

Numis Corporation Plc Preliminary Results for the year ended 30 September 2009

Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2009. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.

Financial Highlights

- Robust revenue of £47.5m (2008: £50.7m) in a challenging year
- Healthy operating cash inflow of £20.7m during 2009 (2008: £12.3m outflow)
- Adjusted profit before tax £4.2m (2008: £8.4m) – before impact of investment portfolio and share scheme charges
- Adjusted profit after tax £3.3m (2008: £5.7m) - before impact of investment portfolio and share scheme charges
- Adjusted earnings per share 3.2p (2008: 5.7p)
- Well capitalised with a strong balance sheet comprising net assets of £113.8m (2008: £118.4m) and cash and collateral balances of £77.8m
- Statutory loss before tax £10.5m (2008: profit £16.1m) after investment losses of £7.8m and share scheme related charges of £6.9m
- Final dividend increased by 10% to 5.50p, making a total dividend of 8.00p per share (2008: 7.50p) representing tenth successive year of rising dividends

Operational Highlights

- 122 corporate clients with an average market cap of over £200m, higher than at market peak in 2007
- More than 50% increase in FTSE250 corporate clients to 16
- Combined institutional commission & trading revenues grew by 6%
- Trading book enjoyed a good second half and was profitable for the year
- Cost saving initiatives saw non-compensation costs reduced by 7% year-on-year
- Specialist corporate financiers hired to complement strong equity broking business
- New Institutional Sales and Investment Trust teams making significant contribution
- Voted Leading Brokerage Firm in Thomson Reuters Extel 2009 survey (UK companies up to £1bn) and ranked number one for FTSE250 Best Recommendations by StarMine
- Excellent start to the current year

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

"We are encouraged by the improved market conditions during the second half and have taken full advantage of the opportunity to grow our secondary market business. Our focus on maintaining a strong balance sheet has allowed us to build our franchise even through the most difficult market conditions experienced during the early part of the year. We are pleased to report continued growth in number and quality of corporate clients and the recruitment of high calibre employees whilst maintaining our grip on cost control.

Numis was again voted Leading Brokerage Firm for UK companies (up to £1bn market capitalisation) in the 2009 Thompson Reuters Extel Survey. In addition, for the second year running Numis was ranked Number 1 for FTSE250 Best Recommendations by StarMine.

We have had an excellent start to the new year and are benefiting from the investment we have made in our people and our clients."

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CHIEF EXECUTIVE'S STATEMENT

Despite the challenging market conditions we are pleased to report that the business has delivered a creditable underlying performance, generating revenue of £47.5m (2008: £50.7m) and adjusted profit before tax of £4.2m (2008: £8.4m). Offsetting this were £7.8m of losses (2008: £7.4m gains) incurred on investments held outside of our market making business and £6.9m of charges (2008: £0.3m credit) relating to employee share scheme arrangements. A reconciliation of the adjusted profit to the statutory loss is set out in note 11.

Our balance sheet remains robust with cash and cash collateral balances totalling £77.8m (2008: £69.8m) while net assets remain broadly unchanged at £113.8m (2008: £118.4m). In particular, our business generated a strong operating cash inflow of £20.7m (2008: £12.3m outflow) for the year.

The year ended 30 September 2009 can be divided into two distinct halves. Our first half began post the collapse of Lehman Brothers. The cessation of capital markets activity and the associated lack of liquidity proved challenging but manageable due to our resilient balance sheet and strong franchise. The second half saw the equity market rebound with our combined commission and trading revenues reaching record levels driven, in part, by our increased market share. Our combined institutional commission and trading revenues grew by 6% year on year.

We have taken significant steps in building our business, have kept costs under control and maintained a strong balance sheet. Notably, we have been very successful in recruiting some first class people during the year and continue to add accomplished individuals in the UK and the US.

Our investment portfolio was impacted by the events of the first half of the year. Fair value losses of £8.0m were recorded in the first half, the majority of which occurred in October and November 2008. It should be noted that the bulk of this portfolio now comprises quoted investments. We will not be seeking to make any further additions to our investment portfolio at this time but will continue to monitor the performance of these investments and, where prudent and appropriate to do so, explore their monetisation.

We have made significant progress on cost reduction initiatives. 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 have accrued already with non-compensation costs down 7% year on year; however, the full annualised impact of these initiatives will not be seen until our 2010 financial year.

Corporate Broking and Advisory

We are pleased to report that our clients raised a total of £787m (2008: £654m) through 18 transactions (2008: 20). We have attracted a record number of high quality corporate clients this year with 44 new clients bringing the total number for whom we act to 122. Currently we represent 16 FTSE250 clients and were voted 4th overall Broker across UK All Caps in the Thomson Reuters Extel 2009 survey. To support the growth in client numbers, we have taken the opportunity to hire some more highly-rated, specialist corporate financiers to complement our strong equity franchise.

Research, Sales and Trading

Our research and execution services are recognised as being exceptional. In the 2009 Thomson Reuters Extel survey (for UK companies of up to £1bn market capitalisation), Numis was voted Leading Brokerage Firm for the second time in three years. In particular, our research teams were ranked in the top three in the majority of sectors that we cover. Our highly rated analysts produce research on over 400 companies and we have a recognised capability in seventeen key sectors, including Aerospace & Defence, Building, Property, Engineering, Fast Moving Consumer Goods, Life Sciences, Media, Metals & Mining, New Energy & Emissions, Non-Life Insurance, Oil & Gas, Retail, Speciality & Other Finance, Support Services, Technology, Travel & Leisure and Investment Trusts. Additional external recognition was achieved for the second year running as Numis was ranked number one for FTSE250 Best Recommendations by StarMine.

Our execution services, across a range of trading venues, 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, for the FTSE250 stocks in which we trade, our market share has shown significant and sustained improvement throughout the year.

Sales & Trading is an increasingly competitive area with pressure on commission levels for trades in liquid stocks from electronic trading. The integration into the firm of our highly respected Institutional Sales and Investment Trust teams has been very successful and continues to enhance our income generation. Our clients have a strong demand for independent and well-researched ideas combined with high quality execution. The contribution of our US office continues to grow and notably during the year we organised 30 road shows for FTSE250 companies in the US.

Investment Activities

Our investment portfolio was valued at £21.7m as at 30 September 2009 (2008: £29.7m), the majority of which now comprises holdings in quoted companies. We continue to monitor the performance of these investments and, where prudent and appropriate to do so, explore their monetisation.

Dividend and Scrip Alternative

In view of our robust cash position, the fact that our core business remains profitable and our strong start to the new year, the Board has proposed a final dividend of 5.50p per share (2008: 5.00p) giving a total distribution of 8.00p per share (2008: 7.50p). This represents the tenth successive year of rising dividends. The dividend will be payable on 19 February 2010 to all shareholders on the register at 11 December 2009. 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 4 January 2010.

Board Appointments

As previously announced, on the 5 May 2009 both Sir David Arculus and Gerald Corbett joined the Board in the roles of non-executive chairman and non-executive director, respectively. They bring with them extensive experience in working with Government and leading British companies in chairmanship and senior finance roles. The full details of these appointments were given in a separate announcement which was made on the 5 May 2009.

Post year-end trading and outlook

Numis has made an excellent start to its new financial year having already raised £353m of equity funds for its corporate clients and won a number of high quality corporate brokershops. Our pipeline of transactions looks healthy and we are confident, markets permitting, that the business should perform well in the future. We continue to attract talented individuals and we are focusing on providing the best possible service to our corporate and institutional clients alike.

Oliver Hemsley
Chief Executive
2 December 2009

Consolidated Income Statement
FOR THE YEAR ENDED 30 SEPTEMBER 2009

		2009	2008
	Notes	£'000	£'000
Continuing operations			
Revenue	3	47,533	50,714
Other operating (loss)/income		(7,846)	723
Total revenue		39,687	51,437
Administrative expenses	4	(52,915)	(47,757)
Operating (loss)/profit		(13,228)	3,680
Share of profits of associate		-	803
Profit on disposal of associate	5	-	5,854
Loss on disposal of subsidiary	6	(138)	-
Finance income		2,901	5,816
Finance costs		(54)	(60)
(Loss)/profit before tax		(10,519)	16,093
Taxation		1,870	(1,317)
(Loss)/profit after tax		(8,649)	14,776
Attributable to:			
Equity holders of the parent		(8,649)	14,776
(Loss)/earnings per share			
Basic	7	(8.4p)	14.9p
Diluted	7	(8.4p)	14.6p
Memo – dividends for the year	8	(7,855)	(7,700)

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2009

	Notes	2009 £'000	2008 £'000
Non current assets			
Property, plant and equipment		2,509	3,086
Intangible assets		146	290
Derivative financial instruments		645	1,796
Deferred tax	9a	2,782	-
		6,082	5,172
Current assets			
Trade and other receivables	9b	165,341	221,373
Trading investments	9c	32,994	36,136
Stock borrowing collateral	9d	5,759	92
Derivative financial instruments		2,002	3,010
Current income tax		463	836
Cash and cash equivalents		74,266	59,899
		280,825	321,346
Current liabilities			
Trade and other payables	9b	(159,872)	(206,126)
Financial liabilities		(5,192)	(1,287)
Stock lending collateral	9d	(6,900)	-
Provisions		(580)	(75)
		(172,544)	(207,488)
Net current assets		108,281	113,858
Non current liabilities			
Provisions		(546)	(616)
Net assets		113,817	118,414
Equity			
Share capital		5,557	5,378
Share premium account		28,971	24,719
Capital reserve		6,742	1,503
Retained profits		72,547	86,814
Equity attributable to equity holders of the parent		113,817	118,414

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Profits £'000	Total £'000
Attributable to equity holders of the parent at 1 October 2008	5,378	24,719	1,503	86,814	118,414
New shares issued	179	4,252	-	-	4,431
Loss after tax				(8,649)	(8,649)
Dividends paid				(7,855)	(7,855)
Deferred tax related to share based payments				936	936
Exchange differences on translation of foreign operations			62	-	62
Movement in respect of employee share plans			5,177	1,289	6,466
Other				12	12
Attributable to equity holders of the parent at 30 September 2009	5,557	28,971	6,742	72,547	113,817
Attributable to equity holders of the parent at 1 October 2007	5,324	22,376	294	81,042	109,036
New shares issued	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

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities	10	20,653	(12,268)
Interest paid		(54)	(60)
Taxation refunded/(paid)		643	(4,963)
Net cash from/(used in) operating activities		21,242	(17,291)
Investing activities			
Purchase of property, plant and equipment		(191)	(671)
Purchase of intangible assets		(33)	(163)
Proceeds from disposal of subsidiary		7	-
Proceeds from disposal of associate		-	7,170
Interest received		875	3,716
Dividends received from associate		-	1,236
Net cash from investing activities		658	11,288
Financing activities			
Purchases of own shares		(2,533)	(5,462)
Dividends paid		(6,924)	(5,302)
Net cash used in financing activities		(9,457)	(10,764)
Net movement in cash and cash equivalents		12,443	(16,767)
Opening cash and cash equivalents		59,899	76,666
Net movement in cash and cash equivalents		12,443	(16,767)
Exchange movements		1,924	-
Closing cash and cash equivalents		74,266	59,899

Notes to the Financial Statements

1. Basis of preparation

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 240 of the Companies Act 1985. The statutory accounts for the year ended 30 September 2009 will be delivered to the Registrar of Companies in due course. The annual report will be posted to shareholders on 4 January 2010 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 2010.

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 2008 and 2007. 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 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 1985 applicable to companies reporting under IFRS, and are in accordance with the IFRS accounting policies that were applied 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.

	2009	2008
	£'000	£'000
Net institutional commission and trading income	25,191	23,680
Total corporate transaction revenues	17,759	23,005
Corporate retainers	4,583	4,029
Revenue from investment banking & broking (see note 3)	47,533	50,714
Investment activity net (losses)/gains	(7,846)	723
Share of profits of associate	-	803
Profit on disposal of associate (see note 5)	-	5,854
Contribution from investing activities	(7,846)	7,380
Total	39,687	58,094
Net assets		
Investment banking & broking	17,818	28,784
Investing activities	21,733	29,731
Cash and cash equivalents	74,266	59,899
Total net assets	113,817	118,414

3. Revenue

	2009	2008
	£'000	£'000
Net trading gains/(losses)	1,716	(3,460)
Institutional commissions	23,475	27,140
Net institutional income	25,191	23,680
Corporate retainers	4,583	4,029
Deal fees	5,422	9,751
Placing commissions	12,337	13,254
	47,533	50,714

4. Staff costs

	2009	2008
	£'000	£'000
Wages and salaries	22,323	23,728
Social security costs	3,435	2,065
Compensation for loss of office	230	166
Other pension costs	943	640
Share based payments	6,208	(65)
	33,139	26,534

5. Profit on disposal of associate

	2009	2008
	£'000	£'000
Sale proceeds	-	7,206
Share of net assets disposed of	-	(1,316)
Disposal expenses (comprising charges)	-	(36)
	-	5,854

The profit on disposal of associate in the prior year 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. Loss on disposal of subsidiary

	2009	2008
	£'000	£'000
Sale proceeds	7	-
Share of net assets disposed of	(138)	-
Disposal expenses (comprising charges)	(7)	-
	(138)	-

The loss on disposal of subsidiary relates to the sale of the Group's interest in Numis Caspian Limited LLP. This wholly owned subsidiary was created under the laws of the Republic of Kazakhstan and officially registered with the local authorities in September 2006. The company was formed to take advantage of perceived business opportunities arising in Kazakhstan at that time, however these did not materialise to the extent originally envisaged. As a result the Group disposed of its entire interest during the year. The activities of the subsidiary have not been treated as discontinued operations under IFRS 5 as they did not represent a separate major line of business or geographical area of operation.

7. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated on a loss after tax of £8,649,000 (2008: profit £14,776,000) and 102,539,193 (2008: 99,187,412) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted (loss)/earnings per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. However, 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.

In the current financial year, there are no potential ordinary shares whose conversion would result in an increase in the basic loss per share. The table below shows the diluted number of ordinary shares that would have been appropriate if the Group had reported a profit after tax.

	2009	2008
	Number	Number
	Thousands	Thousands
Weighted average number of ordinary shares in issue during the year – basic	102,539	99,187
Dilutive effect of share awards	3,518	1,835
Diluted number of ordinary shares	106,057	101,022

8. Dividends

	2009	2008
	£'000	£'000
Final dividend for year ended 30 September 2007 (5.00p)		5,120
Interim dividend for year ended 30 September 2008 (2.50p)		2,580
Final dividend for year ended 30 September 2008 (5.00p)	5,212	
Interim dividend for year ended 30 September 2009 (2.50p)	2,643	
Distribution to equity holders of the parent	7,855	7,700

The board has proposed a final dividend of 5.50p per share for the year ended 30 September 2009. 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 financial statements do not reflect this dividend payable.

9. Balance sheet items

(a) *Deferred tax*

As at 30 September 2008 potential deferred tax assets totalling £1,078,000 primarily in respect of share based payments were not recognised due to uncertainties in assessing the level of future taxable gains at that time. As at 30 September 2009 many of these uncertainties have been removed with the general improvement in market conditions and encouraging performance of the underlying business. Hence deferred tax assets totalling £2,782,000 have been recognised (as at 30 September 2009) reflecting managements' confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. This deferred tax asset principally comprises amounts in respect of share based payments and relates to the activities of the UK trading entity. In addition, a deferred tax asset of £1,391,000 relating to unrelieved trading losses incurred by the Company 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. Also included within Trade and other receivables are cash collateral balances held with securities clearing houses of £3,500,000 (2008: £9,874,000).

(c) *Trading investments*

Included within trading investments is £19,086,000 (2008: £26,091,000) of investments held outside of the market making portfolio. As at 30 September 2009, £6,900,000 (2008: £ nil) 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.

10. Reconciliation of operating (loss)/profit to net cash from/(used in) operating activities

	2009	2008
	£000	£000
Operating (loss)/profit	(13,228)	3,680
Impairment of property, plant and equipment	5	46
Depreciation charges on property, plant and equipment	838	800
Amortisation charges on intangible assets	177	255
Share based payments	6,208	(65)
Decrease in current asset trading investments	3,142	3,285
Decrease/(increase) in trade and other receivables	62,979	(59,996)
Movement in stock borrowing / lending collateral	1,233	8,513
(Decrease)/increase in trade and other payables	(42,652)	30,989
Decrease in derivatives	2,159	265
Other non-cash movements	(208)	(40)
Net cash from/(used in) operating activities	20,653	(12,268)

11. Adjusted profit measures

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

	2009	2008
	£'000	£'000
Statutory group (loss)/profit before tax	(10,519)	16,093
Items not included within adjusted profit before tax:		
Other operating loss/(income)	7,846	(723)
Share scheme charge/(credit)	6,208	(65)
NI provisions related to share scheme charge/(credit)	660	(238)
Share of profits of associate	-	(803)
Profit on disposal of associate	-	(5,854)
Adjusted group profit before tax	4,195	8,410
Group taxation	1,870	(1,317)
Tax impact of adjustments	(2,733)	(1,430)
Adjusted group taxation	(863)	(2,747)
Adjusted group profit after tax	3,332	5,663

	2009	2008
Basic weighted average number of shares, number	102,539,193	99,187,412
Adjusted basic earnings per share, pence	3.2p	5.7p