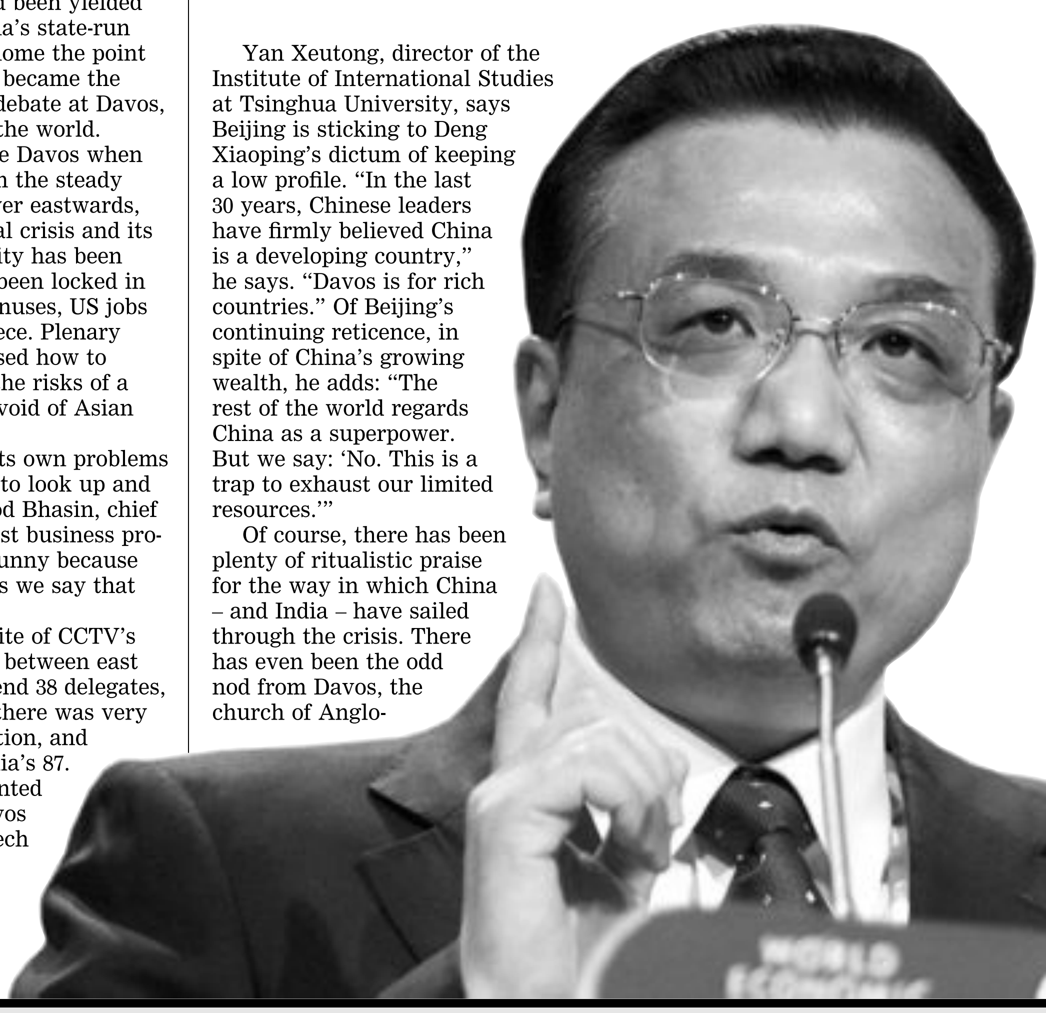
OPPOSITE THE DAVOS Congress Centre, in the chalet for years reserved for Microsoft, the brash display of People's Republic red left little doubt that this year the prime spot had been yielded to CCTV, China's state-run television network. As if to drive home the point about Asia's growing clout, NDTV became the first Indian channel to host a live debate at Davos, with the theme of India's place in the world.

This was clearly meant to be the Davos when the west finally came to terms with the steady shift of economic and political power eastwards, revealed in an epiphany of financial crisis and its wrenching aftermath. But the reality has been quite different. Davos instead has been locked in fractious debate about bankers' bonuses, US jobs and the financial implosion of Greece. Plenary sessions at which delegates discussed how to regulate the financial industry or the risks of a double-dip recession were often devoid of Asian representation.

"The west is very absorbed by its own problems and hasn't had the time or energy to look up and see what's happening," said Pramod Bhasin, chief executive of Genpact, India's biggest business processing outsourcer. "That's quite funny because the world is splitting apart, even as we say that we are getting more globalised."

In the case of China – and in spite of CCTV's show of force – the disengagement between east and west was mutual. China did send 38 delegates, its largest contingent to date, but there was very little senior ministerial representation, and even the number paled besides India's 87. As if to emphasise that Beijing wanted to stay on the periphery of the Davos conversation, the big set-piece speech by Li Keqiang, executive vice-premier, shunned foreign content almost entirely.

'The rest of the world regards China as a superpower. But we say: "No. This is a trap"'



Yan Xeutong, director of the Institute of International Studies at Tsinghua University, says Beijing is sticking to Deng Xiaoping's dictum of keeping a low profile. "In the last 30 years, Chinese leaders have firmly believed China is a developing country," he says. "Davos is for rich countries." Of Beijing's continuing reticence, in spite of China's growing wealth, he adds: "The rest of the world regards China as a superpower. But we say: 'No. This is a trap to exhaust our limited resources.'"

Of course, there has been plenty of ritualistic praise for the way in which China – and India – have sailed through the crisis. There has even been the odd nod from Davos, the church of Anglo-Saxon capitalism, to the possible merits of more interventionist policies.

For example, George Soros, the billionaire investor, favourably contrasted China's approach to pricking asset bubbles through "administrative guidance" and control of credit with what he categorised as the failed reliance on a purely monetary approach practised by Alan Greenspan, former chairman of the Federal Reserve.

But bankers said that, in spite of its relative success in regulating its state-owned banks, Beijing remained outside the global debate. Western regulators are not in a position to emulate China's command-led structure, while Beijing regards debates about the "Volcker rule" and too big to fail as irrelevant to its circumstances.

As a result, delegates from China and the west spent much of the time talking past each other, particularly when it came to the vexed question of exchange rates. Li Keqiang avoided the subject altogether in his speech. Even Cheng Siwei, chairman of the International Finance Forum, an influential Chinese think-tank, was cautious, saying the subject was "under consideration" but that Beijing would move gradually, and certainly not under western pressure.

Robert Hormats, US undersecretary of state for economic, energy and agriculture affairs, took gentle pot shots at China. "A growth model which depends on selling more and more to the US consumer is not a sustainable or credible model," he said. "If you want to continue to have a robust rate of growth, you have to reorient your model."

He also suggested that Beijing had not yet learnt that, with increasing wealth at home, came the need for greater international engagement. "As China becomes a bigger part of the global system, it has to assume more responsibility for the global system," he said.

Prof Yan from Tsinghua University brushed away any cosy talk of international co-operation. Of China-US relations, he said: "We are not friends. We are business partners." China would act solely in its own economic interests.

A 'safe' speech defending China's export-led model

LI KEQIANG, THE MAN POISED TO become China's next premier in 2012, stepped on to the Davos stage with what looked like a royal wave. In easily his most high-profile speech abroad since his elevation to vice-premier two years ago, he resolutely defended China's record in pursuing balanced growth, implicitly rejecting criticism that Beijing had not done enough to mend its export-led model.

"China's contribution to the world's economic recovery is obvious," he said, adding that its 8.7 per cent growth in output last year came in spite of falling exports that shaved nearly 4 per cent off the headline rate. Growing domestic demand, both through government-led investment and consumption, contributed more than 12.5 per cent to the growth in gross domestic product, he said. "While promoting growth, we spared no effort in rebalancing the structure of the economy."

The vice-premier, who analysts say is being groomed to succeed Wen Jiabao as premier, stayed clear of contentious topics. He avoided even oblique reference to exchange rate policy – a point of friction with the US – let alone topics such as Iran, Google or domestic political reform.

The closest he brushed with controversy was to criticise countries that preached free trade but adopted protectionist practices, a swipe at recent US measures against Chinese products such as tyres.

Orville Schell, director of the Asia Society, said: "An ascending leader has very little margin to propose interesting ideas or breakthrough concepts. It was very safe ... a good effort to depict China as a responsible global citizen in a time of economic turmoil."

Elizabeth Economy, an expert on China at the US Council on Foreign Relations, said the speech "addressed implicit criticism that China doesn't do enough".

The succession process to determine who will lead what may already be the world's second-biggest economy is opaque. "It is extraordinary how little we know about what goes on behind the screen," said Mr Schell. "It goes on behind the walls of the Forbidden City, and is revealed."

China experts say Xi Jinping, who two years ago was made a member of the nine-man Politburo standing committee along with Mr Li, is likely to succeed Hu Jintao as president.

Mr Li peppered his speech with data aimed at proving that China was shifting to more balanced and sustainable growth. Sales of consumer goods had risen 15.5 per cent last year, while income grew in tandem with GDP, increasing disposable income, he said.

Acknowledging that China was "excessively dependent on exports", he added: "I am confident consumption will play a bigger and better role to drive China's economic developments."

Li Keqiang, executive vice-premier of China, above; pianist Lang Lang performs at the Crystal Award ceremony in Davos, below

Some delegates criticised China's fixed exchange rate policy, citing it as evidence that Beijing intended to return to its export-led model. George Soros, the billionaire investor, said lifting the renminbi-dollar peg would boost domestic consumption and help fight inflation. "It cries out for action today," he said.

Chinese delegates said Beijing would not respond to US pressure to alter the exchange rate but hinted at "gradual change".

David Pilling

FT DAVOS INSIGHT | ANALYSIS

Under pressure

Banks at Davos met with a wave of new controls from politicians. By *David Pilling* and *Gillian Tett*

PROTESTERS WERE HANDING out leaflets in the streets of Davos at the weekend. But their anger was not directed against world poverty, nuclear power or war; instead they were demanding that banks should put their derivatives business on to exchanges to make the financial system more transparent.

It is a potent reminder of how issues about financial stability dominated the agenda at the World Economic Forum last week. For most of the past decade, banks have used the WEF in Davos as a lavish opportunity to entertain clients. Last week, they were fighting to fend off a wave of controls on sectors ranging from bonuses to proprietary trading and derivatives.

International supervisors, led by the Financial Stability Board and the Basel Committee on Banking Supervision, are pondering how and when they should change the levels of capital and liquidity that banks will have to hold in future. Moreover, in recent weeks, politicians – Barack Obama, the US president, Alistair Darling, the UK chancellor, and Nicolas Sarkozy, the French president – have weighed in with measures, short-circuiting the more consultative regulatory response.

Whether the banks could claim victory for their lobbying at Davos remains unclear, partly because the financial industry is fighting on many fronts. One issue that dominated discussion at the WEF was proprietary trading – and a putative move by the Obama administration to ban the activity at banks that take insured deposits.

Most bankers vociferously opposed the idea. Frédéric Oudéa, chairman and chief executive of Société Générale, said: "There is a process already under way in Basel. We need it to remain an orderly process in which regulators take the lead role and organise the dialogue with the banking industry. Otherwise there will be confusion, uncertainty and additional pressure on the financial system."

There is widespread confusion about what any ban might mean. Barney Frank, chairman of the House of Representatives' Financial Services Committee in Washington, told the Financial Times last week that banning banks from proprietary trading could be covered by a bill his committee had prepared that would permit a systemic regulator to clamp down on it. Some western regulators said a ban might be incorporated into moves being considered by the Financial Stability Board to tighten the treatment of banks' trading books.

The most powerful consensus was that however awkward regulators were, unpredictable politicians were worse

Bob Diamond, Barclays president, above

But policymakers in Davos warned that banks would be foolish to think they would be "let off the hook", as one said. "There is real political pressure to do something," one senior western regulator said. "The banks need to recognise that."

THAT, IN TURN, MEANT A SUBTLE BUT important shift in attitude among the bankers developed last week. Until a few weeks ago, most bankers had expected to use the Davos meeting to swap views on the shortcomings of the Basel Committee proposals, put forward by financial bureaucrats in a consultation document late last year.

In the event, there was plenty of handwringing over how the new Basel rules on capital would make it unfairly expensive to control a stake in a subsidiary, rather than wholly own it; and how plans to limit the value of deferred tax assets could strangle economic recovery. But the most powerful consensus was that however awkward regulators were, unpredictable politicians were worse.

Bob Diamond of Barclays Capital talked about the "very negative" impact US measures to constrain banks would have; Josef Ackermann of Deutsche Bank spoke of "the costs of cacophony" associated with unco-ordinated proposals; Sadeq Sayeed, chief executive of Nomura in Europe, the Middle East and Africa, said: "A lot of the policy and tax proposals that are coming out are half-baked."

While the international bureaucrats were keen to distance themselves from the bankers, they stressed that reform had to be co-ordinated rather than driven by domestic politics.

"We cannot have reform of the system driven by what each country sees that it needs for itself," Dominique Strauss-Kahn, head of the International Monetary Fund, told the Davos forum on Saturday. "We need to have co-ordination – we cannot afford to have different solutions in different parts of the world."

PHOTOS: BLOOMBERG; SWISS-IMAGE.CH

The Lex column: harvesting the crumbs

MOST OF THE DAVOSIAN rearguard action this week against Barack Obama's proposals to shrink banks has been waged out of the media spotlight. Bob Diamond, president of Britain's Barclays and head of its investment bank Barclays Capital, was one of few bankers brave enough to speak out. From the Alps, he argued that Mr Obama's proposals would do nothing to make the world safer – although paying an "insurance levy" might be reasonable.

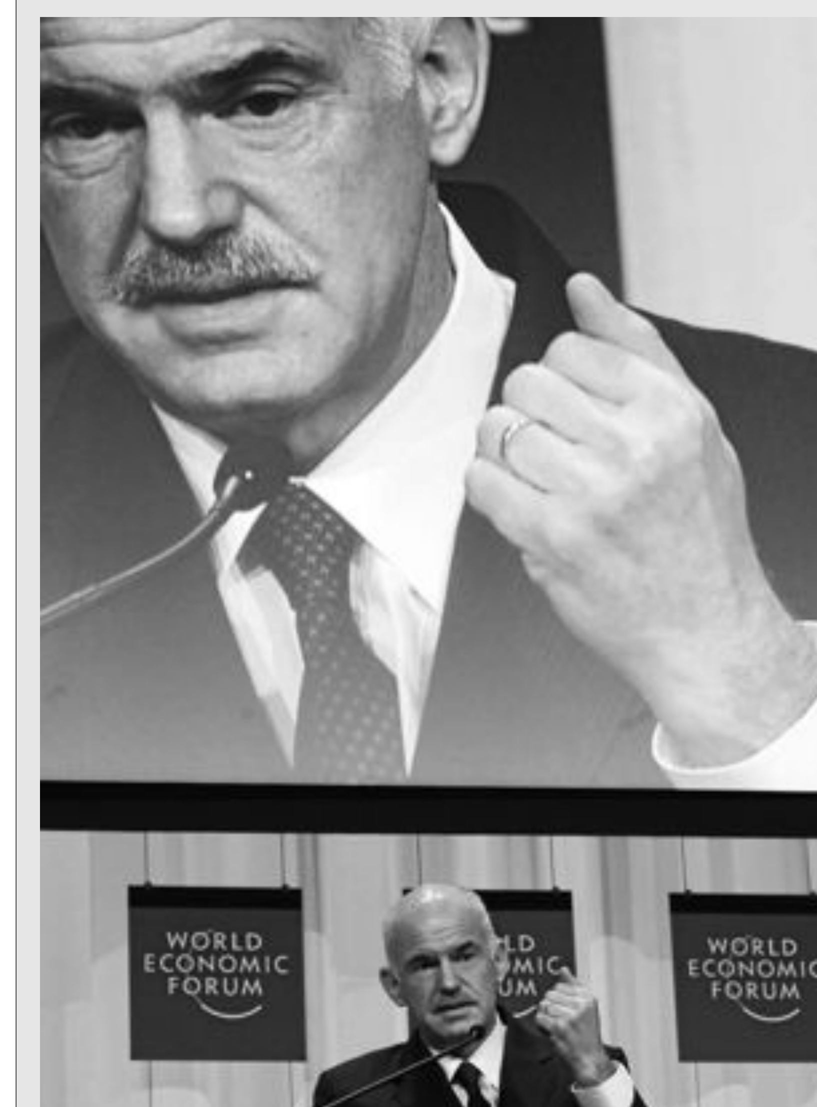
The numbers suggest otherwise. Take BarCap, a typical European investment bank. It generated a 0.08 per cent return on its £1,600bn of assets in 2008. Risk-weight those assets, and the return was still only 0.6 per cent. Even over the past year it will deliver less than 1 per cent. By comparison, European retail banks usually generate more than 1.5 per cent. Far from being masters of the universe, then, investment bankers are busy harvesters of crumbs.

Indeed, the main way investment banks generate profit is via their huge balance sheets – BarCap's is 80 per cent of Barclays' total – and leveraging the return. Even after netting off £500bn of derivatives, BarCap is still about 25 times leveraged. This means a large amount of risk is embedded in investment bank profits, even among the best run. It is also why investment banks cannot countenance being smaller.

All this illuminates a truth at the heart of Mr Obama's proposals, and also why bonuses have spurred politicians to act. Investment bankers typically feel entitled to at least half of net income – which comes before the tax take of a levy. In other words, they capture the largest part of a profit stream in a way that takes little account of the risk required to generate it. Furthermore, even banks that did not get bail-outs are part-subsidised by various state schemes such as deposit guarantees. (As Barclays puts it: "An important source of structural liquidity is provided by our core retail deposits".) In Davos, Mr Diamond said: "Without risk, we don't have a banking industry." He was absolutely right – if not quite perhaps in the way he meant.

Bonds, Beijing and risk

The prime minister of Greece faced an uncomfortable debate. By *Gillian Tett*



George Papandreou, above, denied that Athens tried to sell its bonds in Beijing

WHEN THE ORGANISERS OF the World Economic Forum in Davos planned the agenda for this year's event, I doubt they even noticed that Li Keqiang, the vice-premier of China, was scheduled to sit on the same stage in a congress hall 10 minutes after George Papandreou, prime minister of Greece.

The irony, however, was delicious. For the first part of the afternoon on Thursday, Mr Papandreou sat uncomfortably amid a eurozone debate, looking like a man on the political back foot, as he tried to explain the current crisis in the Greek government bond markets.

As he left, a hyper-confident, disciplined Chinese delegation swept in – and the vice-premier delivered a forceful (albeit predictable) speech about China's self-styled "win-win" economic policy, which has helped it to rebound and spread its wings across the world.

Whether Mr Li and Mr Papandreou managed to say "hello" as they passed through the stage door was not clear. However, Mr Papandreou, for his part, fiercely denied that he might have any need to court the Chinese.

On Thursday he was at pains to say that Athens had never tried to sell its bonds in Beijing, and that "Chinese investors did not have any contact with us. We have denied it and the Chinese have denied it." He tried to calm the markets by talking at length about his commitment to structural reform, while hinting that players "with ulterior motives and agendas" were stirring up rumours in the government bond world.

It is undoubtedly a popular line to take inside Greece. But as Mr Papandreou admitted, the real problem dogging Athens is that its "biggest deficit is not the financial deficit but the credibility deficit". To put it bluntly, few investors believe what Mr Papandreou has to say, either about the economy or the Chinese.

IT HAS BEEN EVIDENT FOR MONTHS that Greece is in a deep fiscal hole, which is prompting it to explore creative ways to sell bonds. No wonder the word inside some big western investment banks is that public finance is set to be a focus for innovation in coming years, in much the same way, say, that mortgage finance or leveraged buyouts used to spark so much creativity.

Almost every business leader or banker in Davos this week has a story to tell about how the Chinese are spreading their tentacles into unlikely places. One powerful financier, for example, says he has spotted the Chinese looking for distressed assets in Ukraine; another says Chinese money is being fed into the British mortgage market; a third that some of the best restaurants in Nigeria now serve Chinese food; while the Chinese now appear to be stalking almost every mine on the planet. In this context, the idea of Beijing quietly buying Greek bonds – perhaps via a private placement – does not look outlandish.

Ruling out such a move so publicly leaves Mr Papandreou with a challenge. Just before he arrived in the Swiss mountain resort, CNBC polled Davos delegates and found more than 50 per cent saw government debt as the next big global risk, above other risks such as protectionism.

There is, in other words, a deep fear at the heart of all government bond markets. At best, that makes for some volatile price swings; at worst, it leaves Europe looking at a potential crisis. Either way, Mr Papandreou needs all the marketing skills he can muster; with or without the services of those innovative and clever investment bankers.

To put it bluntly, few investors believe what Mr Papandreou has to say, either about the economy or the Chinese

FT DAVOS INSIGHT | BLOGS

From Sarkozy to Soros

The FT's blog writers reveal their impressions of this year's debates at the World Economic Forum

Bill Gates
Making the difference between a bleak and a bright future

One of the big topics of conversation here in Davos is the economy. In panel discussions and hallway conversations, people are talking about the long-term effects of the recession of 2009. While it is true that we will see lingering unemployment and huge government deficits for quite some time, the big story is actually much more positive. I believe we can make amazing progress in the years ahead to improve people's lives around the world. The key is to keep investing in innovation. It is what makes the difference between a bleak and a bright future.

During the past two centuries, a huge number of innovations have fundamentally changed the human condition – more than doubling our life span and giving us cheap energy and more food. If we project what the world will be like 10 years from now without continuing innovation in health, energy or food, the picture is quite dark. Health costs for the rich will keep escalating, forcing tough trade-offs, and the poor will be stuck in the bad situation they are in today. We will have to increase the price of energy to reduce consumption, and the poor will suffer from both this higher cost and the effects of climate change. We will have big food shortages because we won't have enough land to feed the world's growing population.

Innovations will allow us to avoid these bleak outcomes. With vaccines, drugs and other improvements, health in poor countries will continue to get better. With better seeds, training and access to markets, farmers in poor countries will be able to grow more food. The world will find cleaner ways to produce electricity at a lower cost.

Although innovation is unpredictable, there is a lot that governments, private companies and foundations can do to accelerate it. Rich governments need to spend more on research and development, for instance, and we need better measurement systems in health and education to determine what works.

SIR HOWARD DAVIES is director of the London School of Economics and Political Science

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SIR MARTIN SORRELL is chief executive of WPP Group

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MARTIN WOLF is the FT's chief economics commentator

Howard Davies
A Franco-Chinese spat in 2011 sounds an enticing prospect

When a French president praises capitalism, an Englishman is conditioned to smell *un rat*, indeed a whole nest of them. And Sarkozy did not disappoint, in his grand opening address at Davos.

He offered three interpretations of the causes of the crisis: global imbalances, short-termism, and bankers being tempted into speculation and away from real banking. Arguably, they point to quite different solutions, but they were all grist to his *moulin*.

We need a new form of globalisation, he argued, where everyone follows the rules set by a range of new global gendarmes, overseeing financial regulation, exchange rates, trade and environmental standards, but all of them respecting the rights of nation states – a kind of global Gaullism.

It is a beguiling vision, a kind of avatar capitalism, and delivered with fine phrases and only a modicum of finger-pointing. The beef came in a threat to put exchange rates at the top of the agenda when the French chair the G20 in 2011 – delivered with just the hint of a smirk. I don't know how the Chinese translate "New Bretton Woods", but I bet it sounds to them like yet another attempt to talk up the renminbi. Bush and Paulson failed to make much of an impression with their rhetoric. So far Obama has had other carp to steam. A Franco-Chinese spat in 2011 sounds an enticing prospect.

Martin Sorrell
Politicians can't afford to ignore populist passions

Focus on the first day, among other things, is on the high levels of unemployment and consequent risk of more protectionism. As unemployment is already at a very high level – an average of 10 per cent in most western economies, and youth unemployment at least double that – social stability and long-term social damage are major issues.

As a jobless recovery kicks in, the problem is likely to worsen and, as a result, protectionism will rear its head even more.

Organisations such as the International Labour Organisation and WTO are pushing for more social programmes to cushion structural unemployment. Business generally argues that western European economies, in particular, are not flexible enough. In the US, although structural change is equally difficult and unpleasant, there is a mobility and flexibility that is absent from western Europe, where higher taxation and social charges make plant location and similar investment decisions more difficult.

It's not a question of favouring lower wage economies; it's a question of economies having higher non-salary costs. In the US, you know exactly where you are, how much it will cost and how long it takes. You can almost turn on a sixpence. In western Europe, it is a much slower and more bureaucratic process. However, we need more policy specifics, beyond the generalities. Unfortunately, business does not speak with a combined and consistent voice.

Bankers continue to be bashed. There's a growing feeling, epitomised by measures announced by the White House, that the banks are just conducting business as usual. It seems that the industry will have to do much more than has been done already.

Apologies and tactical responses may not be sufficient to counter further populist moves. More fundamental responses in relation to profits and bonuses may be needed. The man or woman in the street can't understand why his or her money (through taxation and government intervention) was used to bail out the banks and now, only a year later, we are back to business as usual. Politicians who are there to be re-elected can't afford to ignore such populist passions.

Jasmine Whitbread
Lots of talk about the growth of India, but what about its people?

Will India meet global expectations? This is what was debated in a large televised room packed with serious corporate players. Lots of talk about India's role as regional power and its growth rates, but then finally a brave panellist suggests that the priority has to be for the country to develop its people. The moderator ignored this and went back to growth rates.

Frustrating, given that India really could stop its children going hungry and dying from preventable causes – with enough determination. Bangladesh, a poorer country, has made faster progress on cutting child mortality rates. The G20 is the critical new global grouping. I do hope development doesn't get left as solely the domain of the G8. Though good news here – Canadian PM Harper announces the agenda for the next G8 will focus on maternal and child mortality.

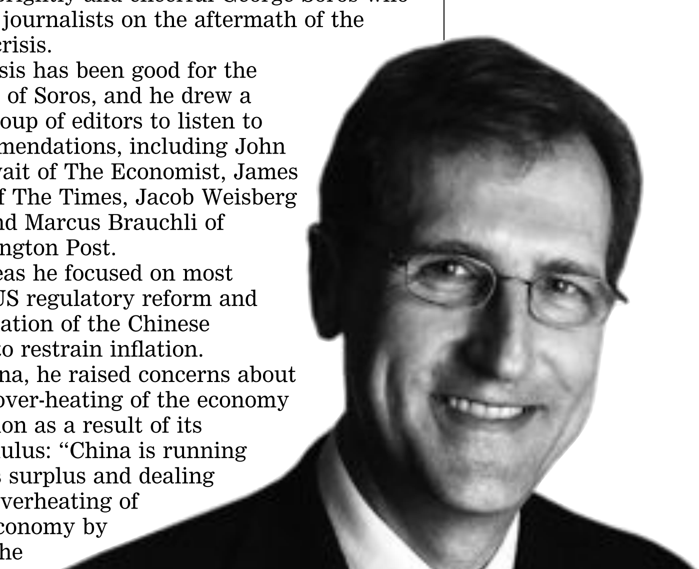
John Gapper
George Soros wants China to revalue its currency

It was a sprightly and cheerful George Soros who addressed journalists on the aftermath of the financial crisis.

The crisis has been good for the credibility of Soros, and he drew a notable group of editors to listen to his recommendations, including John Micklethwait of The Economist, James Harding of The Times, Jacob Weisberg of Slate and Marcus Brauchli of the Washington Post.

The areas he focused on most included US regulatory reform and the revaluation of the Chinese currency to restrain inflation.

On China, he raised concerns about potential over-heating of the economy and inflation as a result of its fiscal stimulus: "China is running a fabulous surplus and dealing with the overheating of Chinese economy by allowing the currency to



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To read the full blog entries from Davos, go to www.ft.com/davosblog

rise is probably best from the Chinese point of view, it is certainly best from the global point of view. The case for revaluing the renminbi is getting stronger and stronger.

"The imbalance comes from the RMB being fixed to the dollar. That is an imbalance that ought to be corrected right now. China has an inflation problem that it has to deal with and allowing the currency to appreciate would be a very effective way of dealing with it."

On the "Volcker rule", announced by Barack Obama last week to split proprietary trading and hedge funds and private equity from deposit-taking banks: "I am very supportive of it but I don't think it actually goes far enough ... Some of the banks will spin off their investment banks and those will be very substantial and they will be too big to fail, so the too-big-to-fail problem still remains. The idea that thought resolution, authority and other measures can allow those banks to fail is not credible.

"I think the banking community that is opposing [reform] is tone deaf. If you talk to individual bankers, they will say something like this is necessary."

Chris Giles
Listening to chief executives, it was as if slavery was still with us

I have a terrible problem when I listen to chief executives talking about what they do for the world: how they give people livelihoods; how their fine management has given thousands of people jobs; how families would be destitute were it not for them. My problem is that I thought slavery had ended – quite some time ago.

My contract with the Financial Times requires me to perform certain services, such as this blog. Actually, it doesn't, but it requires me to do as the editor says. In return, it offers me a salary and some other benefits. Though I haven't read my contract for years, I am sure it does not require me to be grateful to the chief executive, or to acknowledge that I would be destitute without the fine management from which I benefit and owe my existence.

But in today's off-the-record debate about executive compensation, we heard a lot about how good managers create jobs and save lives. It was just as if slavery was still with us.

I asked the panel whether the six-fold rise in average executive compensation relative to base worker pay was due to:

- The fact that executives were monstrously underpaid 20 years ago
- The fact that corporate management had improved six-fold so the pay was deserved
- The fact that the job of chief executive was so much worse now that executives needed extra compensation for their terrible jobs
- Or whether they had collectively exploited market power.

None seemed particularly chuffed with the question. But it is genuine. All said the last possibility was correct.

Martin Wolf
Might the will to take on difficult issues disappear?

Here are further glimpses of the Davos kaleidoscope First, my friend Moisés Naím, editor of Foreign Policy, gave me a new acronym on the global recovery. It is LUV. The "L" is for the L-shaped recovery of the European economies. The "U" is for the U-shaped recovery of the US economy. The "V" is for the shape of the recovery of big emerging economies.

This looks depressingly right to me. In particular, the eurozone seems to have decided on an adjustment to its huge internal imbalances that is loaded entirely on the weak countries of the periphery.

Second, the global attempt at addressing imbalances – the "mutual assessment programme" being orchestrated by the International Monetary Fund – may well run into the sand this year. That would be a great pity.

What is needed is political commitment at a high level. The concern is that, with the crisis largely over, the will to take on difficult issues – exchange rates, for example – will disappear. It would be depressing if top politicians forgot how close the world economy came to disaster just over a year ago. But they may well do so, all the same.

Third, the relationship between the US and China is widely accepted as central. These behemoths look quite similar. Both can respond well to crisis, but neither seems able to deal with long-term structural weaknesses. China's failures centre on its over-reliance on investment and exports, the adverse shift in income distribution away from households, and the extraordinarily low share of consumption in GDP. US failures are well known, too: energy policy, for example. Welcome to the policy gridlock of Chimerica.

Fourth, I am increasingly concerned that stimulus – especially fiscal stimulus – will be withdrawn too soon. We must remember that the developed countries still have enormous slack in their economies. It is not clear that a withdrawal of fiscal stimulus would – or even could – be adequately offset by monetary policy.

Finally, I am listening to Lawrence Summers as I write. He has emphasised that we cannot maintain global integration if it is seen as a source of domestic disintegration. This tension – between the global economy and domestic politics – is a central challenge of our time. It affects everything we try to do.

Balancing work and welfare

Gideon Rachman asks Pravin Gordhan, South Africa's finance minister, about the challenges ahead

Gideon Rachman: Minister, people are very interested in South Africa at the moment, partly because of the World Cup, and you've put on such a dazzling show here in Davos. But I think there is also curiosity about the new government, a relatively new president and a relatively new finance minister. People want to know: has policy changed in South Africa? Is there going to be a different approach to economic policy from the new administration?

Pravin Gordhan: We have been saying for some months – we're seven months into administration – that on the one hand we've had excellent successes in South Africa; we have had good macroeconomic policies that have taken us from the apartheid era into a democratic future; and we have done good things in terms of delivering services to our people. But trying to compensate for a legacy that goes back a few hundred years in terms of inequality will constantly require us to think again and ask, having built a particular platform, how do we go forward?

On economic policy we will build on what we have, and we will continue with what we have, but be mindful of the circumstances around the world and in South Africa, and ask ourselves new questions and pose new challenges.

One of those challenges is employment in South Africa. We have approximately a historical 20 per cent unemployment. The recession has resulted in a million jobs being lost. We can't just sit back and say there's nothing we can do. A lot of the focus of the president is: how do we change our growth path? How do we industrialise more and how do we get better co-operation between government, business and civil society? And when [the president] opens parliament on February 11, you'll hear some of that from him.

GR: If you are going to concentrate on jobs, and inequality in particular, as the next stage, what kind of things might this involve? There's been talk even of a bigger role for the state in generating jobs.

PG: The African National Congress's policy is one of a mixed economy whereby we acknowledge the role of the private sector and that of the market. But, equally, we recognise that markets don't provide for poor people, and that government has to do its part.

So over the past 15 years, we've given what we call child support grants to 8m children, and that's because in my previous job as a tax collector we did a reasonably decent job in creating the fiscal capacity to actually do that. The world requires a balance between work and welfare and, like many developed countries as well, that's the question we're posing to ourselves.

GR: Do you feel the intellectual climate has changed, in that we have moved away from what [French president Nicolas] Sarkozy called "free-market fundamentalism", and that it's easier for a government like yours to say that the state is going to get involved in actively trying to have an industrial policy, for example?

PG: Easier, but also more correct. Easier in the sense of those who see us with a sceptical eye will go and say, "these guys are doing things that others are doing".

The world needs to become a lot more generous. An academic who was quoted a few minutes ago in another meeting said that we are in a period of transition, and that period of transition, in a narrow sense, is a rebalancing between the US and China. Within the G20, we're also talking about creating a framework for inclusive and sustainable growth. This increases opportunities for the state if it has the capacity to do it, but it is not about displacing as much as co-operating with the private sector.

GR: But within your own party, the leader of the ANC Youth League has called for the nationalisation of the mines. Is that something you would seriously consider?

PG: Young people have the liberty to say what they like.

GR: But old people might not necessarily listen to them?

PG: Our policy is quite consistent, and context is important here as well. In our efforts to create greater economic equality, as you know, we have had a black economic empowerment strategy. What has happened in some of the cases, which involved the mining sector, is that this recession has created immense difficulties in respect of the debt in that particular sector, and some of this is about saying: how can we help those people? I know the word "nationalisation" is used, but it's about assisting people who didn't quite anticipate a recession, and who find themselves in difficulty.

GR: Finally, the World Cup is on everybody's minds. Is that economically also an opportunity, or is it just a chance to have a good time and promote South Africa?

PG: No, we want all you guys to bring all your pounds and spend them there, whether England wins or not. It's an immense opportunity for us to say to the world that South Africa is a normal country. So come to Africa and, indeed, to South Africa. It's an opportunity for South Africans to demonstrate their hospitality and for all of you to come and have fun while you give a slight boost to our economy.

But ultimately, it's what we do in our economy – and the kind of programmes that we put in place, which we're very determined to do – that will make the difference. Hopefully, South Africa will win the World Cup as well.

'The recession has resulted in a million jobs being lost in South Africa. We can't just sit back and say there's nothing we can do'

To watch the full video interviews, go to www.ft.com/davos

Pravin Gordhan, South Africa's finance minister, far left; Dominique Strauss-Kahn, managing director of the International Monetary Fund, left; and Abdullah Abdullah, Afghanistan's former foreign minister, below right

Slower growth than hoped

TOO MANY OF THE WORLD'S leading economies are fooling themselves in believing foreign demand will drive their recoveries from the global recession, the head of the International Monetary Fund told the Financial Times.

In an interview at the World Economic Forum, Dominique Strauss-Kahn, IMF managing director, warned that national and global growth would be slower than many countries hoped because too many were relying on exports to underpin expansion.

He also gave his support to the idea of a merger between the Group of 20 and the governance of the IMF, and rejected the suggestion by Nicolas Sarkozy, the French president, that taxes on the financial sector should finance development aid.

After the G20 summit in Pittsburgh last year, world leaders agreed a framework for strong, stable and balanced growth, which gave the IMF the job of collecting national economic forecasts and checking they were consistent with each other.

The forecasts – mostly for 3-5 years ahead – have now been submitted to the IMF. Mr Strauss-Kahn said it was clear they "will not add up" when the fund reports in April.

"The hypotheses they are working on are not the same," he said. "Exports from one region to another must equal imports, which won't be the case."

The implication is that many countries will find exports and demand falling short of their expectations. Growth will be weaker than governments expected, the managing director said.

After highlighting the inconsistencies of national economic forecasts, the IMF will submit a report to the G20 leaders' summit in June that will outline the policies it sees as necessary to rebalance global demand. Mr Strauss-Kahn said the test of the G20 would be whether leaders of the big economic powers could agree to change policy. "If they do something, [the G20 process] will certainly be useful," he said.

For the longer term, he said the legitimacy of the G20 and the effectiveness of the IMF would be enhanced if the G20 "morphed" into becoming a reformed governing board of the fund, a suggestion recently floated by Mervyn King, Bank of England governor.

In a blow to Mr Sarkozy, who called in Davos for "taxing the exorbitant profits of finance to combat poverty", the IMF head said the fund's report on financial sector levies would make no such recommendations. Instead, he challenged the leaders who made such calls to raise the money at home.

"If you don't have the political will to do it [at home], forget about it. If you have the political will, just do it," he said.

The IMF would, however, produce a report on how to make the financial sector pay for the residual insurance that governments provide.

Speaking about the proposal by Barack Obama, the US president, for a banking levy and the suggestions coming from other countries, Mr Strauss-Kahn said: "It's good that countries are still concerned, [but] it's bad because [countries] are all proposing different things."

Chris Giles

The effectiveness of the IMF would be enhanced if the G20 'morphed' into a reformed governing board of the fund

PHOTOS: AP; REUTERS; GETTY

Changing momentum

David Pilling talks to the former Afghan foreign minister

David Pilling: Mr Abdullah, the Karzai cabinet is only half-filled; this on the eve of a very important conference in London. Does the Afghan government really have any credibility any more?

Abdullah Abdullah: He [Hamid Karzai, Afghanistan's president] is talking about different things, and our partners in the international community are on a different note. But this is an opportunity for Afghanistan. Whether it will be utilised in the best way remains to be seen.

DP: Could you outline what opportunity there is – to raise money, or to agree on a strategy?

AA: There is an opportunity to act together, to address the main priorities and challenges of the country in a coherent way, and to lay the foundation for our partnership for the coming years. But since the partners are not on the same note, that's the reason for my doubts about the outcome.

DP: Can I just turn to the military situation? We now have – whether it's called a surge or not I don't know – 30,000 new troops. Is it really sensible to be putting all these troops in [Afghanistan] and, at the same time, be talking about an early withdrawal and how to exit?

AA: First of all, about the need for having more troops in the country: I do believe that without more troops, the military momentum cannot change. And it's in favour of the Taliban if we don't change that momentum, so that is needed. The fact that nine years after the international engagement we are asking for more troops is not a favourable situation, but unfortunately that's the reality that we face, because of certain mistakes on the Afghan side as well as by the international community.

But I doubt this will serve as the sole means of restoring stability to the country. The main part of it is to win over the people of Afghanistan, and that's the prime job, the prime mission of the Afghan side, which, led by Mr Karzai, unfortunately, has failed in delivering to the people.

At the same time, I don't think talking about an exit strategy will be helpful, because it sends the wrong signal to the enemies of the process, which is the Taliban.

DP: But there is increasing talk now about actually talking to the Taliban and negotiating with them. Outsiders' impression of the Taliban is they want to bomb Afghanistan back into the Middle Ages. Can we talk to these people? Can you talk to these people?

AA: Are the Taliban willing to talk, or are they intending to talk because they see themselves in the stronger position, the strongest position in the past nine years? And they have merged al-Qaeda [within] their programmes, their agendas. Their agenda is to bring down the state and they are not waiting to join a government or a democratic process; they don't believe in it.

Having said this, the door has to be open and remain open for a conciliation.

Those elements of the Taliban in Afghanistan, which are there in different provinces – if one can convince them to give up violence, to accept the constitution of Afghanistan and join a peaceful life, they have to be accommodated.

But to think that we will call on the Taliban and say, "let's make peace", and have these ministries here and there, or have power-sharing, this is never going take place because the reality is different.

Out with the old, in with the new

The ideas that underpinned Davos in the past have changed, writes *Gideon Rachman*

SINCE THE END OF THE COLD war, discussions at the World Economic Forum in Davos have followed a reliable pattern. Everybody agreed that globalisation was a jolly good thing – but it was the delegates from the US and Europe who shaped the debate. It was informally accepted that the flow of ideas – as well as investment and jobs – was from west to east.

The global financial crisis has changed all that. At this year's Davos, the western delegates seemed depressed, defensive or even mildly deranged, in the case of Nicolas Sarkozy, French president. After listening to Mr Sarkozy's passionate attack on financial capitalism, one Russian participant was overheard saying that he had found the experience pleasantly nostalgic. He remembered hearing many similar speeches in the Soviet Union.

That is unfair on the French president, who was careful to argue that he was trying to rescue capitalism from its own excesses. But Mr Sarkozy's keynote address did reflect the ideological confusion among western leaders. Struggling with bulging deficits and high unemployment – and uneasily conscious of a shift of power to the east – western leaders are questioning many of the ideas that underpinned the old Davos consensus. These days, it is the Asian nations and the big emerging economies that are most comfortable with globalisation – and it is they that are urging the westerners not to give up on free trade.

There certainly is evidence that protectionist ideas are coming back. Mr Sarkozy showed how protectionism might be rehabilitated as an effort to "save the planet", by endorsing the idea of a "carbon frontier tax" – that is a tariff imposed on countries that fail to control greenhouse gases.

Larry Summers, chief economic adviser in the White House, was rather more subtle in his flirtation with protectionism. He told the Davos audience that one in five American men aged between their mid-20s and their mid-50s is now out of work. In the 1960s, he pointed out, 95 per cent of this age group had been employed. Mr Summers was careful to say that the US remains committed to open trade and can gain from globalisation.

But he also pointed out that Paul Samuelson, an economist (and uncle of Mr Summers), had argued that the case for free trade might not apply when countries were trading with nations that were pursuing mercantilist policies. The reference to China did not need to be spelled out.

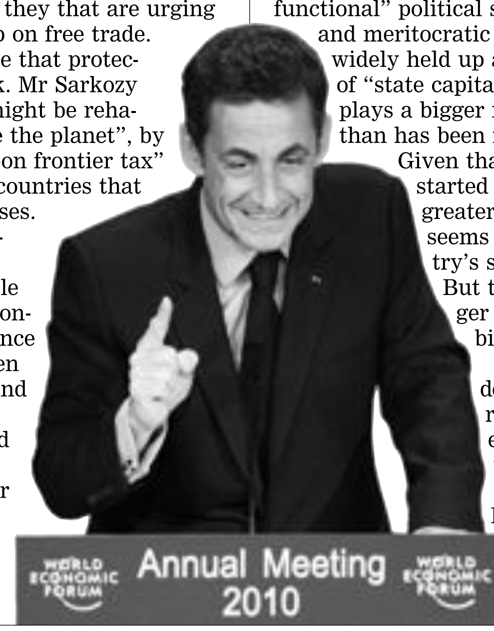
The other part of the old Davos consensus that is under serious attack is a belief in the virtues of global investment banks. The holy trinity of Davos used to be top politics, big business and high finance. But banker-bashing rivalled skiing as the most popular sport at this year's forum.

One leading western businessman – worried about the protectionist threat – saw a silver lining. "Thank God the politicians are beating up on the bankers," he mused, "it might stop them scapegoating the Chinese." But, in fact, the backlashes against high finance and free trade could merge. Montek Singh Ahluwalia, a leading Indian civil servant, pointed out to the forum that investment bankers had traditionally been the strongest cheerleaders for globalisation at Davos. But Mr Ahluwalia, using a cricketing metaphor, noted that "the bankers have retired hurt". In their absence, there were fewer western voices to be heard preaching the virtues of a borderless world.

With the Americans and the Europeans experiencing a crisis of confidence, Davos man was keen to learn from China. American businessmen could be heard ruefully contrasting their own "dysfunctional" political system with China's decisive and meritocratic leadership. China was also widely held up as an example of the virtues of "state capitalism" – in which government plays a bigger role in guiding the economy than has been fashionable in recent years.

Given that China's economic take-off started when the state allowed a greater role for private enterprise, it seems odd to attribute the country's success to "state capitalism". But there is little doubt that bigger government was one of the big ideas at this year's forum.

It is possible that, next year, delegates will be hailing the resurgence of the American economy, bemoaning the bursting of the Chinese bubble and praising high finance. But I would not bet on it. The crumbling of the old Davos consensus looks like a trend with staying power.



In a departure from the previously held consensus at Davos, Nicolas Sarkozy, president of France, below left, gave a speech attacking financial capitalism

Lone ranger

Will the US go it alone? By *Gillian Tett*

ON THE MAP, WASHINGTON LIES several thousand miles from Davos in Switzerland. Last Friday night, however, the two towns seemed barely a soundbite apart.

As Larry Summers, director of the US National Economic Council, swept into town to represent the Obama administration at Davos, the World Economic Forum arranged the usual high-profile appearance for him in a congress hall.

But instead of delivering a speech – or being interviewed by a local pundit – Mr Summers was grilled by Charlie Rose, the influential American broadcast star, for a US television show.

Unsurprisingly, Mr Summers spent most of the time wailing about the horrors of Wall Street and predatory behaviour of US credit card companies, which "have been preying on the ignorance of their customers". The topic of global co-ordination was barely mentioned, let alone international committees such as the Financial Stability Board.

It was a telling symbol. In January last year, the buzz – or naive hope – in Davos was that the arrival of the new Obama administration would deliver a multilateral US policy approach. But 12 months on, it was the issue of US unilateralism that haunted the financial reform debates in Davos.

After all, two weeks ago the White House startled the banking world by unveiling the so-called "Volcker rule" reform plan, without a token nod towards co-ordination with the rest of the G20. Thus, the question that regulators and bankers are trying to answer is whether the US is intent on going it alone on the regulatory front – or could it be persuaded to co-operate with other governments via the Financial Stability Board?

At the weekend, non-Americans were trying to put on a brave face. There was profound irritation among some European leaders that they had not been informed of the White House plans.

But after hours of discussions, the global regulatory community appeared to have kissed and made up – at least in diplomatic terms. The mantra emerging from senior financial bureaucrats was that it would not be difficult to incorporate most elements of the Volcker plan into discussions held at the FSB.

If America presses ahead with its plans to clamp down on proprietary trading at banks, this might be incorporated into a wider move by the FSB to tighten the global rules for banks' trading books, regulators observed; similarly, if the US wants to shrink its financial giants, this might become part of the ideas being considered by the FSB to combat the "too-big-to-fail" dilemma.

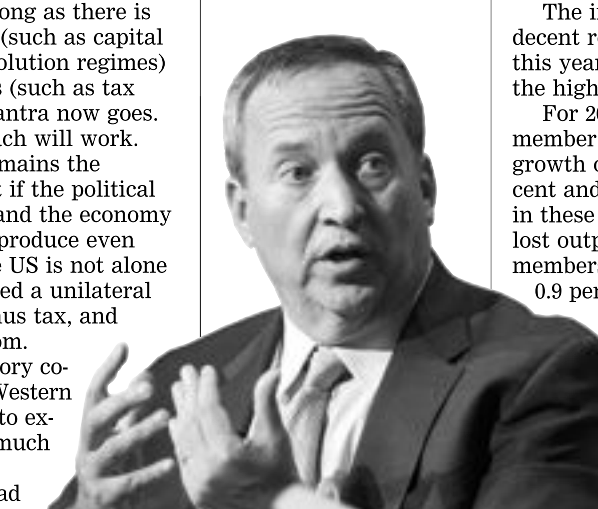
Indeed, by the end of the meetings, some European officials were even arguing – perhaps over-optimistically – that the launch of the Volcker plan could strengthen attempts to promote a global regulatory overhaul. If nothing else, they pointed out, the plan shows that the Americans are taking the topic of bank reform seriously.

After the meetings in Davos, a consensus was emerging among regulators that it would be sensible to adopt a "twin-track" approach. Most notably, while some aspects of financial regulation needed to be organised on a global basis, there could be scope for national divergence on other issues. After all, America operated with its own Glass-Steagall rules for many years, and it never really adopted Basel II. Thus, as long as there is co-ordination on some key issues (such as capital rules, derivatives trading and resolution regimes) there can be divergence on others (such as tax and bank structure). Or so the mantra now goes.

Perhaps this twin-track approach will work. Nevertheless, the real problem remains the "Charlie Rose" risk – namely that if the political climate becomes more turbulent and the economy worsens, the White House might produce even more populist initiatives. And the US is not alone with this: the UK has also produced a unilateral measure, namely the bankers bonus tax, and more could follow as elections loom.

For the moment, global regulatory co-ordination hangs in the balance. Western investment bankers will be ready to exploit any geographical loopholes; much as they did those that existed two decades ago, when America last had its go-it-alone Glass-Steagall regime.

Larry Summers, director of the US National Economic Council, below



PHOTOS: BLOOMBERG; REUTERS

FT DAVOS INSIGHT | COMMENT

The long road ahead

More is needed to sustain recovery. By *Martin Wolf*

WHAT A DIFFERENCE A YEAR can make. When the World Economic Forum had its annual meeting a year ago, the world economy was still in the midst of the hurricane. Now the worst of the storm has passed. Yet how far has the world economy really come out of the crisis? What are the biggest economic challenges ahead? And what lessons should we learn from the disaster?

The obvious achievement is the removal of panic from financial markets. Yet that is not so surprising. According to calculations by the Bank of England, the total support offered to the financial systems of the UK and US amounted to 74 per cent and 73 per cent of gross domestic product, respectively. Even in the eurozone, it was 18 per cent.

In truth, the balance sheet of the state was put at the disposal of the financial system. Yet states also devoted their efforts to supporting demand. Central banks – particularly the Federal Reserve and the Bank of England – adopted exceptional measures of quantitative and credit easing. Fiscal deficits of a scale never seen before in peacetime also opened up.

The largest deficits emerged, predictably, in the countries where the private sector has been hit directly by the bursting of the asset price bubbles and consequent financial collapse: according to the Organisation for Economic Co-operation and Development, the OECD area as a whole ran a general government deficit of 8.2 per cent of GDP last year, with a US fiscal deficit of 11.2 per cent and a UK deficit of 12.6 per cent of GDP.

These rescues have worked: the downturn in the economy was arrested and reversed in most high-income countries. Yet relief must be tempered: in the third quarter of 2009, none of the economies of the Group of Seven leading countries were significantly larger than at the start of 2006. The hole into which the high-income countries have fallen is deep.

Emerging economies have done better. This is particularly true for the Asian giants. China used the room for manoeuvre won by its enormous currency reserves to do a vast amount of fiscal and monetary pump-priming. As a result, the December consensus of forecasts is for growth of 8.5 per cent in 2009 and 9.6 per cent in 2010. India, meanwhile, is forecast to achieve growth of 6.6 per cent in 2009 and 7.7 per cent in 2010.

The immediate challenge ahead is creating a decent recovery. What is now widely expected this year does not meet that criterion, at least in the high-income countries.

For 2010, the US and Canada are the only G7 member countries with a consensus forecast growth of more than 2 per cent. But at 2.6 per cent and 2.7 per cent, respectively, growth even in these countries would be insufficient to recoup lost output, relative to trend. In the European members of the G7, growth forecasts vary from 0.9 per cent for Italy, to 1.4 per cent in the UK, 1.5 per cent in France and 1.7 per cent in Germany. Japan's growth is forecast at 1.5 per cent.

This, then, would be a grossly unsatisfactory recovery. These forecasts suggest, too, that there is a risk of premature withdrawal of monetary and fiscal stimulus. At the same time, there is also a risk of withdrawing the stimuli too late, with severe consequences for inflation expectations. That could force severe tightening and lead to a double-dip recession.

Also disturbing is the almost universal desire for export-led growth. Countries hard-hit by the bursting of their asset bubbles, with weak financial systems and overindebted private sectors, such as the US, UK, Spain and Ireland, need export-led growth. But countries such as Germany and Japan also continue to rely heavily on export-led growth. China, too, is hoping that this type of growth will soon return.

Yet it is impossible for countries with a combined GDP close to 70 per cent of the world's to have the export-led growth they desire. The world economy needs strong and sustainable domestic demand-led recovery in important countries. It is far from clear which these will be. That creates significant doubt about the vigour and sustainability of recovery itself.

Finally, what are the lessons of the disaster? There are at least two big ones. First, the macroeconomic policy framework needs to be reviewed. Inflation targeting has proved far less stabilising than advertised. Moreover, fiscal policy also proved much less tight, particularly in bubble-affected countries, than most people imagined.

Second, financial crises are indeed "an equal opportunity menace", as Carmen Reinhart of the University of Maryland and Kenneth Rogoff of Harvard have argued. It is possible for even the most sophisticated financial systems in the world to succumb to severe financial crises.

Are policy changes now in place that reduce the likelihood of further severe crises? The answer, alas, seems to be no. Yet the challenge of creating a global financial and economic system more robust than today's must now be met. Rescue and even the beginnings of recovery are not enough.

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