



ANNUAL REPORT 2004

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DIRECTORS

MA Spencer	Chairman (Non-executive)
OA Hemsley	Chief Executive
CA Crick	Executive Director
DBJ Sweetland FCA	Finance Director and Company Secretary
GO Vero FCA	Non-executive Director

CHIEF EXECUTIVE'S STATEMENT

RESULTS

We are pleased to report that the Group's profit before tax for the twelve months ended 30 September 2004 was £14.1 million (2003: £9.4 million), an increase of 50%. Operating profit, which excludes an exceptional profit of £1.0 million relating to the sale of London Stock Exchange plc shares, increased by 36% to £11.6 million (2003: £8.5 million). Operating income increased in the period to £32.7 million (2003: £23.6 million). Basic earnings per share before the exceptional profit were 49.7p (2003: 40.2p) while net assets have increased to £39.0 million (2003: £28.8 million). Our administrative costs rose during the year as a result of significant investment in new staff and our cost to income ratio is now 44%, a level that we are comfortable with.

DIVIDEND AND SCRIP ALTERNATIVE

The board recommends payment of a final dividend of 8.0p per share payable on 11 February 2005 to all shareholders on the register on 17 December 2004. A maiden interim dividend of 2.5p per share was paid during the year making the total dividend per share 10.5p for the year, an increase of 40%. We continue to offer shareholders the option to receive shares instead of a cash dividend. The details of this will be explained in a circular to accompany our Annual Report.

REVIEW OF ACTIVITIES

Turnover and profitability increased across all areas of the Group's business as we grew our corporate client base and expanded our research capabilities. Institutional commission income rose by 70%, retainers from corporate clients grew by 89% and fees from capital raisings and corporate finance activities increased by 51%. Our New York office, opened recently to give corporate clients access to US investors, has commenced trading and is now making a positive contribution to commission income as well as broadening our appeal to corporate clients wishing to undertake US roadshows. In London, we have taken an additional 10,000 square feet at Cheapside House to accommodate our expansion. This space will be ready for occupation in the New Year.

RESEARCH

We have focused on building and strengthening our research capability, endeavouring to provide institutional investors with high quality, well researched ideas. The group is becoming recognised as one of the leading research houses in the UK mid and small cap arena in London, which is demonstrated by the wide range of institutions and companies with whom our analysts and sales team maintain contact. We constantly strive to improve the quality of our research and our service to institutional clients by investing in further sectors, and strengthening our existing teams. We have made significant progress in tailoring our research to make it relevant to all types of investors and we now cover the majority of UK mid and large cap companies as well as many smaller ones.

CHIEF EXECUTIVE'S STATEMENT

(CONTINUED)

CORPORATE BROKING AND ADVISORY

Our corporate broking and advisory business has developed strongly during the period and continues to attract new corporate clients. Numis is becoming a leading independent adviser to high quality UK mid and small cap companies. During the period, the number of corporate clients for whom we act as broker and/or retained adviser has risen to 73 (2003: 53), and continues to rise. Numis raised £388 million for companies in the period (2003: £340 million), encompassing a broad range of transactions.

SALES AND EXECUTION

Institutional commissions have risen by 70% during the period. This rise reflects an increasing emphasis on providing targeted research and high quality ideas to institutional clients, a substantial effort to increase our market share in stocks that we analyse and our drive to provide first-class execution. We are seeking to expand our sales team with high quality individuals and teams in the mid and large cap area.

Our emphasis when executing business remains on client service and facilitation, a model that has worked well in developing confidence amongst institutional investors. We now actively trade 236 stocks, of which 72 are on SETSmm, a trading system which we support and also welcome its proposed extension.

During the year we became a Retail Service Provider (RSP). At present we have 12 retail brokers in our community and anticipate growing this substantially. We believe our ability to attract retail order flow will enhance our offering to institutional clients.

INVESTMENT IN COMDIRECT

During the year, the Group acquired a 26.3 per cent stake in comdirect, the UK's second largest on-line broker and the UK's third largest retail stockbroker by share trading volumes and the market leader in covered warrants. We are delighted with the progress made at comdirect since we acquired our stake in June 2004.

OUTLOOK

The new financial year has started well with further corporate client wins and a total of £261 million being raised for 7 corporate clients in the last two months. These include two secondary placings of £100 million or more, underlining the growing strength of our distribution capability. Although it is difficult to predict market conditions or business flows, our pipeline of corporate transactions is ahead of last year and we are cautiously optimistic for the future.

We continue to invest in high quality people in all areas of the business, whilst maintaining a watchful eye on our cost base. It is pleasing to note that whilst our cost base has increased by 80% since 2001, our turnover is up nearly five fold. We are confident the increased investment during the year, mostly in high quality people and the establishment of a presence in New York, will help us to make further progress in the current year.

We are grateful for the efforts of our staff, without whom we would have been unable to make such positive progress.

Oliver Hemsley
Chief Executive

8 December 2004

CORPORATE GOVERNANCE STATEMENT

AIM companies are not required to comply with the Combined Code 1998 (Principles of good governance and code of best practice) adopted by the London Stock Exchange but the directors have chosen to make a number of disclosures to provide corporate governance information.

THE BOARD AND MAIN COMMITTEES

THE BOARD

The Board of Numis Corporation Plc (“the Company” or “the Holding Company”), chaired by MA Spencer, normally meets quarterly. It reviews trading performance, business strategy, investment and divestment opportunities and any other matters of significance to the Group.

MANAGEMENT COMMITTEE

The Management Committee, chaired by OA Hemsley, deals with the implementation of business strategy and day-to-day operational matters. It normally meets weekly to discuss the core activities of the Group and administration, finance and compliance matters.

RISK AND CREDIT COMMITTEE

The Group has a Risk and Credit Committee, chaired by OA Hemsley, that meets regularly to discuss and manage the market risk of the Group’s trading book. The Risk and Credit Committee sets individual stock limits and overall trading book limits.

REMUNERATION COMMITTEE

The Remuneration Committee, chaired by MA Spencer, comprises the non-executive directors of the Company. It determines salary levels, discretionary bonuses and equity awards of the executive directors of the Company.

AUDIT COMMITTEE

The Audit Committee is chaired by GO Vero and comprises the non-executive directors of the Company. The Audit Committee considers the internal control environment, reviews external financial reporting and monitors the system for compliance with laws and regulations.

INTERNAL CONTROL

The Board is responsible for maintaining the Group’s system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, as such it can provide only reasonable but not absolute assurance against material misstatement or loss. The Group’s system of internal control has been actively managed throughout the year. The Group has a number of committees with formal terms of reference and a Compliance department responsible for the Group’s adherence to the rules of the Financial Services Authority and the Board has concluded that an internal audit department is not required at this stage in the Group’s development.

DIRECTORS' REPORT

The directors present their report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 September 2004.

PRINCIPAL ACTIVITY

The principal activity of the Group is to provide integrated institutional stockbroking and investment banking services. This activity encompasses research, institutional sales, market making, corporate broking and corporate finance. The Group has one principal operating subsidiary, Numis Securities Limited, which is authorised and regulated by the Financial Services Authority and is a member firm of the London Stock Exchange. During the year Numis Securities Limited established a subsidiary in the United States of America, Numis Securities Inc, which is registered with the SEC and a member of the National Association of Securities Dealers, Inc.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the Group's business and an indication of likely future developments is contained in the Chief Executive's statement.

RESULTS AND DIVIDENDS

The results, distributions and retained profit for the financial year are as follows:

	GROUP £000
Retained profit at 30 September 2003 (restated)	12,581
Profit for the year, after taxation	9,729
Transfer to ESOP reserve	(1,149)
Dividends paid and proposed	(1,951)
Retained profit at 30 September 2004	19,210

DIRECTORS AND THEIR INTERESTS

The directors shown on page 1 were all in office throughout the year.

The directors serving during the year ended 30 September 2004 and their interests in the ordinary shares of 25p each ("ordinary shares") of the Company, other than with respect to options over ordinary shares, were as follows:

	30 SEPTEMBER 2004 ORDINARY SHARES	30 SEPTEMBER 2003 ORDINARY SHARES
MA Spencer*	1,828,000	1,828,000
OA Hemsley	2,925,488	2,908,273
CA Crick	428,818	287,890
DBJ Sweetland	77,103	73,703
GO Vero*	4,000	-

* Non-executive director

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

MA Spencer together with his wife owns approximately 46.7% of Intercapital Private Group Limited ("IPGL") which holds 1,828,000 ordinary shares. MA Spencer is deemed under the Companies Act 1985 to be interested in the entire issued share capital of IPGL.

The directors, along with employees, have been granted options over ordinary shares, and participated in the long term incentive plan. Details of the directors' interests in options over ordinary shares and prospective entitlements under the long term incentive plan are disclosed in Note 9.

There have been no changes in the interests of directors in ordinary shares and options over ordinary shares during the period 30 September 2004 to 8 December 2004.

SUBSTANTIAL SHAREHOLDERS

Except for the directors' interests noted above, the directors are aware of the following who are interested in 3% or more of the Company as at 30 September 2004 as follows:

	REGISTERED HOLDING NO. OF ORDINARY SHARES	% OF ISSUED SHARE CAPITAL
Mr DJ Poutney	1,565,546	8.03
Mr MJC Stone and Mrs L Stone	1,320,700	6.77
Mourant & Co Trustees Ltd., Trustees of the Numis Corporation Plc Employee Share Trust	1,496,980	7.68

AUDITORS

During the year the directors appointed PricewaterhouseCoopers LLP to succeed PKF and a resolution will be placed before the Annual General Meeting to reappoint PricewaterhouseCoopers LLP as auditors.

DEBTORS

The Group does not extend credit terms to its clients. On average the Groups' clients have taken 30 days to settle.

CREDITOR PAYMENT POLICY

The Group agrees terms and conditions for its goods or services with suppliers. Payment is then made based on these terms and conditions, subject to the agreed terms and conditions being met by the supplier. The Group has taken 30 days to pay suppliers during the past financial year.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of £3,555 (2003: £804).

By order of the Board

DBJ Sweetland
Company Secretary
Numis Corporation Plc
Cheapside House
138 Cheapside
London EC2V 6LH
8 December 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Report set out on page 8, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the UK Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed; and
4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors consider that the Group has adopted suitable accounting policies that have been used and applied consistently, accept as noted in relation to the ESOP as described in note 2. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September, 2004 and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure the financial statements comply with the UK Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUMIS CORPORATION PLC

We have audited the financial statements of Numis Corporation Plc for the year ended 30 September 2004 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chief Executive's statement and the directors' report.

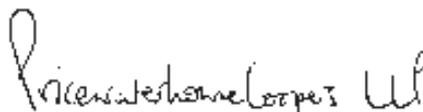
BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2004 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 December, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	NOTES	2004 £000	2003 £000 RESTATED
OPERATING INCOME	4	32,733	23,610
GROSS PROFIT		32,733	23,610
Administrative expenses		(21,138)	(15,097)
OPERATING PROFIT	7	11,595	8,513
Share of associated undertakings' profit	6	588	243
Exceptional item			
- profit on disposal of fixed asset investment	8	984	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		13,167	8,756
Interest receivable and similar income	10	897	634
Interest payable and similar charges	11	(14)	(11)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,050	9,379
Tax on profit on ordinary activities	12	(4,321)	(2,966)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,729	6,413
Dividends paid and proposed	13	(1,951)	(1,322)
RETAINED PROFIT FOR THE YEAR		7,778	5,091
Earnings per share			
Basic	25	53.4p	40.2p
Diluted	25	47.7p	34.5p
Earnings per share, excluding exceptional item			
Basic	25	49.7p	40.2p
Diluted	25	44.3p	34.5p

There were no other recognised gains or losses made during the years ended 30 September 2004 and 30 September 2003 other than the profits for those years. A statement of movements on reserves is given in note 24.

All amounts shown in the consolidated profit and loss account derive from continuing operations of the group.

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2004

	NOTES	2004 £000	2003 £000 RESTATED
FIXED ASSETS			
Tangible fixed assets	14	736	848
Fixed asset investments	15	295	916
Investment in associated undertakings	16	4,331	644
		5,362	2,408
CURRENT ASSETS			
Debtors	18	84,201	52,393
Investments	19	13,396	8,952
Cash at bank and in hand	20	23,468	13,068
		121,065	74,413
CREDITORS			
Amounts falling due within one year	21	(87,446)	(48,037)
		33,619	26,376
NET CURRENT ASSETS			
		33,619	26,376
NET ASSETS			
		38,981	28,784
CAPITAL AND RESERVES			
Share capital	22	4,875	4,595
Share premium account	24	14,896	11,608
Profit and loss account	24	19,210	12,581
EQUITY SHAREHOLDERS' FUNDS			
	23	38,981	28,784

Signed on behalf of the Board on 8 December 2004

OA Hemsley
Director

DBJ Sweetland
Director

A statement of movements on reserves is given in note 24.

The accompanying notes are an integral part of this consolidated balance sheet.

HOLDING COMPANY BALANCE SHEET

AT 30 SEPTEMBER 2004

	NOTES	2004 £000	2003 £000 RESTATED
FIXED ASSETS			
Investment in associated undertakings	16	4,278	371
Investment in subsidiary undertakings	17	2,101	2,101
		6,379	2,472
CURRENT ASSETS			
Debtors	18	18,571	15,351
Cash at bank and in hand		10	10
		18,581	15,361
CREDITORS			
Amounts falling due within one year	21	(4,831)	(3,052)
		13,750	12,309
NET CURRENT ASSETS			
		20,129	14,781
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	22	4,875	4,595
Share premium account	24	14,896	11,608
Profit and loss account	24	358	(1,422)
EQUITY SHAREHOLDERS' FUNDS	23	20,129	14,781

Signed on behalf of the Board on 8 December 2004

OA Hemsley
Director

DBJ Sweetland
Director

A statement of movements on reserves is given in note 24.

The accompanying notes are an integral part of this Holding Company balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	NOTES	2004 £000	2003 £000 RESTATED
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES BEFORE EXCEPTIONAL ITEMS	26	15,314	(4,969)
CASH INFLOW FROM EXCEPTIONAL ITEMS	26	1,954	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		17,268	(4,969)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		893	623
Interest paid		(14)	(11)
Dividends received		4	11
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		883	623
TAXATION			
Corporation tax paid		(4,431)	(2,144)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(345)	(179)
Purchase of associated undertaking		(4,231)	(620)
Disposal of fixed asset investments		620	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(3,956)	(799)
EQUITY DIVIDENDS PAID		(1,304)	(628)
FINANCING			
Issue of ordinary shares		1,940	7,409
INCREASE/(DECREASE) IN CASH IN THE YEAR		10,400	(508)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) increase in cash balances in the year		10,400	(508)
Net funds at the beginning of the year		13,068	13,576
NET FUNDS AT THE END OF THE YEAR		23,468	13,068

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements of the Group are described below.

(A) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, modified by the inclusion of trading positions at market value, and are in accordance with applicable accounting standards. Gains and losses on trading positions are taken to the profit and loss account, which represents a departure as far as gains are concerned, from the Companies Act 1985. The directors consider this treatment necessary for the financial statements to show a true and fair view. The effects of this departure, which is consistent with industry practice, have not been disclosed because the company does not retain records on a historical cost basis.

(B) BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. The results of subsidiaries acquired are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method. Goodwill represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired; goodwill arising prior to 30 September 1998 remains eliminated against reserves. No goodwill has arisen on acquisitions since that date.

(C) OPERATING INCOME

Operating income comprises commission, fee income and net dealing profit or loss. Commission income is gross commission from stockbroking and is taken to the profit and loss account when transactions are executed. Fee income includes corporate finance fees and placing commissions, which are recognised in the profit and loss account once the corporate activity is substantially complete. Net dealing profit or loss is realised and unrealised profits and losses from current asset investments and securities short positions held for trading purposes; dealing profits and losses include dividends and interest income and expense arising on current asset investments, but exclude funding costs.

Operating income is used to describe revenue rather than turnover as required by the Companies Act 1985, as the directors consider it better reflects the nature of the business.

(D) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for on a straight line basis at the following rates:

Office and computer equipment	3 years
Motor vehicles	4 years
Furniture and fittings	5 years

(E) INVESTMENTS

Fixed asset investments are stated at cost, less amounts written off in respect of any impairment in value.

Current asset investments and securities short positions represent proprietary trading and market making positions and are stated at market value. Profits and losses arising from the valuations are taken to the profit and loss account as noted above.

In the Group's financial statements, investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of this associated undertakings' profits less losses and the Group's share of net assets is shown in the consolidated balance sheet. In the Company's financial statements the investments in associated undertakings are held at cost.

(F) CLIENTS' DEPOSITS

All money held on behalf of clients has been excluded from the balances of cash at bank and in hand and amounts due to clients, brokers and recognised stock exchanges.

(G) CLIENT, BROKER AND STOCK EXCHANGE BALANCES

Client, broker and stock exchange balances represent unsettled bought and sold securities transactions with clients, brokers and exchanges and are recognised on a trade date basis.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(H) PENSION COSTS

The Group has a Group Personal Pension Plan and death in service benefits that are available to full-time employees of the Group over the age of 18 who have served the Group for at least 3 months. The plan is a defined contribution scheme; costs of the scheme are charged to the profit and loss account in the year in which they arise.

Further information on pension costs is provided in note 27d.

(I) OPERATING LEASES

The Group has entered into operating leases as described in note 27c.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term even if the payments are not made on such a basis.

(J) FOREIGN CURRENCIES

Transactions in currencies other than sterling are recorded at the appropriate rate at the time of accounting for the transaction. Currency balances at the year end are converted at the rate ruling at that date, unless covered by an open foreign exchange contract, in which case the contractual rate is used. Assets and liabilities of subsidiaries whose functional currency is not sterling, are translated at year end rates. The results and cash flows of overseas subsidiaries are translated at the average rate for the year. Foreign exchange gains and losses arising from the translation of the results for the year at an average rate and the year end reserves being translated at the

year end rate are taken to the profit and loss account directly.

(K) TAXATION

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax, provided at anticipated tax rates and on a non-discounted basis, is recognised in respect of all timing differences, arising from transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, which have occurred at the balance sheet date. Assets are recognised on this basis only where they are regarded as recoverable by reference to anticipated levels of future taxable profits.

(L) EMPLOYEE SHARE OWNERSHIP PLANS

The Group has Employee Share Ownership Plans ("ESOP"). The ESOP encompasses a Long Term Incentive Plan ("LTIP"), and discretionary option awards. The ESOP acquires ordinary shares in the Company to be held on trust for the benefit of, and ultimately distributed to, employees either on the exercise of share options or other remuneration arrangements. The costs of establishing and administering the ESOP, including the cost of share purchases, are taken to the profit and loss account and disclosed under staff costs (see note 9). Prior to 1 October 2003 the assets held by the ESOP were recognised in the balance sheet of the Company; following the implementation of UITF 38, the assets, being holdings of shares in the Company are no longer shown as a Fixed Asset Investment on the face of the balance sheet and are deducted from revenue reserves.

2 PRIOR YEAR RESTATEMENTS

Following the implementation in December 2003 of UITF 38 Accounting for ESOP trusts, the Group and the Company have made certain restatements in the financial statements for the year ended 30 September 2003. The effect of the UITF is principally to reduce the distributable reserves of the Company by the cost of the shares held in the ESOP trust. In addition, dividends payable on shares held by the trust have been deducted from dividends payable in the profit and loss account and balance sheet.

The effect of the establishment of the ESOP reserve in relation to the current and prior year is shown in note 23 Reconciliation of the

movement in shareholders' funds and in note 24 Reserves. The cumulative reduction in fixed asset investments and equivalent adjustment to shareholders' funds as at 30 September 2004 was £3,036,000 (2003; £1,887,000). Opening shareholders' funds for 2003 have been reduced by £536,000 being the cost of the shares in the ESOP trust brought forward from 1 October 2002.

The balance of dividends proposed in the profit and loss account and in notes 13 and 21 have been reduced by £59,000 for 2003, and the profit and loss account reserve in the balance sheet for 30 September 2003 has been increased by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 PRIOR YEAR RESTATEMENTS (CONTINUED)

Interest and dividends receivable have been reduced by £22,000 for 2003 being dividends on

own shares received during the year, the brought forward balance on the profit and loss account from 2002 has been increased by the same amount. The cumulative effect of the dividend adjustments to the profit and loss reserves is nil.

3 PROFIT OF THE PARENT COMPANY

As provided by Section 230 Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year amounted to £2,929,000 (2003 loss: £213,000) before transfer to the ESOP share reserve of £1,149,000 (2003: £1,357,000).

4 OPERATING INCOME

	2004 £000	2003 £000
Commissions receivable and trading income	25,362	18,659
Fees receivable	7,371	4,951
	32,733	23,610

5 SEGMENTAL INFORMATION

The analysis by class of business of the Group's turnover, profit before taxation and net assets is set out below.

	2004 £000	2003 £000
OPERATING INCOME:		
Investment banking	32,733	23,610
PROFIT ON ORDINARY ACTIVITIES		
BEFORE TAXATION:		
Investment banking	13,462	9,136
Associates		
Insurance broking	515	243
Stockbroking	73	-
	14,050	9,379
NET ASSETS:		
Investment banking	34,650	28,140
Associates		
Insurance broking	27	644
Stockbroking	4,304	-
	38,981	28,784

The Group's business arises mainly from the United Kingdom and amounts arising outside the United Kingdom are not significant to the Group's business.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

6

INTEREST IN UNLISTED ASSOCIATED UNDERTAKINGS

The analysis of the Group's interest in the associated undertakings' turnover, profit, assets and liabilities is set out below:

	2004 £000	2003 £000
Turnover	3,806	2,327
Profit for the year before taxation	588	243
Fixed assets	3,167	558
Current assets	4,439	2,135
Creditors: amounts falling due within one year	(3,834)	(2,049)

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OPERATING PROFIT

Operating profit is stated after charging:

	2004 £000	2003 £000
Depreciation	457	407
Operating lease costs	278	278
Staff costs (see note 9)	14,836	10,940
Auditors' remuneration		
(a) PricewaterhouseCoopers LLP		
- audit related	72	-
- non-audit related	100	-
(b) PKF		
- audit related	-	37
- non-audit related	22	20

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EXCEPTIONAL ITEMS

	2004 £000	2003 £000
Profit on disposal of fixed asset investment, being 265,000		
London Stock Exchange Plc shares	984	-
	984	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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STAFF COSTS

Particulars of employees (including executive directors) are as shown below:

	2004 £000	2003 £000
EMPLOYEE COSTS DURING THE YEAR AMOUNTED TO:		
Wages and salaries	6,601	4,686
Incentive payments	6,459	4,335
Social security costs	778	1,255
Compensation for loss of office	48	49
Other pension costs (see note 27d)	448	381
ESOP costs	502	234
	14,836	10,940

Number of staff employed

	2004 NUMBER	2003 NUMBER
Average for the year		
Professional	64	48
Administration	22	14
	86	62
At the year end		
	100	69

DIRECTORS' REMUNERATION AGGREGATE REMUNERATION

The total amounts for directors' remuneration and other benefits were as follows:

	2004 £000	2003 £000
Emoluments	954	1,319
Money purchase contributions	54	54
	1,008	1,373

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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STAFF COSTS (CONTINUED)

DIRECTORS' EMOLUMENTS

	BASIC SALARY £000	TAXABLE BENEFITS £000	PERFORMANCE RELATED BONUS £000	PENSION CONTRIBUTIONS £000	2004 TOTAL £000	2003 TOTAL £000
EXECUTIVE						
OA Hemsley	150	14	400	20	584	884
CA Crick	125	9	50	19	203	202
DBJ Sweetland	100	11	50	15	176	186
NON-EXECUTIVE						
MA Spencer	25	-	-	-	25	15
GOVero	20	-	-	-	20	8
DJA Craig	-	-	-	-	-	38
P Gaunt	-	-	-	-	-	40
Aggregate emoluments	420	34	500	54	1,008	1,373

The emoluments, excluding pension contributions, of the directors includes:

	2004 £000	2003 £000
HIGHEST PAID DIRECTOR		
Emoluments	564	864

DIRECTORS' PENSION ENTITLEMENTS

All executive directors are members of money purchase schemes. Contributions paid by the Group in respect of these directors are shown above.

DIRECTORS' SHARE OPTIONS

Details of options to acquire ordinary shares in the Company granted to or held by the directors are as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE	EARLIEST EXERCISE DATE	LATEST EXERCISE DATE
OA Hemsley				
7 July 1997	183,000	105.0p	7 July 2000	7 July 2007
18 October 1999	50,000	107.5p	18 October 2003	18 October 2006
CA Crick				
28 March 2000	45,000	292.5p	28 March 2003	28 March 2010
DBJ Sweetland				
18 October 1999	36,600	107.5p	18 October 2003	18 October 2006
28 March 2000	40,000	292.5p	28 March 2003	28 March 2010
9 May 2000	30,000	252.5p	9 May 2003	9 May 2010

OA Hemsley

On 15 December 2003 OA Hemsley exercised 17,000 share options at an exercise price of 105p per share, making a theoretical gain of £76,500.

On 6 July 2004 a variation in the terms of the options held by OA Hemsley over 183,000 ordinary shares was approved so that the latest exercise date of those options granted on 7 July 1997 be extended to 10 years from the grant date being 7 July 2007.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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STAFF COSTS (CONTINUED) DIRECTORS' SHARE OPTIONS (CONTINUED)

CA Crick

On 15 December 2003 CA Crick exercised 28,500 share options at an exercise price of 105p per share, making a theoretical gain of £128,250.

On 5 January 2004 CA Crick surrendered options over 111,500 ordinary shares, the terms on which those options had been granted were 71,500 options at an exercise price of 105p per share, exercisable until 7 July 2004 and 40,000 options with an exercise price of 107.5p exercisable until 18 October 2006. Furthermore, on 5 January 2004, options were granted to CA Crick over 111,500 ordinary shares held by the Numis Employee Share Trust ("the Trust") on the same terms.

On 15 March 2004 options over 111,500 shares held by the Numis Employee Share Trust ("the Trust") were surrendered, as part of the ongoing reorganisation of the Company's employee share option arrangements. The Trust disposed of 111,500 shares at an average price of 105.9p to a discretionary trust established by CA Crick.

DBJ Sweetland

On 15 December 2003 DBJ Sweetland exercised 3,400 share options at an exercise price of 107.5p per share, making a theoretical gain of £15,215.

DIRECTORS' INTERESTS UNDER A LONG TERM INCENTIVE PLAN

The Company has a long term incentive plan ("LTIP"). Under the terms of the LTIP, employees and directors are invited to subscribe for new ordinary shares or purchase existing ordinary shares in the Company on the terms the effect of which is that for each new ordinary share subscribed for or purchased, employees will receive, at no further cost to them, one further ordinary share (each a "matching share"). Subject to certain limited exceptions employees and directors must remain in employment with the Numis Group for a period of 5 years to achieve the matching benefit.

The matching shares to which the directors are prospectively entitled are as follows:

	2004	2003
OA Hemsley	16,088	16,088
CA Crick	9,524	9,524
DBJ Sweetland	3,703	3,703

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INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £000	2003 £000 RESTATED
Interest receivable	893	623
Income from UK listed investments	4	11
	897	634

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INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
On overdrafts repayable within five years not by instalments	14	11

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and comprises:

	2004 £000	2003 £000
CURRENT TAX		
Corporation tax at 30% (2003:30%)	4,378	3,089
Corporation tax under/(over) provided in the previous year	1	(81)
Share of tax of associated undertaking	162	80
	4,541	3,088
DEFERRED TAX		
Origination and reversal of timing differences	(220)	(79)
Adjustments in respect of previous years	-	(43)
	4,321	2,966

The tax effect in the profit and loss account relating to the exceptional item in note 8 in 2004 was a charge of £295,000.

Factors affecting the tax charge for the year:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	14,050	9,379
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	4,215	2,814
EFFECTS OF:		
Expenses not deductible for tax purposes	324	209
Depreciation for the period in excess of capital allowances	54	46
Non taxable income received	-	(4)
Small companies relief	-	(11)
Investment provisions not qualifying for relief in the period	-	115
Utilisation of losses	(53)	-
Prior year adjustments	1	(81)
Current tax charge for the period	4,541	3,088

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DIVIDENDS PAID AND PROPOSED

	2004 £000	2003 £000 RESTATED
Final dividend proposed of 8.00p (2003: 7.50p)	1,482	1,314
Interim dividend paid of 2.50p (2003: nil)	463	-
Under provided dividends from prior year	6	8
Dividends paid and proposed	1,951	1,322

The final dividends proposed are based on 18,520,059 ordinary shares (2003: 17,580,585); this excludes dividends payable on 979,994 ordinary shares held in the ESOP (2003: 798,264)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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TANGIBLE FIXED ASSETS

The movement during the year was as follows:

	OFFICE AND COMPUTER EQUIPMENT £000	MOTOR VEHICLES £000	TOTAL £000
COST			
At 1 October 2003	1,625	56	1,681
Additions	345	-	345
At 30 September 2004	1,970	56	2,026
DEPRECIATION			
At 1 October 2003	794	39	833
Charge for year	445	12	457
At 30 September 2004	1,239	51	1,290
NET BOOK VALUE			
At 30 September 2003	831	17	848
At 30 September 2004	731	5	736

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FIXED ASSET INVESTMENTS

(A) GROUP

	2004 £000	2003 £000
OTHER UK LISTED INVESTMENTS		
At 30 September 2003	100	100
At 30 September 2004	100	100

The market value of these investments at 30 September 2004 was £138,778 (2003: £119,647).

(B) GROUP

	2004 £000	2003 £000
OTHER UNLISTED INVESTMENTS		
At 1 October 2003	616	310
Additions	-	500
Disposals	(500)	-
Amounts written off	-	(194)
At 30 September 2004	116	616

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

(C) GROUP

	2004 £000	2003 £000
NON UK UNLISTED INVESTMENT		
At 1 October 2003	200	269
Additions	-	121
Disposals	(121)	-
Amounts written off	-	(190)
At 30 September 2004	79	200

INVESTMENT IN ASSOCIATED UNDERTAKINGS

	2004 £000	2003 £000
GROUP		
At 1 October 2003	644	481
Additions	4,375	-
Restructuring of investment (see below)	(1,115)	-
Share of associated undertakings' profit on ordinary activities after tax	427	163
At 30 September 2004	4,331	644
HOLDING COMPANY		
At 1 October 2003	371	371
Additions	4,230	-
Restructuring of investment (see below)	(323)	-
At 30 September 2004	4,278	371

During the year the company disposed of its 26.42% interest in the ordinary shares of Abbey Legal Holdings Limited and acquired a 30% interest in the ordinary shares of its successor company Abbey Protection Group Limited. Abbey Protection Group Limited provides legal expense and tax protection insurance products. Audited accounts of the company were drawn up to 31 March 2004. The above figures were based on management accounts drawn up to 30 June 2004.

The accounting treatment for the restructuring described above follows UITF 31. The accounting abstract requires that where there is a continuing interest in an underlying business, the proceeds arising from the restructuring should be set against the carrying value of the investment in the Group accounts, and, accordingly no gain or loss is recognised. The cash element of £970,000 received as part of the restructuring is included in the Consolidated cash flow statement (see note 26).

The company also took a 38.5% interest in the A Preferred Ordinary Shares, and a 38.5% interest in the A Preferences Shares on the establishment of Execution Services Group Limited. The holding in the A Preferred Ordinary share represents an interest of 26.3% in the ordinary share capital of the company. Execution Services Group Limited is a holding company which owns 100% of the ordinary share capital of comdirect Ltd, an online private client stockbroker. Execution Services Group Limited's year end is 31 December 2004 which will be its first year of trading. The above figures were based on management accounts drawn up to 30 September 2004. The Group has an interest of £1,234,000 in the goodwill in Executions Service Group Limited's balance sheet; Executions Service Group Limited's accounting policy is to conduct an annual impairment review in the value of goodwill. There has been no goodwill written off in the period to 30 September 2004.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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INVESTMENT IN SUBSIDIARY UNDERTAKINGS

a) Fixed asset investment in subsidiary undertakings

	2004 £000	2003 £000
At 30 September 2003	2,101	2,448
Amounts written off	-	(347)
At 30 September 2004	2,101	2,101

b) Subsidiary undertakings

The Group beneficially owns the whole of the issued share capital of the following companies:

SUBSIDIARY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	GROUP SHAREHOLDING
Numis Securities Limited	United Kingdom	Financial services	100%
Numis Securities Inc*	United States of America	Financial services	100%
PrimeSearch Limited	United Kingdom	Recruitment	100%
Numis Leasing Limited	United Kingdom	Non-trading	100%
Numis Corporate Finance Limited	United Kingdom	Non-trading	100%
Insurance Analysis Limited	United Kingdom	Non-trading	100%
Numis Education Limited	United Kingdom	Non-trading	100%
Star Nominees Limited	United Kingdom	Non-trading	100%
Numis Capital Limited*	United Kingdom	Non-trading	100%
Numis Nominees Limited*	United Kingdom	Non-trading	100%
Real Education Plc*	United Kingdom	Non-trading	100%

* Held through a subsidiary undertaking

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DEBTORS

a) The following amounts are included within debtors

	2004 £000	2003 £000
GROUP		
Due from clients, brokers and recognised stock exchanges	80,625	51,329
VAT	229	145
Loans	432	-
Other debtors	180	86
Deferred tax	343	123
Prepayments and accrued income	2,392	710
	84,201	52,393
HOLDING COMPANY		
Dividend due from subsidiary undertaking	4,500	1,500
Amounts due from subsidiary undertakings	13,806	13,738
Deferred tax	265	113
	18,571	15,351

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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DEBTORS (CONTINUED)

b) Analysis of deferred tax

	2004 £000	2003 £000
GROUP		
In respect of tax allowances over depreciation	57	10
In respect of other timing differences	286	113
	343	123
HOLDING COMPANY		
In respect of other timing differences	265	113

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CURRENT ASSET INVESTMENTS

	2004 £000	2003 £000
GROUP		
LONG EQUITY POSITIONS AT MARKET VALUE		
- Listed on the London Stock Exchange main market	6,391	4,684
- Listed on AIM	6,558	3,638
- Listed overseas	447	630
	13,396	8,952

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CASH AT BANK AND IN HAND - GROUP

	2004 £000	2003 £000
Cash at bank and in hand	23,468	13,068

The balances exclude interest-bearing deposits of clients' monies placed by the Group with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the Group may have with them at that time. The balance on 30 September 2004 held on deposit for clients was £57,102 (2003: £69,585).

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CREDITORS

Amounts falling due within one year:

	2004 £000	2003 £000 RESTATED
GROUP		
Amounts due to clients, brokers and recognised stock exchanges	68,752	36,161
Securities short positions	6,819	3,007
Other creditors		
- UK corporation tax payable	1,685	1,738
- VAT	80	55
- Social security and PAYE	300	208
- Sundry creditors	78	99
Accruals	8,250	5,455
Dividend proposed	1,482	1,314
	87,446	48,037

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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CREDITORS (CONTINUED)

Amounts falling due within one year:

	2004 £000	2003 £000 RESTATED
HOLDING COMPANY		
Dividend proposed	1,482	1,314
Other creditors		
- UK corporation tax payable	27	19
- Other	3,321	1,718
Amounts due to subsidiary undertakings	1	1
	4,831	3,052

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SHARE CAPITAL

	2004 £000	2003 £000
AUTHORISED		
28,100,000 (2003: 28,000,000) 25p ordinary shares	7,025	7,000
25,000 (2003: 25,000) 50% cumulative 10p preference shares	-	3
	7,025	7,003
ALLOTTED, ISSUED AND FULLY PAID		
19,500,053 (2003: 18,378,849) 25p ordinary shares	4,875	4,595

During the year 1,121,204 ordinary shares were issued for a total consideration £3,567,975 of which £3,287,674 has been included as share premium (see note 24 below). Of this total 181,730 ordinary shares were issued to the ESOP for a total consideration of £1,151,444 of which £1,105,674 has been included as share premium.

The authorised 25,000 50% cumulative 10p preference shares shown at 30 September 2003 were redesignated as 100,000 25p ordinary shares at the Company's AGM in February 2004.

At 30 September 2004 the following options granted to directors and employees to acquire ordinary shares in the Company were outstanding, as follows:

GRANT DATE	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE	EARLIEST EXERCISE DATE	LATEST EXERCISE DATE
7 July 1997	183,000	105.0p	7 July 2000	7 July 2007
18 October 1999	188,400	107.5p	18 October 2003	18 October 2006
28 March 2000	260,000	292.5p	28 March 2003	28 March 2010
9 May 2000	165,000	252.5p	9 May 2003	9 May 2010
21 December 2000	193,300	207.0p	21 December 2003	21 December 2010
15 May 2001	757,350	150.0p	15 May 2004	15 May 2011
15 August 2001	146,200	216.5p	15 August 2004	15 August 2011
3 September 2001	44,650	224.0p	3 September 2004	3 September 2011
15 February 2002	115,000	215.0p	12 February 2005	12 February 2012
28 March 2002	24,000	250.0p	28 March 2005	28 March 2012
8 August 2002	100,000	231.0p	8 August 2005	8 August 2012

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000 RESTATED
Profit for the financial year	9,729	6,413
Dividends paid and proposed	(1,951)	(1,322)
Transfer to ESOP reserve	(1,149)	(1,357)
New shares issued	3,568	9,004
Net addition to shareholders' funds	10,197	12,738
Opening shareholders' funds as originally stated	30,639	16,582
ESOP share restatements	(1,855)	(536)
Opening shareholders' funds restated	28,784	16,046
Closing shareholders' funds	38,981	28,784

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RESERVES

	SHARE PREMIUM ACCOUNT £000	PROFIT AND LOSS RESERVE £000 RESTATED
GROUP		
At 30 September 2003 as originally stated	11,608	14,436
ESOP share restatements	-	(1,855)
At 30 September 2003 restated	11,608	12,581
Retained profit for the year	-	7,778
Transfer to ESOP reserve	-	(1,149)
Premium on shares issued	3,288	-
At 30 September 2004	14,896	19,210
HOLDING COMPANY		
At 30 September 2003 as originally stated	11,608	433
ESOP share restatements	-	(1,855)
At 30 September 2003 restated	11,608	(1,422)
Retained profit for the year	-	2,929
Transfer to ESOP reserve	-	(1,149)
Premium on shares issued	3,288	-
At 30 September 2004	14,896	358

The cumulative amount of goodwill written off against the Group's reserves is £1,291,984 (2003: £1,291,984).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is calculated on profit on ordinary activities after taxation for the year of £9,729,000 (2003: £6,413,000) and 18,207,000 (2003: 15,946,000) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share assumes that options outstanding at 30 September 2004 were exercised at 1 October 2003, for options where the exercise price was less than the average price of the shares during the year.

Basic earnings per share, excluding the exceptional items for the year ended 30 September 2004 is calculated on profit on ordinary activities after taxation of £9,040,000 (2003: there were no exceptional items). Diluted earnings per share assumes that options outstanding at 30 September 2004 were exercised at 1 October 2003, for options where the exercise price was less than the average price of the shares during the year.

	2004 NUMBER 000S	2003 NUMBER 000S
Weighted average number of ordinary shares in issue during the year - basic	18,207	15,946
Effect of options over ordinary shares	2,160	2,648
Diluted number of ordinary shares	20,367	18,594

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CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004 £000	2003 £000
Operating profit	11,595	8,513
Amounts written off tangible fixed assets	-	3
Amounts written off investments	-	384
Depreciation charges	457	407
Increase in debtors (excluding taxation receivable)	(31,588)	(33,737)
Net increase in trading investments	(4,444)	(6,112)
Increase in creditors (excluding taxation and dividends payable)	39,294	25,573
Net cash inflow/(outflow) from operating activities	15,314	(4,969)

b) Cash inflow from exceptional items

Disposal of 265,000 London Stock Exchange plc shares	984	-
Restructuring of investment in associated undertaking	970	-
Cash inflow from exceptional items	1,954	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

Amounts contracted for but not provided in the accounts amounted to £nil for the Group (2003: £34,100).

b) Contingent liabilities

In the ordinary course of business, the Group has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, although the directors do not believe that any material liability will arise under these indemnities.

The Company has given a guarantee to the Company's bankers, National Westminster Bank plc, for the debts of Numis Securities Limited, up to £10 million. As at 30 September 2004 that company did not have any indebtedness to the National Westminster Bank plc.

The company has given a guarantee to Pershing LLC for any indebtedness of Numis Securities Inc., an indirect wholly owned subsidiary of the Company. Pershing LLC provides securities clearing services to Numis Securities Inc for its agency broker activities. As at 30 September 2004 that company did not have any indebtedness to Pershing LLC.

c) Operating leases

At 30 September 2004 the Group had annual commitments under operating leases as set out below:

	PROPERTY	
	2004 £000	2003 £000
Within one year	-	-
In two to five years	278	278
After five years	-	-
	278	278

d) Pension arrangements

The pension cost charge for the year was £447,824 (2003: £380,735).

A Group Personal Pension Plan has been in operation from 6 April 1997 for all full-time employees of the Group over the age of 18 who have served the Group for at least 3 months. The Group Personal Pension Plan is funded through monthly contributions. The Group contributes 7% of members' salaries with members contributing at least 2.5% of their salary. Employees who join the Group Personal Pension Plan are eligible for death-in-service benefits.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trading investments, cash balances and various items such as trade debtors and trade creditors that arise from the normal course of business.

Trading investments are current asset and short positions held as a result of proprietary trading in listed UK investments. These UK investments are equity securities and equity warrants. Trading investments are held at fair value, in accordance with the accounting policy provided in Note 1(e).

Sterling cash balances are invested in the Group's approved banks. Foreign currency balances arise from trading in foreign currency denominated securities.

Undrawn committed borrowing facilities

	2004 £000	2003 £000
Expiring within one year	250	250

RISK MANAGEMENT

The Risk and Credit Committee is charged with managing the various risk exposures including those which arise through trading and holding financial instruments.

MARKET RISK

The Group is exposed to market risk through its holdings in equity investments which arise through the Group's market making and trading activities.

The Group manages market risk through individual stock limits and overall trading book limits, as determined and monitored by the Risk and Credit Committee.

The table below shows the highest, lowest and average total long, short, gross and net daily positions during the year, together with the positions at year end. Positions are calculated daily as part of limit monitoring.

	LONG POSITIONS £000	SHORT POSITIONS £000	GROSS POSITIONS £000	NET POSITIONS £000
Highest positions	21,133	10,137	29,520	14,661
Lowest positions	7,197	3,609	11,656	(106)
Average positions	13,884	6,933	20,817	6,951
Positions at 30 September 2004	13,396	6,819	20,215	6,577

CURRENCY RISK

Currency exposures arise from trading activities, counterparty positions and bank balances; the Group's policy is to minimise exposure to exchange rate movements. All material exposures are fully hedged in sterling using spot and forward foreign exchange contracts.

LIQUIDITY RISK

The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, and to invest funds securely and profitably.

ADDITIONAL INFORMATION

FINANCIAL CALENDAR

December	Year end results announced
January	Annual report issued
February	Final dividend paid
April	Interim results announced
May	Interim statement issued
July	Interim dividend paid

COMPANY REGISTRATION NUMBER

2375296

NOMINATED BROKER

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 EC2V 6LH

NOMINATED ADVISER

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REGISTRAR

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AUDITORS

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 London
 SE1 9SY

BANKERS

National Westminster Bank plc
 1 Princes Street
 London
 EC2R 8PH

NOTICE OF ANNUAL GENERAL MEETING

(see notes on page 34 for a brief explanation of each of the resolutions)

Notice is hereby given that the Annual General Meeting of the Company will be held at Cheapside House, 138 Cheapside, London, EC2V 6LH on 1 February 2005, at 11.00am for the following purposes:

ORDINARY BUSINESS

To receive and, if thought fit, pass the following resolutions numbered 1-5 (inclusive) as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the year ended 30 September 2004, together with the directors' report and auditors' report on those accounts.
2. To declare a final dividend for the year ended 30 September 2004 of 8p per share payable to shareholders on the register at the close of business on 17 December 2004.
3. To reappoint OA Hemsley, who is retiring by rotation in accordance with the Company's articles of association, as a director.
4. To reappoint GO Vero, who is retiring by rotation in accordance with the Company's articles of association, as a director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors, having been appointed by the directors since the last Annual General Meeting, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolutions 6 and 7 will be proposed as ordinary resolutions, and resolutions 8 and 9 will be proposed as special resolutions:

Ordinary resolutions

6. That each of the issued and unissued ordinary shares of 25 pence each in the authorised share capital of the Company be and is hereby subdivided into five ordinary shares of 5 pence each, on and with effect from 12 February 2005.

7. That in place of all existing authorities the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £1,625,004 provided that:

- a) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously revoked or renewed by the Company in general meeting;
- b) the Company shall be entitled to make prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
- c) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

Special resolution

8. That, subject to and conditional upon the passing of resolution 7 the directors be granted power pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by the said resolution as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- a) the allotment of equity securities in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them on that date but subject to such exclusions and other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or other legal or practice difficulties under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or as regards shares in issue in uncertified form; and
 - b) the allotment (otherwise than pursuant to sub-paragraph a) above) of any equity securities having an aggregate nominal amount, not exceeding in aggregate £243,750 representing approximately 5% of the current issued ordinary share capital of the Company.

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or (if earlier) fifteen months from the date of the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Special resolution

9. That, the Company be unconditionally and generally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange plc's market for Alternative Investment Market securities, of ordinary shares in the capital of the Company provided that:
- a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 1,950,005 such shares (representing 10 per cent of the Company's issued ordinary share capital at the date of this resolution).
 - b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is equal to its nominal value;
 - c) the maximum price, exclusive of any expenses, which may be paid for each share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
 - d) this authority shall expire on the earlier date of the conclusion of the next Annual General Meeting of the Company or fifteen months after the date on which this resolution is passed unless such authority is revoked or renewed prior to such time; and
 - e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

RESOLUTION 1

REPORT AND ACCOUNTS

The directors are required to present the accounts for the year ended 30 September 2004 to the meeting.

RESOLUTION 2

DECLARATION OF DIVIDEND

A final dividend can only be paid if it is recommended by the directors and approved by the shareholders at a general meeting. The directors propose that a final dividend of 8p per ordinary 25p share (prior to any subdivision pursuant to resolution 6) be paid on 11 February 2005 to ordinary shareholders who are on the register at the close of business on 17 December 2004. Shareholders are being offered the option to receive new ordinary shares as an alternative to cash in respect of this dividend.

RESOLUTION 3

REAPPOINTMENT OF DIRECTOR

The articles of association of the Company require one third of the directors to retire at each annual general meeting. At this meeting, Mr Oliver Hemsley will retire by rotation and seek re-election.

RESOLUTION 4

REAPPOINTMENT OF DIRECTOR

The articles of association of the Company require one third of the directors to retire at each annual general meeting. At this meeting, Mr Geoffrey Vero will retire by rotation and seek re-election.

RESOLUTION 5

REAPPOINTMENT OF AUDITORS

The Company is required to appoint auditors at each annual general meeting to hold office until the next such meeting at which accounts are presented. The resolution proposes the reappointment of the company's existing auditors, PricewaterhouseCoopers LLP, and authorises the directors to agree their remuneration.

RESOLUTION 6

SUBDIVISION OF THE COMPANY'S ORDINARY SHARES

This resolution will have the effect of subdividing each 25p ordinary share into five 5p ordinary shares, for all existing shares and those to be issued in the future. The aggregate nominal value of the Company's share capital will be unaffected, as will the aggregate nominal value of the shares held by each shareholder. The number of shares held by each shareholder will increase by a factor of 5. It is not proposed that new share certificates for 5p ordinary shares will be issued (in relation to shares currently held in certificated form). Shareholders should therefore retain their existing share certificates which will be recognised as valid and against which transfers will be registered after the resolution becomes effective. The dividend for the year will be paid by reference to shares with a nominal value of 25p. All future dividends will reflect the subdivision into 5p ordinary shares.

Your directors consider the subdivision to be in the best interests of the Company as they believe that the reduction in the nominal value of the shares and therefore the market price of a single share, will encourage smaller investors to acquire shares in the Company and therefore improve liquidity in the stock.

RESOLUTION 7

AUTHORITY TO ALLOT THE RELEVANT SECURITIES

The Company requires the flexibility to allot equity securities from time to time. Accordingly, resolution 7 seeks to grant (until the next annual general meeting or the expiration of 15 months if sooner) the directors authority to allot equity securities up to an aggregate nominal amount of £1,625,004. Save in respect of the issue of new ordinary shares pursuant to the share incentive schemes, the directors currently have no plans to allot relevant securities but the directors believe it to be in the interests of the Company for the board to be granted this authority to enable the board to take advantage of appropriate opportunities which may arise in the future.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

RESOLUTION 8

DISAPPLICATION OF SECTION 89(1) OF THE COMPANIES ACT 1985

This resolution seeks to disapply the pre-emption rights provisions of section 89 of the Companies Act 1985 in respect of the allotment of equity securities pursuant to rights issues and other pre-emptive issues and in respect of other issues of equity securities for cash up to an aggregate nominal value of £243,750, being approximately 5% of the current issued ordinary share capital. If given this power will expire at the same time as the authority referred to in resolution 7. The directors consider this power desirable due to the flexibility afforded by it. They have no present intention of issuing any equity securities pursuant to this disapplication.

RESOLUTION 9

AUTHORITY TO PURCHASE COMPANY'S OWN SHARES

The articles of association of the Company provide that the Company may from time to time purchase its own shares subject to other consents required by law. Such purchases must be authorised by the shareholders at a general meeting. This resolution seeks to grant (until the next annual general meeting or the expiry of 15 months if sooner) the directors authority to purchase the Company's own shares up to a maximum of 10% of the issued ordinary share capital of the Company. In proposing this resolution, the directors consider that it is in the best interests of the Company and its shareholders that the directors should keep the ability to make market purchases of the Company's own shares without the cost and delay of an extraordinary general meeting to seek specific authority for a share purchase. It is only exercisable if to do so would increase earnings per share and it is in the best interests of shareholders generally.

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