



**Interim Report
2009**

WHO WE ARE

A **leading** independent, investment banking and stockbroking group.

We offer a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.

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FINANCIAL HIGHLIGHTS

The core business is profitable

Profit before tax and before investment portfolio result
Period ended 31 March 2009

£1.7m £6.8m
2008

Loss before tax from investment portfolio
Period ended 31 March 2009

£8.0m £9.3m
profit
2008

Overall loss before tax
Period ended 31 March 2009

£6.4m £16.1m
profit
2008

Net assets
As at March 2009

£113.8m £118.4m
Sept 2008

Loss per share
Period ended 31 March 2009

6.4p 15.0p
EPS 2008

Interim dividend per share
Period ended 31 March 2009

2.50p 2.50p
2008



CHIEF EXECUTIVE'S STATEMENT

Despite the extremely difficult and challenging market conditions we are pleased to report that the business excluding the results of our investment portfolio has delivered **another profitable period**. For the six months ended 31 March 2009 profit before tax and before the investment portfolio result was **£1.7m** (2008: £6.8m). **Offsetting this, however, were £8.0m of losses** (2008: £9.3m gain) **incurred on investments held outside of our market making business. Our balance sheet remains robust with cash and cash collateral balances as at 5 May 2009 of £70.5m.**

A resilient business ready to capitalise on opportunities

Against declining market activity and liquidity, primary income and institutional commission remained relatively resilient, reflecting **increased market share**

Non-headcount **cost reduction initiatives** now in place with annualised savings expected to be **12% of 2008 spend** (full impact expected in 2010 financial year)

Successfully recruited a number of first class people to further strengthen our service to clients

Record number of new corporate brokerships won: **27 new clients**, 119 in total (September 2008: 111) of which **56 are fully listed** and **9 are FTSE 250**

Funds raised for corporate clients totalled **£478m** (2008: £456m) through **7 transactions** (2008: 14)

Appointment of Sir David Arculus as non-executive chairman and Gerald Corbett as non-executive director

The profit before tax and before investment portfolio result specifically excludes gains and losses arising from our investment portfolio along with the impact of associate holdings. Management believes that this provides a truer reflection of the performance of the underlying operating business and has therefore highlighted these financial measures within this statement.

There can be no doubt that a virtual cessation of capital markets activity coupled with a lack of stock market liquidity provided a challenging environment for the firm during the first six months of the year. Therefore, it is pleasing to note that, against this back-drop, our secondary market commissions remain remarkably resilient, both in the UK and US, reflecting significant increases in market share.

Numis has made great strides in building its franchise and whilst maintaining a strong balance sheet and appropriate cost control, we have been successful in recruiting some first class people. In particular our new recruits include 3 top rated analysts, 3 highly respected corporate brokers and the best-in-class mid cap sales and trading team.

Also worthy of note are the extreme market conditions experienced in the month of October 2008 following the collapse of Lehman Brothers. During that one month the FTSE 250 index fell by 20.4% and AIM by 28.5%. This clearly had an impact on the value of our aggregate equity positions and market making result as well as the market's assessment of counterparty risk. Consequently, we recorded significant fair value losses in October 2008 alone, although these were partly offset by foreign currency gains on US Dollar denominated cash balances. However, it is a testament to the strength of our balance sheet and robust operational processes that, even during this exceptional period, we experienced no losses through counterparty failures and in fact won institutional business flow from competitors.

Our investing activities have not been immune to the deterioration in equity prices. As previously reported in our 2008 Annual Report and Accounts, during October and November 2008 we incurred fair value losses totalling £4.4m on these investments. Further fair value losses amounting to £3.6m have been recognised in the remaining period up to 31 March 2009. We will not be seeking to make any further additions to our investment portfolio but will continue to monitor the performance of these investments and, where prudent and appropriate to do so, explore their monetisation.

CHIEF EXECUTIVE'S STATEMENT

Numis' focus on balance sheet strength and risk management has proved its worth during the recent and continuing financial turmoil. We have also made significant progress on cost reduction initiatives over recent months. The quantum of the annualised savings to our non-staff operational cost base is estimated at £2.5m, equivalent to 12% of our 2008 spend in this area. Some material benefits will accrue in the second half of this financial year, however the full annualised impact of these initiatives will not be seen until our 2010 financial year. This inbuilt financial conservatism has enabled us to provide and maintain an excellent service to institutional and corporate clients during volatile and uncertain market conditions. Whilst we have avoided any exposure to the sub-prime and other credit markets, we are not immune from the challenging stock market conditions, but we are well positioned and remain committed to building the business during the downturn.

Corporate Broking and Advisory

The first six months of this financial year have clearly been affected by the significant reduction in equity capital raising activity, particularly on AIM where total equity funds raised was 78% lower than the same period last year. Therefore we are particularly pleased to report that our clients raised a total of £478m (2008: £456m) through 7 transactions (2008: 14). We have also been successful in winning new corporate client mandates, the number of corporate clients for whom we act having risen over the period to 119 (September 2008: 111). This has been achieved through the addition of 27 new corporate brokerages which is the highest number of client additions achieved by Numis in a six month period and compares to 21 additions during the whole of 2008. Of the 119 corporate clients, 56 are fully listed companies of which 9 are in the FTSE 250. Client losses during the period have, in the main, been attributable to M&A activity coupled with a further self-imposed rationalisation of our client base.

Research, Sales and Trading

Our research and execution services are recognised as being exceptional. In the 2008 Thomson Extel survey, Numis was rated 2nd overall broker for UK companies of up to £1bn market capitalisation. Our research teams were ranked in the top 3 in a majority of sectors that we cover. Our highly rated analysts produce research on over 300 companies and we have a capability in 14 sectors, including aerospace & defence, building & property, engineering, consumer goods, media, metals & mining, new energy & emissions, non-life insurance, retail, speciality financials, support services, technology, travel & leisure, and investment trusts & funds. Further external recognition was received in the annual StarMine report in which our research team was ranked 1st place for the second year running for its recommendations of stocks in the FTSE 250.

Our execution services continue to make a major contribution to the development of our reputation and the resilience of our institutional commissions. It is pleasing to note that our market share in FTSE 250 stocks has shown substantial growth throughout the period. As a result, the fall in commissions of 23% compares to trading activity on AIM stocks being down 64% and Main List stocks being down 45% (by value) over the equivalent period. Our execution business is focused on client facilitation, rather than generating proprietary trading profits and was rewarded with a 2nd place in the 2008 Thomson Extel survey. Having developed algorithmic and other electronic trading capabilities during the course of last year we continue to provide best execution for our institutional clients across multiple execution venues.

Sales & Trading is a competitive area with pressure on commission levels for trades in liquid stocks from electronic trading. However, clients have a strong demand for well-researched ideas combined with high quality execution. We believe our platform is well placed to improve performance for our 450+ active institutional clients across the UK, Europe and the USA.

The extreme market volatility experienced in the first quarter certainly impacted our secondary business with combined institutional commissions and market making result totalling £1.5m. However, in marked contrast the second quarter delivered £4.8m reflecting continued growth in market share and the faith placed in us by our clients as a trusted counterparty.

Investment Activities

The investment portfolio includes a small number of quoted and private company holdings valued at £21.7m (September 2008: £29.7m). The extreme market conditions and falling assets prices experienced over the period have adversely impacted the value of these investments and in total we have recorded fair value losses during the period of £8.0m (2008: £13.3m gain). We have no intention of adding to this portfolio in the foreseeable future and we continue to monitor the performance of these investments and, where prudent and appropriate to do so, explore their monetisation.

Dividend and Scrip Alternative

Given the highly cyclical nature of our business, our dividend policy is to build cover at the top of the cycle and unwind cover during the tough times, provided always that the balance sheet remains robust. In view of this and the fact the core business remains profitable, the Board has approved an interim dividend of 2.50p per share (2008: 2.50p). The dividend will be payable on 1 July 2009 to all shareholders on the register at 15 May 2009. Shareholders will be offered the option to receive shares instead of a cash dividend, the details of which are explained in the circular accompanying this interim report.

Board Appointments

Following our previous announcement in February 2009 of Michael Spencer's intention to step down from the Board, we are delighted to welcome Sir David Arculus to the Board. Sir David will take over the role of non-executive chairman and will bring with him extensive experience in working with government and leading British companies. Furthermore, we are delighted to welcome Gerald Corbett to the Board as non-executive director. Gerald brings with him extensive experience from senior finance roles held with a variety of large British companies including the current chairmanship of SSL International, Britvic and Moneysupermarket.com. The full details of these appointments were given in an announcement which was made on the 5 May 2009.

On behalf of the Board I would like to thank Michael Spencer for his considerable and valued contribution to Numis over the past 6 years. Michael remains a close friend of Numis and we wish him well in his other business interests.

Outlook

Although market conditions remain challenging, Numis is using this period of market turbulence to attract high quality staff and corporate clients. Our ability to act in a contracyclical fashion is what sets us apart from some of our competitors and is the reason why we have maintained a strong balance sheet. Despite a difficult first quarter, the firm has traded profitably in each of the last three months, is in a robust position and is determined to make progress. Having run our business prudently we remain independent and are well positioned to help UK companies come through this recession.

Re-structuring of corporate balance sheets continues and Numis is at the forefront of working with institutional investors to recapitalise companies where appropriate. We cannot predict when conditions will stabilise but we can use this difficult period to our advantage. We remain optimistic about the future of our business as our larger competitors are focused elsewhere and smaller rivals are capital constrained. We sense the best opportunity that the firm has ever had and we are well placed to capitalise on it.

Oliver Hemsley

Chief Executive
06.05.09

CONSOLIDATED INCOME STATEMENT

	Notes	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Continuing operations				
Revenue	3	19,138	26,862	50,714
Other operating (loss)/income		(8,032)	6,634	723
Total revenue		11,106	33,496	51,437
Administrative expenses	4	(21,999)	(26,568)	(47,757)
Operating (loss)/profit		(10,893)	6,928	3,680
Share of results of associate		–	803	803
Profit on disposal of associate	5	–	5,854	5,854
Finance income		4,583	2,559	5,816
Finance costs		(44)	(51)	(60)
(Loss)/profit before tax		(6,354)	16,093	16,093
Taxation		(110)	(1,289)	(1,317)
(Loss)/profit after tax		(6,464)	14,804	14,776
Attributable to:				
Equity holders of the parent		(6,464)	14,804	14,776
(Loss)/earnings per share	6			
Basic		(6.4p)	15.0p	14.9p
Diluted		(6.2p)	14.7p	14.6p
Memo – dividends for the period	7	(5,212)	(5,137)	(7,700)

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2009 Unaudited £'000	31 March 2008 Unaudited £'000	30 September 2008 Audited £'000
Non-current assets				
Property, plant and equipment		2,866	3,029	3,086
Intangible assets		223	326	290
Derivative financial instruments		1,101	2,011	1,796
Deferred tax	8a	–	1,348	–
		4,190	6,714	5,172
Current assets				
Trade and other receivables	8b	132,786	101,171	221,373
Trading investments	8c	31,683	46,866	36,136
Stock borrowing collateral	8d	7,283	5,865	92
Derivative financial instruments		2,094	6,144	3,010
Current tax income		74	–	836
Cash and cash equivalents		58,761	64,385	59,899
		232,681	224,431	321,346
Current liabilities				
Trade and other payables	8b	(115,305)	(104,884)	(206,126)
Financial liabilities		(7,112)	(4,205)	(1,287)
Provisions		(342)	(1,589)	(75)
Current income tax		–	(1,448)	–
		(122,759)	(112,126)	(207,488)
Net current assets		109,922	112,305	113,858
Non-current liabilities				
Provisions		(309)	(1,080)	(616)
Net assets		113,803	117,939	118,414
Equity				
Share capital		5,550	5,368	5,378
Share premium account		28,794	24,365	24,719
Capital reserve		1,993	315	1,503
Retained profits		77,466	87,891	86,814
Equity attributable to equity holders of the parent		113,803	117,939	118,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reserve £'000	Retained profits £'000	Total £'000
Attributable to equity holders of the parent at 1 October 2007	5,324	22,376	294	81,042	109,036
New shares	44	1,989	-	-	2,033
Profit after tax				14,804	14,804
Dividends paid				(5,137)	(5,137)
Deferred tax related to share based payments				(633)	(633)
Exchange differences on translation of foreign operations			(28)	-	(28)
Movement in respect of employee share plans			49	(2,185)	(2,136)
Attributable to equity holders of the parent at 31 March 2008	5,368	24,365	315	87,891	117,939
Attributable to equity holders of the parent at 1 October 2007	5,324	22,376	294	81,042	109,036
New shares	54	2,343	-	-	2,397
Profit after tax				14,776	14,776
Dividends paid				(7,700)	(7,700)
Deferred tax related to share based payments				(1,313)	(1,313)
Exchange differences on translation of foreign operations			(36)	-	(36)
Movement in respect of employee share plans			1,245	40	1,285
Other				(31)	(31)
Attributable to equity holders of the parent at 30 September 2008	5,378	24,719	1,503	86,814	118,414
Attributable to equity holders of the parent at 1 October 2008	5,378	24,719	1,503	86,814	118,414
New shares	172	4,075	-	-	4,247
Loss after tax				(6,464)	(6,464)
Dividends paid				(5,212)	(5,212)
Deferred tax related to share based payments				-	-
Exchange differences on translation of foreign operations			(283)	-	(283)
Movement in respect of employee share plans			773	2,316	3,089
Other				12	12
Attributable to equity holders of the parent at 31 March 2009	5,550	28,794	1,993	77,466	113,803

CONSOLIDATED CASH FLOW STATEMENT

	Notes	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Cash flows from operating activities	9	(578)	(12,123)	(12,268)
Interest paid		(44)	(51)	(60)
Taxation received/(paid)		652	(3,374)	(4,963)
Net cash from / (used in) operating activities		30	(15,548)	(17,291)
Investing activities				
Purchase of property, plant and equipment		(125)	(180)	(671)
Purchase of intangible assets		(33)	(69)	(163)
Interest received		790	2,242	3,716
Proceeds from disposal of associate		-	7,170	7,170
Dividends received from associate		-	1,235	1,236
Net cash from investing activities		632	10,398	11,288
Financing activities				
Movement in respect of Employee Benefit Trusts		62	(4,028)	(5,462)
Dividends paid		(4,465)	(3,103)	(5,302)
Net cash used in financing		(4,403)	(7,131)	(10,764)
Net movement in cash and cash equivalents		(3,741)	(12,281)	(16,767)
Opening cash and cash equivalents		59,899	76,666	76,666
Net movement in cash and cash equivalents		(3,741)	(12,281)	(16,767)
Exchange movements		2,603	-	-
Closing cash and cash equivalents		58,761	64,385	59,899

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 30 September 2008, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified.

The preparation of the interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these interim financial statements have been applied on a consistent basis with the statutory accounts for the year ended 30 September 2008. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The accounting policies applied in these interim financial statements are the same as those published in the Group's statutory accounts for the year ended 30 September 2008.

2 Additional segmental analysis

The analysis below sets out the revenue performance and net asset split between our core investment banking & broking business and our investing activities and is provided as supplementary analysis only.

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Net institutional income	6,347	13,222	23,680
Corporate transaction revenues	10,491	11,607	23,005
Corporate retainers	2,300	2,033	4,029
Revenue from investment banking & broking (see note 3)	19,138	26,862	50,714
Investment activity net (losses)/gains	(8,032)	6,634	723
Share of profits of associate	–	803	803
Profit on disposal of associate	–	5,854	5,854
Contribution from investing activities	(8,032)	13,291	7,380
Total	11,106	40,153	58,094
Net assets			
Investment banking & broking	33,261	16,917	28,784
Investing activities	21,781	36,637	29,731
Cash and cash equivalents	58,761	64,385	59,899
Total net assets	113,803	117,939	118,414

3 Revenue

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Net trading losses	(4,529)	(960)	(3,460)
Institutional commissions	10,876	14,182	27,140
Corporate retainers	2,300	2,033	4,029
Deal fees	2,960	2,910	9,751
Placing commissions	7,531	8,697	13,254
	19,138	26,862	50,714

NOTES TO THE FINANCIAL STATEMENTS

4 Administrative expenses

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Staff costs	11,777	16,885	26,534
Non-staff costs	10,222	9,683	21,223
	21,999	26,568	47,757

5 Profit on disposal of associate

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Sale proceeds	–	7,206	7,206
Share of net assets disposed of	–	(1,316)	(1,316)
Disposal expenses (comprising charges)	–	(36)	(36)
	–	5,854	5,854

The profit on disposal of associate in the prior period relates to the reduction of the Group's holding in Abbey Protection Group Limited from 29.41% to 13.10% following the IPO of Abbey Protection Group Limited on 29 November 2007. Gains and losses arising on the reduced holding subsequent to the IPO are included within other operating (loss)/income on the face of the consolidated income statement.

6 Earnings per share

Basic earnings per share is calculated on loss after tax of £6,464,000 (2008: £14,804,000 profit) and 101,255,597 (2008: 98,794,084) ordinary shares being the weighted average number of ordinary shares in issue during the period. Diluted earnings per share assumes that options outstanding at the end of the financial period were exercised at the beginning of the period for options where the exercise price was less than the average price of the shares during the period. In addition, diluted earnings per share also takes account of other contingently issuable shares arising from share award arrangements.

	6 months ended 31 March 2009 Unaudited Number Thousands	6 months ended 31 March 2008 Unaudited Number Thousands	Year ended 30 September 2008 Audited Number Thousands
Weighted average number of ordinary shares in issue during the period – basic	101,256	98,794	99,187
Dilutive effect of share awards	3,384	1,854	1,835
Diluted number of ordinary shares	104,640	100,648	101,022

During the period the Company issued and allotted 2,800,000 new ordinary shares in order to fund awards made under the Group's Long Term Incentive Plan (2008).

7 Dividends

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Final dividend year ended 30 September 2007 (5.00p)		5,137	5,120
Interim dividend year ended 30 September 2008 (2.50p)			2,580
Final dividend year ended 30 September 2008 (5.00p)	5,212		
Distribution to equity holders of the parent	5,212	5,137	7,700

The board declares the payment of an interim dividend of 2.50p per share, £2,607,000 (2008: 2.50p per share). The dividend will be payable on 1 July 2009 to all shareholders on the register on 15 May 2009. These financial statements do not reflect this dividend payable.

NOTES TO THE FINANCIAL STATEMENTS

8 Balance sheet items

(a) Deferred tax

Potential deferred tax assets totalling £1,007,000 (2008: nil) have not been recognised as at 31 March 2009 due to the uncertainty in assessing the level of future taxable gains within the next 12 month period against which the deferred tax asset could be utilised.

(b) Trade and other receivables and Trade and other payables

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. Also included within Trade and other receivables are cash collateral balances held with securities clearing houses of £6,096,000 (2008: £3,323,000).

(c) Trading investments

Included within trading investments is £19,158,000 (30 September 2008: £26,091,000) of investments held outside of the market making portfolio.

(d) Stock borrowing collateral

The Group enters stock borrowing arrangements with certain institutions which are entered into on a collateralised basis with securities or cash advanced or received as collateral. Under such arrangements a security is purchased with a commitment to return it at a future date at an agreed price. The securities purchased are not recognised on the balance sheet and the transaction is treated as a secured loan made for the purchase price. Where cash has been used to effect the purchase, the purchase is recorded as stock borrowing collateral on the balance sheet.

9 Reconciliation of operating (loss)/profit to net cash used in operating activities

	6 months ended 31 March 2009 Unaudited £'000	6 months ended 31 March 2008 Unaudited £'000	Year ended 30 September 2008 Audited £'000
Operating (loss) / profit	(10,893)	6,928	3,680
Impairment of property, plant and equipment	-	-	46
Depreciation charge on property, plant and equipment	480	389	800
Amortisation of intangible assets	100	125	255
Share based payments	957	(1,635)	(65)
Decrease/(increase) in current asset trading investments	4,453	(7,445)	3,285
Decrease/(increase) in trade and other receivables	94,361	57,526	(59,996)
(Increase)/decrease in stock borrowing collateral	(7,191)	2,740	8,513
(Decrease)/increase in trade and other payables	(84,468)	(68,237)	30,989
Decrease/(increase) in derivatives	1,611	(3,084)	265
Other non-cash movements	12	570	(40)
Net cash used in operating activities	(578)	(12,123)	(12,268)

For the 6 months ended 31 March 2009 the movement in trade and other receivables and trade and other payables is principally due to movements in amounts due from and due to clients, brokers and other counterparties.

INFORMATION FOR SHAREHOLDERS

Directors

Sir David Arculus	Chairman (appointed 5 May 2009)
Oliver Hemsley	Chief Executive Officer
Lorna Tilbian	Executive Director
Tom Bartlam	Non-executive Director
Geoffrey Vero	Non-executive Director
Gerald Corbett	Non-executive Director (appointed 5 May 2009)
Bill Trent	Resigned 31 December 2008
Declan Kelly	Resigned 16 February 2009
Michael Spencer	Resigned 5 May 2009

Financial Calendar

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

Company Registration No

2375296

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