

Numis Corporation Plc Preliminary Results

for the year ended 30 September 2011

London, 7 December 2011: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2011. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.

Financial Highlights

- Revenue of £54.2m, up 4% (2010: £51.9m)
- Adjusted profit before tax (see footnote) of £8.9m, up 13% (2010: £7.9m)
- Statutory profit before tax of £0.2m (2010: £0.2m)
- Adjusted basic earnings per share (see footnote) of 7.3p, up 11% (2010: 6.6p)
- Well capitalised with a strong balance sheet comprising net assets of £99.6m (2010: £106.7m) and cash and collateral balances of £47.5m (2010: £58.2m)
- Final dividend of 4.00p, maintaining the total dividend at 8.00p per share (2010: 8.00p) after 10 years of successive growth up to 2009

Operational Highlights

- 26 new corporate clients during the year bringing the total to 140 covering a wide range of companies across 15 sectors of the market
- Broker to 25 FTSE250 corporate clients, one FTSE100 corporate client, 59 FTSE Smallcap/Fledging corporate clients and 50 AIM corporate clients
- Funds raised for corporate clients £634m (2010: £1,315m) through 23 transactions (2010: 25) including 6 IPOs
- Increased M&A activity helped to generate £9.3m of deal fees, up 94% (2010: £4.8m)
- Combined institutional commission and trading revenues performed well at £29.3m, up 11% (2010: £26.5m)
- Voted #1 UK Small & Mid Cap Brokerage Firm by company votes and #3 Leading UK Brokerage firm by fund manager votes (Thomson Reuters Extel 2011 survey) as well as being placed in the top 2 for FTSE250 Best Recommendations by StarMine in each of the last four years

Footnote: Adjusted profit before tax and adjusted earnings per share are stated before the impact of investment portfolio results, share scheme charges and exceptional items after taking into account tax thereon. See note 9 for reconciliation to statutory measures.

Commenting on the results, Oliver Hemsley, Chief Executive, said:

"Numis has delivered a creditable performance against a background of huge economic uncertainty, highly volatile markets and unrelenting competition. We see little change to these conditions in the near term but are confident that over the medium term we have the capital, the people, and the desire to succeed. The continuing strength of our corporate franchise will be critical to this success and we will continue to invest in building this whilst at the same time maintaining firm control of our costs."

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CHIEF EXECUTIVE'S STATEMENT

Against a background of extremely volatile and challenging markets, we are pleased to report that the business has traded profitably and delivered an improved performance for the year ended 30 September 2011 generating revenues of £54.2m (2010: £51.9m) and adjusted profit before tax of £8.9m (2010: £7.9m). In addition, there were £0.7m of net gains (2010: £0.1m) recognised on investments held outside of our market making business, £7.2m of charges (2010: £7.7m) relating to employee share scheme arrangements and an exceptional non-recurring charge of £2.2m (2010: £Nil) relating to the settlement of litigation during the year. A reconciliation of the adjusted profit to the statutory result is set out in note 9.

Macro economic uncertainties which prevailed throughout the year and their continuing impact on the financial markets resulted in turbulent equity markets. Equity index gains achieved in the first half were reversed in the second half resulting in overall falls of 7.6% (FTSE 100), 6.8% (FTSE 250) and 8.2% (AIM50) for the year. Similarly the marked slowdown in equity fund raising on the London Stock Exchange has not abated with equity funds raised on AIM and the Main Market combined totalling £17.2bn during the first half but only £7.2bn during the second half resulting in a year on year decrease of 42%.

These market conditions were broadly reflected in our revenue performance whereby combined institutional commission & trading revenues had a record first quarter and ended the year up 11% at £29.3m (2010: £26.5m). Income from corporate and issuance transactions for the year was 6% down at £19.4m (2010: £20.6m) reflecting the difficult conditions for equity fund raising, albeit partially offset by increased M&A activity within our corporate client base.

Our balance sheet remains strong with cash and cash collateral balances totalling £47.5m (September 2010: £58.2m) while net assets have reduced to £99.6m (September 2010: £106.7m) and regulatory capital remains over 4 times the required minimum. Cash outflows during the year largely reflect the purchase of shares into the Group's Employee Benefit Trust, the payment of dividends and the settlement of litigation referred to below. These outflows were partially offset by the monetisation of two of our unquoted investments, the combined impact of these actions resulted in cash outflows of £13.6m.

Our investment portfolio is valued at £15.9m (September 2010: £20.3m) the majority of which comprises holdings in quoted companies. Overall, this portfolio experienced net gains of £0.7m reported through the other operating income line of the income statement.

Corporate Finance & Corporate Broking

Notable deals for the year included IPOs for Betfair, CatCo and Circle Holdings, equity issues for Fiberweb, IP Group and Accsys Technologies and advising Brit Insurance and NR Nordic in their recent takeovers. In total we completed 23 (2010: 25) equity issuance transactions during the year and since 30 September 2011 a further 3 have been completed or announced in aggregate raising over £90m of equity finance.

We continue to attract high quality corporate clients with 26 new clients added during the year, bringing the total number for whom we act to 140 companies (September 2010: 133). Our efforts focus across a broad range of corporate clients which include 25 FTSE250 clients, one FTSE100 company, 51 FTSE Small Caps and 50 AIM companies. The offering to our corporate clients includes access to worldwide institutional investors, but also to a network of over 1,500 active private client fund managers who manage c. £400bn of discretionary funds providing alternative sources of liquidity and investor interaction.

The strength of our dedicated corporate broking team was instrumental in Numis being Voted #1 UK Small & Mid Cap Brokerage Firm by company votes in the 2011 Thomson Reuters Extel survey as well as #3 Leading UK Brokerage firm by fund manager votes. Numis has been voted in the top 3 Leading Brokerage Firms in the Thomson Reuters Extel survey (for UK companies of up to £1bn market capitalisation) in each of the last 4 years.

Research & Execution

Our research and execution services are recognised as being exceptional and have enabled us to maintain an increased market share throughout the year. In particular, in the 2011 Thomson Reuters Extel survey our research teams were ranked in the top 3 in 7 of the sectors that we cover (up from 5 sectors last year). Our highly rated analysts produce research on over 400 companies (including coverage of over 40 FTSE 100 stocks and over 130 FTSE 250 stocks) and we have a recognised capability in fifteen sectors.

External recognition has been achieved in the Starmine FTSE250 Best Recommendations in which Numis has been ranked number one in 3 of the last 4 years which demonstrate the consistent and significant value-add, across a very broad range of companies, that our research product provides to UK Midcap investors.

Our execution services, across an increasing range of 'lit' and 'dark' trading venues, continue to make a major contribution to the development of our reputation, the resilience of our institutional commissions and the sustained improvements in market share, particularly in FTSE 250 stocks. Our trading platform now delivers execution across 23 separate exchanges with London Stock Exchange execution being offered through 22 different venues with 13 different routes to market.

Sales & Trading is an increasingly competitive area with pressure on commission levels for trades in liquid stocks from electronic trading. However, our clients have a strong demand for well-researched ideas combined with high quality execution and we believe our platform is well placed to improve performance for our 450+ active institutional clients across the UK, Europe and the USA. Our US office continues to provide an excellent service in marketing UK quoted companies to major US institutional investors and arranging road shows in the US for FTSE350 companies.

Dividend and Scrip Alternative

In view of our robust cash position, excess regulatory capital, and the fact that the underlying business is trading profitably, the Board has proposed a final dividend of 4.00p per share (2010: 4.00p) which maintains the total distribution for 2011 at 8.00p per share (2010: 8.00p). The dividend will be payable on 17 February 2012 to all shareholders on the register at 16 December 2011. Shareholders will be offered the option to receive shares instead of a cash dividend, the details of which will be explained in a circular to accompany our Annual Report, which will be circulated to all shareholders on 6 January 2012.

Advisory Board

As noted in our market announcement on 8 July 2011, a newly formed Advisory Board was established during the year the purposes of which is to provide support to the Executive members of the Board and assist Numis enhance and develop its business and reach in the market place. The Advisory Board is an advisory only body and does not make decisions in its own right. Currently there are two externally appointed members of the Advisory Board, being Brian McBride and Tony Hayward.

Settlement of Litigation

As noted in our market announcement on 6 July 2011, we reached an agreement to settle a legal claim brought against Numis in relation to a private placing of shares in Rock Well Petroleum Inc. in 2007 ("Rock Well"). In respect of the claim, which was valued at \$95m, Numis has paid \$8m without any admission of liability and the claimants have withdrawn their claim. The net cost associated with the Rock Well case has been presented as an exceptional non-recurring charge in the consolidated income statement by virtue of its size and incidence.

Outlook

The first two months of our new financial year have seen no improvement in market conditions and we expect low levels of activity to persist for some time. Our industry remains blighted by overcapacity, but in recent weeks there are signs that this is finally beginning to reduce. There is still a mismatch between the number of market participants and available business, but despite this difficult background, our underlying business continues to trade profitably, helped by 3 completed or announced fundraisings and a number of M&A transactions.

We will continue to focus on and invest in our franchise within an overall framework of strong cost control and a robust balance sheet. Both our existing and potential clients can be assured by our capital strength and quality of service, factors which have already helped us to win 6 new corporate clients in the new financial year and to improve our market share in secondary commissions in small, mid and large cap stocks.

The current year is unlikely to be less challenging than the last, but our ability to provide high quality execution and genuinely independent advice to our growing client base provide the platform for long term success.

Oliver Hemsley
Chief Executive
7 December 2011

Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

		2011	2010
Continuing operations	Notes	£'000	£'000
Revenue	3	54,203	51,940
Other operating income		688	59
Total income		54,891	51,999
Administrative expenses	4	(55,281)	(52,473)
Operating loss		(390)	(474)
Analysed as follows:			
Operating profit/(loss) before exceptional charge		1,818	(474)
Exceptional non-recurring charge		(2,208)	-
Operating loss		(390)	(474)
Finance income		639	673
Finance costs		(69)	(24)
Profit before tax		180	175
Taxation		(851)	(276)
Loss after tax		(671)	(101)
Attributable to:			
Equity holders of the parent		(671)	(101)
Loss per share			
Basic	5	(0.7p)	(0.1p)
Diluted	5	(0.7p)	(0.1p)
Dividends for the year	6	(8,338)	(10,104)

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011	2010
	£'000	£'000
Loss for the year	(671)	(101)
Exchange differences on translation of foreign operations	24	12
Other comprehensive income for the period, net of tax	24	12
Total comprehensive expense for the year, net of tax, attributable to equity holders of the parent	(647)	(89)

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2011

	Notes	2011 £'000	2010 £'000
Non current assets			
Property, plant and equipment		1,936	2,125
Intangible assets		105	68
Derivative financial instruments		-	262
Deferred tax	7a	2,192	2,799
		4,233	5,254
Current assets			
Trade and other receivables	7b	221,374	235,337
Trading investments	7c	30,734	36,574
Stock borrowing collateral	7d	2,330	5,106
Derivative financial instruments		28	809
Cash and cash equivalents		41,778	55,370
		296,244	333,196
Current liabilities			
Trade and other payables	7b	(197,036)	(219,193)
Financial liabilities		(1,984)	(6,692)
Stock lending collateral	7d	(1,000)	(5,069)
Provisions		(298)	(263)
Current income tax		(568)	(174)
		(200,886)	(231,391)
Net current assets		95,358	101,805
Non current liabilities			
Provisions		-	(349)
Net assets		99,591	106,710
Equity			
Share capital		5,622	5,593
Share premium account		30,767	30,106
Other reserves		12,809	9,977
Retained profits		50,393	61,034
Equity attributable to equity holders of the parent		99,591	106,710

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities	8	(862)	2,723
Interest paid		(22)	(24)
Taxation (paid)/refunded		(256)	164
Net cash from operating activities		(1,140)	2,863
Investing activities			
Purchase of property, plant and equipment		(201)	(122)
Purchase of intangible assets		(112)	(26)
Interest received		614	614
Net cash from investing activities		301	466
Financing activities			
Purchases of own shares		(5,697)	(13,058)
Dividends paid		(7,648)	(8,933)
Net cash used in financing activities		(13,345)	(21,991)
Net movement in cash and cash equivalents		(14,184)	(18,662)
Opening cash and cash equivalents		55,370	74,266
Net movement in cash and cash equivalents		(14,184)	(18,662)
Exchange movements		592	(234)
Closing cash and cash equivalents		41,778	55,370

Notes to the Financial Information

1. Basis of preparation and accounting policies

Basis of preparation

The consolidated financial information contained within these preliminary results is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2011 will be delivered to the Registrar of Companies in due course. The annual report will be posted to shareholders on 4 January 2012 and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 2 February 2012.

The preparation of the preliminary results 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 preliminary results have been applied on a consistent basis with the statutory accounts for the years ended 30 September 2010 and 2009. Although such estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The consolidated financial information contained within these preliminary results has been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial information and having taken into consideration the strength of the Group balance sheet and cash balances, the Group has adequate resources to continue in operational existence for at least the next 12 months.

Accounting policies

The accounting policies applied in these preliminary results are in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and are in accordance with the accounting policies that were applied in the Group's statutory accounts for the year ended 30 September 2010, except as set out below:

IFRS 2 (amendment) 'Group cash-settled share-based payment transactions' incorporates IFRIC 8 and IFRIC 11 and expands on the guidance given in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The Group's subsidiary and consolidated financial statements were already being prepared on a basis consistent with these amendments so there is no impact on the Group or Company's financial statements.

IAS 38 (amendment), 'Intangible assets', defines a prepayment as being recognised only if payment has been made in advance of receiving the right to goods or receipt of services. The Group's historic accounting policy for intangible assets was in-line with these amendments therefore there has been no impact to the Group's financial statements.

2. Segmental analysis

Geographical information

The Group is managed as an integrated investment banking business and although there are different revenue types (which are separately disclosed in note 3) the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently the Group is managed as a single business unit, namely investment banking.

The Group earns its revenue in the following geographical locations:

	2011	2010
	£'000	£'000
United Kingdom	48,709	46,573
United States	5,494	5,367
	54,203	51,940

There are no customers which account for more than 10% of revenues in the year ended 30 September 2011 (2010: Nil).

The following is an analysis of the carrying amount of non-current assets (excluding financial instruments and deferred tax assets) by the geographical area in which the assets are located:

	2011	2010
	£'000	£'000
United Kingdom	1,720	1,814
United States	321	379
	2,041	2,193

Other information

In addition, the analysis below sets out the revenue performance and net asset split between our core investment banking & broking business and the small number of equity holdings which constitute our investment portfolio.

	2011	2010
	£'000	£'000
Net institutional commission and trading income	29,343	26,478
Corporate transaction revenues	19,448	20,640
Corporate retainers	5,412	4,822
Revenue from investment banking & broking (see note 3)	54,203	51,940
Investment activity net gains	688	59
Contribution from investing activities	688	59
Total	54,891	51,999

Net assets

Investment banking & broking	41,913	31,019
Investing activities	15,900	20,321
Cash and cash equivalents	41,778	55,370
Total net assets	99,591	106,710

3. Revenue

	2011	2010
	£'000	£'000
Net trading gains	3,653	3,418
Institutional commissions	25,690	23,060
Net institutional income	29,343	26,478
Corporate retainers	5,412	4,822
Deal fees	9,298	4,793
Placing commissions	10,150	15,847
	54,203	51,940

4. Administrative expenses

	2011	2010
	£'000	£'000
Wages and salaries	22,223	22,431
Social security costs	3,260	3,216
Compensation for loss of office	270	257
Other pension costs	953	940
Share based payments	6,978	7,313
Non compensation costs	19,389	18,316
Exceptional non-recurring charge	2,208	-
	55,281	52,473

Non-compensation costs increases have been driven by three factors. Firstly our trading platform now delivers the ability to trade on 23 separate stock exchanges with London Stock Exchange execution being offered through 22 different venues with 13 different routes to market. This represents our commitment to provide our clients with seamless access to many pools of liquidity in order to ensure best execution in accordance with each clients order execution preference. Secondly, settlement volumes have increased 50% year on year with a resultant increase in the variable cost element associated with brokerage, clearing and exchange expenses. Thirdly, we have upgraded specific areas of our technology infrastructure and associated BCP arrangements in order to ensure the highest levels of resilience are maintained. That said, we have identified a number of cost saving initiatives which should help to reduce non-compensation related costs in 2012 and therefore improve the efficiency of our operational platform going forwards.

The exceptional non-recurring charge comprises the net cost associated with the settlement of the Rock Well litigation, after taking into account associated external legal costs incurred in the year. External legal costs incurred in the prior year were not material.

5. Loss per share

Basic loss per share is calculated on a loss after tax of £671,000 (2010: loss £101,000) and 101,819,473 (2010: 102,770,978) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders. Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred.

The calculations exclude shares held by the employee benefit trusts on behalf of the Group.

	2011	2010
	Number	Number
	Thousands	Thousands
Weighted average number of ordinary shares in issue during the year – basic	101,819	102,771
Dilutive effect of share awards	7,486	7,992
Diluted number of ordinary shares	109,305	110,763

There were no potential ordinary shares whose conversion would have resulted in an increase in the basic loss per share. The table above shows the diluted number of ordinary shares that would have been appropriate if the Group had reported a profit after tax in both 2011 and 2010.

6. Dividends

	2011	2010
	£'000	£'000
Final dividend for year ended 30 September 2009 (5.50p)		5,828
Interim dividend for year ended 30 September 2010 (4.00p)		4,276
Final dividend for year ended 30 September 2010 (4.00p)	4,164	
Interim dividend for year ended 30 September 2011 (4.00p)	4,174	
Distribution to equity holders of the parent	8,338	10,104

The board has proposed a final dividend of 4.00p per share for the year ended 30 September 2011. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. These preliminary results do not reflect this dividend payable.

7. Balance sheet items

(a) Deferred tax

As at 30 September 2011 deferred tax assets totalling £2,192,000 (2010: £2,799,000) have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments. A deferred tax asset of £1,378,000 (2010: £1,533,000) relating to unrelieved trading losses incurred by Numis has not been recognised as there is insufficient supportable evidence that there will be taxable gains in the future 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. The magnitude of such balances varies with the level of business being transacted around the reporting date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £5,758,000 (2010: £2,811,000).

(c) Trading investments

Included within trading investments is £15,900,000 (2010: £19,250,000) of investments held outside of the market making portfolio. As at 30 September 2011, £1,000,000 (2010: £5,069,000) of trading investments had been pledged to certain institutions under stock lending arrangements.

(d) Stock borrowing and lending collateral

The Group enters stock borrowing and lending 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 or sold with a commitment to return it at a future date at an agreed price.

The securities purchased are not recognised on the balance sheet whereas the securities sold remain on the balance sheet with the transaction treated as a secured loan made for the purchase or sale price. Where cash has been used to effect the purchase or sale, an asset or liability is recorded on the balance sheet as stock borrowing or lending collateral at the amount of cash collateral advanced or received.

Where trading investments have been pledged as security these remain within trading investments and the value of the security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of 3 months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

8. Reconciliation of operating loss to net cash flows from operating activities

	2011	2010
	£000	£000
Operating loss	(390)	(474)
Depreciation charges on property, plant and equipment	391	511
Amortisation charges on intangible assets	75	104
Share scheme charge	6,978	7,313
Decrease/(increase) in current asset trading investments	5,840	(3,580)
Decrease/(increase) in trade and other receivables	13,453	(62,184)
Net movement in stock borrowing /lending collateral	(1,293)	(1,178)
(Decrease)/increase in trade and other payables	(26,959)	60,635
Decrease in derivatives	1,043	1,576
Net cash flows from operating activities	(862)	2,723

9. Adjusted profit measures

The following table reconciles the statutory measures of profit/(loss) before tax, profit/(loss) after tax and earnings/(loss) per share to the adjusted measures used by management in their assessment of the underlying performance of the business:

	2011	2010
	£'000	£'000
Statutory group profit before tax	180	175
Items not included within adjusted profit before tax:		
Other operating income	(688)	(59)
Share scheme charges	6,978	7,313
National insurance provisions related to share scheme awards	192	427
Exceptional non-recurring charge	2,208	-
Adjusted group profit before tax	8,870	7,856
Statutory Group taxation	(851)	(276)
Tax impact of adjustments	(622)	(754)
Adjusted group taxation	(1,473)	(1,030)
Adjusted group profit after tax	7,397	6,826
	2011	2010
Basic weighted average number of shares, number	101,819,473	102,770,978
Adjusted basic earnings per share, pence	7.3p	6.6p
Adjusted diluted earnings per share, pence	6.8p	6.2p