

## **Numis Corporation Plc Preliminary Results for the year ended 30 September 2007**

**Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2007. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.**

### **Financial Highlights**

- **A very good performance with total revenue up 21% to £87.6m (2006: £72.2m).**
- **Profit before tax and before non-recurring property costs up 13% to £40.3m (2006: £35.8m), profit before tax after non-recurring costs up 9% to £38.8m (2006: £35.7m).**
- **Basic earnings per share before non-recurring property costs up 13% to 28.6p (2006: 25.4p).**
- **Final dividend of 5.0p per share, making a total of 7.0p per share (2006: 5.0p per share) for the year, up 40%.**
- **Strong balance sheet with net assets increased by 16% to £109.0m (2006: £93.6m) and cash balances by 5% to £78.4m (2006: £74.9m).**
- **Total dividend and stock purchase returns to shareholders up 57% to £16.2m (2006: £10.3m)**

### **Operational Highlights**

- **Voted Leading Brokerage Firm for UK Small Caps in *The Thomson Extel 2007* survey and, for the second year running, achieving first places for Research, Trading & Execution and Corporate Access for companies with market capitalisation up to £1bn.**
- **Institutional sales commissions up 39% to £27.6m from £19.8m**
- **£1,182m raised for corporate clients in the period (2006: £1,465m) with 73% of deals for existing clients.**
- **Corporate client base increased to 109 from 101 with average market capitalisation also rising to £195m from £154m.**
- **Staff revenue productivity per head remains high at £509,000 (2006: £498,000) and cost control maintained with pre-bonus expenses 43.1% of revenue (2006: 38.3%).**

**Commenting on the results, Oliver Hemsley, Chief Executive of Numis, said:**

“As a result of the £8.8m net profit arising from the IPO of Abbey Protection Group, profits are currently ahead of those at the beginning of December last year despite difficult market conditions. Since the year end, we have added 8 new corporate clients and are well placed to increase this during the coming year. We are determined to grow the business organically in a contracyclical fashion. We will exploit the volatility in the market to attract clients and staff to Numis and continue to build our franchise and create long-term value for our shareholders”.

## **CHIEF EXECUTIVE'S STATEMENT**

We are pleased to report that a very strong performance has delivered another record year of profits for Numis. For the year ended 30 September 2007 total revenue was up 21.3% to £87.6m (2006: £72.2m). Profit before tax and before non-recurring property costs for the year rose to £40.3m (2006: £35.8m). Underlying earnings per share (before non-recurring property costs) were 28.6p (2006: 25.4p) while net assets increased to £109.0m (2006: £93.6m) and cash balances to £78.4m (2006: £74.9m).

2007 has been a very active year for Numis and has seen the business develop considerably. We have been successful in recruiting some first class people and our secondary market trading business has grown significantly, both in the UK and US. Numis is becoming recognised as a leading investment banking and broking business serving international investors and companies listed in the UK. In recognition of this progress, we have been voted Leading Brokerage Firm for UK Stocks of less than £1bn market capitalisation in the 2007 Thomson Extel Survey. We are also making significant progress in larger stocks and now have 7 FTSE 250 corporate clients, as well as having grown significant secondary market share in many other FTSE 250 companies where we are not broker.

Numis has expanded internationally, further developing our successful business in the USA and by opening an office in Kazakhstan. We listed the first Central Asian fund in London raising \$250m for investment into Kazakhstan and other Central Asian countries. We continue to look at opportunities on a global basis and where appropriate will commit resources to particular regions to develop both our primary and secondary business.

We have built a very strong balance sheet which will allow us to take advantage of current volatile markets. Numis' focus on balance sheet strength and risk management will allow us to provide an excellent service to institutional and corporate clients at a time when a number of our competitors are distracted by current market conditions. We have avoided any direct exposure to the sub-prime or structured credit markets. Whilst we are not immune from the challenging stock market conditions we are well positioned to take advantage of current difficulties and are committed to building the business during a downturn. Now is the time Numis can attract high quality employees and further build our client base aided by our strong balance sheet and focus on the equity market.

### ***Corporate Broking and Advisory***

After an exceptionally busy first half for our corporate clients, the last quarter slowed as a result of volatility in market conditions. However, the number of corporate clients for whom we act has risen to 109 (2006: 101) and their average market capitalisation has risen to £195m (2006: £154m). As a result the total market capitalisation of our clients has reached £21.2bn (2006: £15.7bn).

Our clients raised a total of £1,182m (2006: £1,465m) through 40 transactions across a broad range of sectors. It is also pleasing to note that over 70% of these transactions were on behalf of existing clients, reflecting the success of our corporate clientele, the quality of our service and the strength of our relationships with them. 2007 has been a very active year on the corporate advisory side of our business and we have acted in 15 M&A transactions with a total value of £2.4bn.

### ***Research, Sales and Trading***

Our research and execution services are recognised as being exceptional. In this year's Thomson Extel survey, Numis was rated as the top broker overall for stocks of less than £1bn market capitalisation. Our research teams were placed 1<sup>st</sup> in 5 out of 14 research sectors, were ranked in the top 3 in 10 sectors and were ranked 1<sup>st</sup> overall. During the last year we have also materially strengthened our capability in building & construction, engineering, fast moving consumer goods and speciality financials, with the recruitment of high quality analysts. We now have a recognised capability in 14 sectors, including aerospace & defence, building & construction, engineering, fast moving consumer goods, life sciences,

media, metals & mining, new energy & emissions, non-life insurance, property funds, retail, speciality financials, support services, technology; and, travel & leisure.

Our execution services have made a major contribution to the development of our reputation and the growth in institutional commissions. Our execution business continues to be focused on client facilitation, rather than generating proprietary trading profits and was rewarded with a 1<sup>st</sup> place in the Thomson Extel survey for the second year running. We continue to develop our execution services and have invested significantly in new technology including algorithmic and other electronic trading capabilities.

Sales & Trading is an increasingly competitive area with pressure on commission levels for trades in liquid stocks from electronic trading. However, whilst we have been developing our electronic trading capability, we will continue to exploit the market for independent and well researched ideas, combined with high quality worked execution, to help to improve performance for institutional investor clients. Our New York office is now a significant contributor to our institutional commissions and the relationships we are developing in Europe will add to our institutional activity.

### ***Investment Business***

Numis is building a strong track record in investing in exceptional growth equity opportunities as a natural extension of our core business. Our portfolio includes stakes in Paternoster, the insurance company set up by Numis and Mark Wood to purchase closed final salary pension schemes and Abbey Protection, the legal fees insurance business. From this portfolio we have already had some notable success in realising value for shareholders, including the exit in 2005 from our investment in comdirect (now known as squaregain) which generated a profit of £9.3m on an investment of £4.2m.

During the year, we used the strength of our balance sheet to take more minority investments in companies including, RI3K, the innovative electronic platform for insurance transactions, RockWell the innovative mature oil field extraction business; and, Clean Energy Brazil, the ethanol producer. Since the year end we have crystallised a significant profit through the IPO of Abbey Protection generating a net profit of £8.8m from the sale of an asset with book value of £3.0m. We are continuing to make use of our strong balance sheet to make investments in exceptional growth opportunities. Our ability to identify very attractive assets and generate exceptional returns is clear and we believe that exploiting this capability will be an important and growing revenue stream in the future.

### ***Operations and Financial Review***

We continue to invest in highly capable staff in all areas of the business and in improving our service to clients. During the year our average headcount has increased from 145 to 172 with revenue per employee of £509,000 (2006: £498,000). Despite this expansion and a number of infrastructure costs being borne this year, tight cost control has ensured our expense ratio and margins remain at acceptable levels – with costs before bonuses and non-recurring property cost at 43% of revenue (2006: 38%) and profit margins before non recurring property costs of 46% (2006: 50%).

We are also pleased with progress on balance sheet management. Our Employee Benefit Trust (“EBT”) has made significant share purchases to cover equity incentive awards and reduce potential dilution from options. At 30<sup>th</sup> September 2007 there were 3,258,651 unencumbered shares in the EBT and only 1,881,025 unexercised options (2006: 2,057,579 unencumbered shares and 3,147,025 unexercised options). Total dividend plus EBT stock purchase returns to shareholders during the year has therefore increased to £16.2m (2006: £10.3m). However, balance sheet discipline has also been maintained with cash balances now £78.4m (2006: £74.9m) representing 72% of net assets (2006: 80%).

### ***Dividend and Scrip Alternative***

The Board has proposed a final dividend of 5.0p per share (2006: 3.75p), increasing the total distribution by 40% to 7.0p per share (2006: 5.0p). The dividend will be payable on 8 February 2008 to all shareholders on the register at 14 December 2007. 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.

### ***New Offices at Paternoster Square***

During the year we moved into 31,000 square feet of new space in the London Stock Exchange building at 10 Paternoster Square, London EC4. In making this move we incurred an exceptional cost of £2.2m (2006: £0.2m). This has enabled controlled expansion of the business into more efficient office space, as well as raising the profile of the firm, particularly with potential foreign corporate clients.

### ***Outlook***

Numis has a very strong balance sheet, a hard-earned track record, committed staff with 50% of shares being employee owned and a hunger to build the business and perform in both favourable and unfavourable market conditions. We recognise that current market conditions are difficult and the outlook is uncertain. However, our challenge is to continue to grow the business in a possibly lengthy downturn. We have achieved this in the past and we believe we can do so again.

As a result of the £8.8m net profit arising from the IPO of Abbey Protection Group, profits are currently ahead of those at the beginning of December last year despite difficult market conditions. Since the year end, we have added 8 new corporate clients and are well placed to increase this during the coming year. We are determined to grow the business organically in a contracyclical fashion. We will exploit the volatility in the market to attract clients and staff to Numis and continue to build our franchise and create long-term value for our shareholders.

Oliver Hemsley  
Chief Executive

5<sup>th</sup> December 2007

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## Consolidated Income Statement

For the year ended 30 September 2007

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	85,694	72,028
Other operating income	1,898	181
<b>Total revenue</b>	<b>87,592</b>	<b>72,209</b>
Administrative expenses	<b>(51,901)</b>	<b>(40,742)</b>
Underlying operating profit	35,691	31,467
Non-recurring property costs	<b>(2,196)</b>	<b>(200)</b>
<b>Operating profit</b>	<b>33,495</b>	<b>31,267</b>
Share of results of associates	1,469	1,500
Finance income	4,121	3,149
Finance costs	<b>(285)</b>	<b>(223)</b>
<b>Profit before tax</b>	<b>38,800</b>	<b>35,693</b>
Taxation	<b>(11,169)</b>	<b>(10,233)</b>
<b>Profit after tax</b>	<b>27,631</b>	<b>25,460</b>
<b>Attributable to:</b>		
Equity holders of the parent	27,631	25,460
Earnings per share		
Basic	27.5p	25.3p
Diluted	26.8p	24.4p
Memo - dividends	<b>(5,876)</b>	<b>(3,845)</b>

Note: the impact on profit before tax of the non-recurring property costs is £1.54m (2006: £0.14m), after allowing for the staff bonus allocation and the profit before tax before non-recurring costs is therefore £40.34m (£35.83m)

## Consolidated Balance Sheet

At 30 September 2007

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non current assets</b>		
Property, plant and equipment	3,238	1,388
Intangible assets	382	414
Associates	3,063	2,209
Derivative financial instruments	1,071	1,606
Deferred tax	1,840	2,904
	9,594	8,521
<b>Current assets</b>		
Trade and other receivables	155,355	148,318
Trading investments	38,106	24,196
Stock borrowing collateral	8,605	8,059
Derivative financial instruments	4,000	1,066
Cash and cash equivalents	78,397	74,899
	284,463	256,538
<b>Current liabilities</b>		
Trade and other payables	(169,089)	(160,307)
Financial liabilities	(8,237)	(5,424)
Provisions	(2,377)	(200)
Current income tax	(3,391)	(2,350)
	(183,094)	(168,281)
<b>Net current assets</b>	101,369	88,257
<b>Non current liabilities</b>		
Provisions	(1,927)	(3,207)
<b>Net assets</b>	109,036	93,571
<b>Equity</b>		
Share capital	5,324	5,295
Share premium account	22,376	20,727
Capital reserve	294	68
Retained profits	81,042	67,481
<b>Equity attributable to equity holders of the parent</b>	109,036	93,571

## Consolidated Statement of Changes in Equity

For the year ended 30 September 2007

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Profits £'000	Total £'000
Attributable to equity holders of the parent at 1 October 2006	5,295	20,727	68	67,481	93,571
New shares	29	1,649			1,678
Profit after tax				27,631	27,631
Dividends paid				(5,876)	(5,876)
Net deferred tax on items recognised in equity				(233)	(233)
Net current tax on items recognised in equity				333	333
Exchange differences on translation of foreign operations			125		125
Movement in respect of employee share plans			101	(8,118)	(8,017)
Other				(176)	(176)
Attributable to equity holders of the parent at 30 September 2007	5,324	22,376	294	81,042	109,036
Attributable to equity holders of the parent at 1 October 2005	5,258	19,341	-	51,620	76,219
New shares	37	1,386			1,423
Profit after tax				25,460	25,460
Dividends paid				(3,845)	(3,845)
Net deferred tax on items recognised in equity				(516)	(516)
Exchange differences on translation of foreign operations			68		68
Movement in respect of employee share plans				(5,238)	(5,238)
Attributable to equity holders of the parent at 30 September 2006	5,295	20,727	68	67,481	93,571

## Consolidated Cash Flow Statement

For the year ended 30 September 2007

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Cash flows from operating activities	26,024	36,230
Interest paid	(285)	(41)
Taxation paid	(9,139)	(14,009)
<b>Net cash from operating activities</b>	<b>16,600</b>	<b>22,180</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,097)	(805)
Purchase of intangible assets	(197)	(306)
Interest received	4,121	3,149
Dividends received from associate	614	150
<b>Net cash from/(used in) investing activities</b>	<b>1,441</b>	<b>2,188</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	-	130
Purchase of shares by EBT	(10,345)	(6,508)
Dividends paid	(4,198)	(2,642)
<b>Net cash (used in)/from financing activities</b>	<b>(14,543)</b>	<b>(9,020)</b>
<b>Net movement in cash and cash equivalents</b>	<b>3,498</b>	<b>15,348</b>
Opening cash and cash equivalents	74,899	59,551
Net movement in cash and cash equivalents	3,498	15,348
<b>Closing cash and cash equivalents</b>	<b>78,397</b>	<b>74,899</b>



The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to the years presented.

**(a) *Basis of preparation***

The Group's consolidated financial information contained within these financial statements has been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Group has applied IFRS for the year ended 30 September 2007 with one year of comparative figures under IFRS as adopted by the EU. Figures presented are in thousands sterling. In preparing these consolidated financial statements, the Group has elected to take advantage of certain transitional provisions within IFRS 1 'First-time adoption of International Financial Reporting Standards' ("IFRS 1") which offer exemptions from presenting comparative information in accordance with IFRS. The most significant optional exemptions available and taken advantage of by the Group are as follows:

- IFRS 2 'Share Based Payments' ("IFRS 2"); In accordance with IFRS 1, the new standard has been applied only to share options and equity instruments granted after 7th November 2002 that have not vested by 1st October 2005.
- IAS 21 'The Effects of Changes in Foreign Exchange Rates' ("IAS 21"); In accordance with IFRS 1, cumulative translation differences arising on the Group's net investment in foreign operations are assumed to be zero at the date of transition

The financial statements are prepared under the historical cost convention with the exception of financial instruments which are stated in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The preparation of financial statements in conformity with generally accepted accounting principles 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. 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.

**(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. If the fair value of the consideration is less than the fair value of identifiable assets and liabilities acquired, the difference is recognised directly in the income statement. Goodwill arising prior to 30 September 1998 remains eliminated against reserves; no goodwill has arisen on acquisitions since that date. As permitted by IFRS 1, the Group has chosen not to restate under IFRS, business combinations that took place prior to 1 October 2005, the date of transition to IFRS. All intra-group transactions are eliminated on consolidation.

**(c) Revenue Recognition**

The Group follows the principles of IAS 18, 'Revenue Recognition', in determining appropriate revenue recognition policies. In principle, therefore, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group. Revenue comprises institutional commission and net dealing profit or loss, corporate broking retainers, deal fees and placing commissions.

Institutional commissions are recognised on trade dates. Net institutional trading profit or loss is the realised and unrealised profits and losses from trading investments and short positions on a trade date basis.

Corporate retainers are recognised on an accruals basis. Deal fees and placing commissions are only recognised once there is an absolute contractual entitlement for Numis to receive them.

**(d) Segment Reporting**

Business segments are distinguishable components of the group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in economic environments. Numis operates a single integrated business and, although there are different revenue types (the contributions from which are separately disclosed), there is no meaningful segmentation of profits, assets, liabilities or net assets.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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

Leasehold improvements are depreciated on a straight line basis over the term of the lease or estimated useful economic life whichever is the shorter.

**(f) Intangible assets**

Acquired computer software licences are capitalised where it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the assets can be reliably measured. Software is stated at cost, including those costs incurred to bring to use the specific software, less amortisation and provisions for impairment, if any. Costs are amortised on a straight line basis over the estimated useful life of the software.

Costs associated with maintaining or developing the software are recognised as an expense when incurred.

**(g)                    *Impairment of assets***

The carrying value of property, plant and equipment and intangibles is reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

**(h)                    *Investment in associates***

Associates comprise those undertakings, not being subsidiary undertakings, which carry out related activities and where the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

In the Group's financial statements, investments in associated undertakings are accounted for using the equity method. The consolidated income statement includes the Group's share of these associated undertakings' profits less losses and the Group's share of net assets is shown in the consolidated balance sheet.

**(i)                    *Financial assets and liabilities***

Trading investments and Financial liabilities represent proprietary trading, market making positions and other investments held for resale in the near term and are stated at fair value. Gains and losses arising from the changes in fair value are taken to the income statement.

For trading investments and financial liabilities which are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price, with financial assets marked at the bid price and financial liabilities marked at the offer price. Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data. These may include comparison to similar instruments where observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Where there is no active market and the range of reasonable fair values is significant and cannot be made reliably then such positions are held at cost less impairment loss.

The Group makes an assessment at each balance sheet date as to whether there is any objective evidence of impairment, being any circumstance where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated.

**(j)                    *Derivatives***

The Group utilises forward exchange contracts to manage the exchange risk on actual transactions related to amounts receivable, denominated in a currency other than the functional currency of the business. The Group has not sought to apply the hedging requirements of IAS 39.

The Group's forward exchange contracts do not subject the Group to risk from exchange rate movements because the gains and losses on such contracts offset losses and gains, respectively, on the underlying foreign currency transactions to which they relate. The forward contracts and related amounts receivable are recorded at fair value at each period end. Fair value is estimated using the settlement rates prevailing at the period end.

All gains and losses resulting from the settlement of the contracts are recorded within Finance Income Costs in the income statement.

The Group does not enter into forward exchange contracts for the purpose of hedging anticipated transactions.

Equity options and warrants are initially accounted for and measured at fair value on the date the Group becomes a party to the contractual provisions of the derivative contract and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement within net trading income. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions and valuation techniques including discounted cash flow models and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

**(k) *Deferred Tax***

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

**(l) *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 a pledged asset on the balance sheet. Where assets have been pledged as security these remain within trading investments and the value of 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.

**(m) *Trade and other receivables***

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Client, broker and other counterparty balances represent unsettled sold securities transactions and are recognised on a trade date basis. All such balances are shown gross.

**(n) Trade and other payables**

Trade and other payables are stated at their nominal value. The Group accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

Client, broker and other counterparty balances represent unsettled purchased securities transactions and are recognised on a trade date basis. All balances are shown gross.

**(o) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with an original maturity of 3 months or less.

**(p) Provisions**

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated. Provisions believed to relate to periods greater than twelve months are discounted to the net present value using an effective discount rate that reliably calculates the present value of the future obligation.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the financial statements; however they are disclosed unless their likely occurrence is remote.

**(q) 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 other counterparties. Client money is not held directly, but is placed on deposit in segregated designated accounts with a bank.

**(r) 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 income statement in the year in which they arise.

**(s) Operating leases**

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term even if the payments are not made on such a basis. Lease incentive received are recognised in the income statement as an integral part of the total lease expense.

**(t) Foreign currencies**

In individual entities, transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are

retranslated at rates prevailing on the balance sheet date. Exchange differences are taken to the income statement, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken directly to reserves. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation, the results of overseas businesses are translated into the presentational currency of the group at the average exchange rates for the period where these approximate to the rate at the date of transaction. Assets and liabilities of overseas businesses are translated into the presentational currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are classified as a separate component within equity. Cumulative translation differences arising after the transition to IFRS are taken to the income statement on disposal of the net investment.

**(u) Taxation**

Taxation on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantially enacted by the balance sheet date.

**v) Employee share ownership plans**

The Group has two Employee Share Ownership Plans (“ESOP”) providing an equity share incentive scheme for UK and US employees respectively. The UK ESOP encompasses a Long Term Incentive Plan (“LTIP”), and discretionary option awards. The US Restricted Share Plan (“USRSP”) mirrors the terms of the LTIP. An ESOP Trust established by the Group 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.

In the case of equity settled awards, the cost of share awards made under employee share ownership plans, as measured by the fair value of awards at the date of granting, are taken to the income statement over the vesting period (if any), and disclosed under staff costs with a corresponding increase in equity. No expense is recognised in respect of option awards granted before 7th November 2002 or which have vested before 1st October 2005.

In the case of cash settled awards, the cost of share awards made under employee share ownership plans, as measured by the fair value of awards at the date of granting, are taken to the income statement over the vesting period with a corresponding increase in provisions representing the cash obligation. At each subsequent accounting date the fair value of the obligation is re-assessed with reference to the underlying share price and the provision adjusted accordingly.

The cost of shares acquired by the ESOP trust are deducted as an adjustment to equity. Gains and losses arising on ESOP related transactions are taken directly to equity.

(w) *Dividends*

Dividends payable are recognised when the dividend is paid or approved by shareholders.

**Selected notes to the financial statements**

**1. Reconciliation of UK GAAP to IFRS**

The differences between IFRS and UK GAAP which affect the Group are described in the “Impact of International Financial Reporting Standards” presentation dated 2 May 2007 which can be found on our website (<http://www.numiscorp.com>).

Set out below is a summary of the reconciliation from UK GAAP to IFRS of the opening Equity as at 1 October 2005, the Equity as at 30 September 2006 and the Profit before Tax for the year ended 30 September 2006.

Equity

	<b>30 September 2006 £'000</b>	<b>1 October 2005 £'000</b>
Reported under UK GAAP	91,689	73,326
Opening equity adjustment	2,893	
Financial instruments IAS 39	(675)	1,464
Employee benefits IAS 19	10	37
Share based payments IFRS 2	170	(1,314)
Tax IAS 12	(516)	2,706
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Reported under IFRS	93,571	76,219

Profit before Tax

	<b>2006 £'000</b>
Profit before tax for the period under UK GAAP	37,206
Financial instruments IAS 39	(965)
Associate IAS 28	(665)
Employee benefits IAS 19	15
Share based payments IFRS 2	170
Foreign exchange IAS 21	(68)
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Reported under IFRS	35,693

## 2. Revenue

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Net trading gains / (losses)	5,145	(2,277)
Institutional commissions	27,645	19,833
Corporate retainers	3,830	3,464
Deal fees	15,461	8,980
Placing commissions	33,613	42,028
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	85,694	72,028

## 3. Employee Costs

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	14,000	11,467
Bonuses	14,145	13,050
Social security costs	3,896	2,639
Compensation for loss of office	53	214
Other pension costs	511	507
LTIP award costs	1,200	839
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	33,805	28,716

## 4. Employee Numbers

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Average for the year		
Professional	128	112
Administration	44	33
	<hr/>	<hr/>
	172	145
	<hr/>	<hr/>
At the year end	186	165

## 5. Earnings per Share

The calculation of basic earnings per ordinary share is calculated on profit on ordinary activities after taxation for the year of £27,631,000 (2006: £25,460,000) and 100,389,740 (2006: 100,712,107) 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 2007 were exercised at 1 October 2006, for options where the exercise price was less than the average price of the share during the year.

Basic earnings per share, excluding non-recurring property costs, for the year ended 30 September 2007 is calculated on profit on ordinary activities after taxation of £28,707,000 (2006: £25,558,000). Diluted earnings per share assumes that options outstanding at 30 September 2007 were exercised at 1 October 2006, for options where the exercise price was less than the average price of the share during the year.



The calculations exclude shares held by the ESOP Trust.

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares in issues during the year – basic	100,390	100,712
Effect of options over ordinary shares	<u>2,713</u>	<u>3,730</u>
Diluted number of ordinary shares	<u>103,103</u>	<u>104,442</u>

## **6. Preliminary Results**

These preliminary results, which were approved by the Board of Directors on 5<sup>th</sup> December 2007, are unaudited. Under IFRS, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and the financial notes, can provide a fair presentation of the company's financial position, results of operations and cash flow.

Note: Profit before tax and before non recurring property costs includes an adjustment to reflect the related impact on incentive payments. Incentive payments are disclosed within administrative expenses on the face of the income statement.