



2005

Annual Report & Accounts

A leading independent investment banking and broking group serving high quality London-quoted mid and small cap companies.

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A leading independent, investment banking and broking group.

Offering a full range of research, execution, equity capital markets, corporate broking and corporate finance services to mid and small cap companies and their investors.

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NUMIS CORPORATION
FINANCIAL HIGHLIGHTS

- Operating income up 101%
- Profit before tax and exceptional items up 134%
- Cash balances up 143%
- Final dividend of 2.525p proposed (2004 restated 1.6p), with interim dividend of 0.625p (2004 restated 0.5p) delivering total 3.15p up 50%

	Year ended 30 Sept 2005	6 months ended 30 Sept 2005	6 months ended 31 Mar 2005	Year ended 30 Sept 2004
Revenue £m	65.7	40.2	25.5	32.7
Profit before tax £m	39.9	27.6	12.3	14.1
Profit before tax £m and exceptional profits	30.6	18.3	12.3	13.1
Earnings per share p before exceptional profits	21.7	12.6	9.1	9.9
Earnings per share p	31.3	21.8	9.1	10.7
Dividends per share p	3.15	2.525	0.625	2.1
Cash £m	57.1	57.1	26.7	23.5

CHIEF EXECUTIVE'S
STATEMENT

Another record year.

An exceptionally strong second half has delivered a record year for Numis. Profit before tax and exceptional items for the year ended 30 September 2005 rose to £30.6m (2004: £13.1m).

- Corporate client base increases to 93 (2004: 76)
- £1,062m raised for clients (2004: £388m) including a 19% share of AIM activity (2004: 14%) with over 33% for existing clients
- Investment in staff continues, headcount now 127 (2004: 100)
- Staff revenue productivity per head improved £587,000 (2004: £381,000)
- Tight control over costbase maintained with pre-bonus expenses 39% of revenue (2004: 45%)

Results

We are pleased to report that an exceptionally strong second half has delivered a record year for Numis. Operating income has risen to £65.7m (2004: £32.7m). Profit before tax and exceptional items for the year ended 30 September 2005 rose to £30.6m (2004: £13.1m) and earnings per share were 21.7p [(2004: 9.9p)]. Net assets have increased to £70.8m (2004: £39.0m) and cash balances increased to £57.1m (2004: £23.5m).

Numis has achieved these results in the context of a very strong market backdrop and an exceptionally active new issues market. The FTSE 250 and AIM markets in particular have grown significantly during this period and Numis has been the largest single fundraiser on AIM during this time.

Numis continues to invest in talented people across the business. Our corporate and institutional client base has expanded and we have further enhanced our research capabilities. Numis has built this business at the same time as improving its expense ratio and operating margins and will continue to hire talent selectively to improve its services as it grows.

London is now, more than ever, seen as the leading international financial market and, as such, is of growing interest to overseas companies looking to access capital. Numis is in a strong position to benefit from this trend.

Corporate Broking and Advisory

It has been an exceptionally busy last six months for existing and new corporate clients of the group. The number of corporate clients for whom we act has now risen to 93 (2004: 76). During the year, our clients raised a total of £1,062m (2004: £388m) through 37 transactions, demonstrating the benefits of building a diverse corporate client base. It is pleasing to note that over 33% of these transactions were performed on behalf of existing clients, reflecting the success of our corporate clientele and the strength of our relationships with them.

We continue to make solid progress towards our goal of building Numis into the leading independent investment banking and broking group serving high quality London-quoted mid and small cap companies. With this in mind, we continue to strengthen both our corporate broking and corporate finance departments with high quality individuals and teams, who wish to work within a growing independent investment banking and broking group where they can participate in the direction and success of the business.

Research, Sales and Trading

We have expanded and improved our research and execution services for UK quoted companies and institutional investors. During the period our bundled institutional commissions and market making profits have risen 54% to £17.4m (2004: £11.3m). We have recently added to our strength in support services and have made high calibre hires in the IT and "New Energy & Emissions" sectors. We now cover 424 stocks (2004: 360) and have a strong and recognised capability in 15 sectors, including aerospace & defence, building & property, environmental engineering & services, food producers, insurance, IT, leisure, life sciences, media, mining, new energy & emissions, oil & gas, retail, specialised financials and support services.

Our execution services have made a substantial contribution to the growth in institutional commissions. Our New York office is now a significant contributor to our institutional commission revenues and the relationships we are developing in Europe will enable us to support broader institutional interest in the London market.

Sales & trading is an increasingly competitive area, with pressure on commission levels for trades in liquid stocks from electronic trading. However, there will always be a market for independent and well researched ideas, combined with high quality execution, which help to improve performance for our institutional clients.

Our execution business continues to be focused on client facilitation, rather than generating proprietary trading profits. It has helped build market presence and goodwill for Numis, as well as producing revenues that cover the operating and liquidity costs incurred. We now provide active execution services in 320 stocks (2004: 236).

Financial Review

We continue to invest in high quality people in all areas of the business and in upgrading our ability to serve our clients. During the year our average headcount has increased from 86 to 112 but our productivity has increased with revenue per employee rising from £381,000 to £587,000. Our operating expenses before bonuses have risen substantially during the year from £14.7m to £25.4m with significant investment in new people, expanded facilities and a major upgrade to infrastructure. We have replaced technology platforms for securities settlements and accounting; and are introducing new IT systems for research and customer relationship management. However, we are keeping costs under tight control and our expense ratio and operating margins have improved – with costs before bonuses falling to 39% of revenue (2004: 45%). Balance sheet management has also improved with cash balances now representing 81% of net assets (2004: 60%).

During the year we also took advantage of an exceptional opportunity to dispose of our stake in comdirect (now Squaregain) for cash proceeds of £13.5m.

Board Development

During the year, we continued to strengthen the Board with the appointment of Bill Trent as Chief Financial Officer and with the appointment of Tom Bartlam, founder and former Managing Director of Intermediate Capital Group PLC. We are also delighted to have made two further Board appointments since the year end; Nigel Turner, the former Vice Chairman of ABN AMRO's wholesale client business as Deputy Chairman and Lorna Tilbian, who leads our media research team, as an Executive Director. Charles Crick and Duncan Sweetland resigned during the year.

Dividend and Scrip Alternative

The Board has declared a final dividend of 2.525p per share (2004: 1.6p - restated for the 5 for 1 share subdivision). The dividend will be payable on 17 February 2006 to all shareholders on the register at 16 December 2005. 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.

Outlook

We have seen a satisfactory start to the new financial year with 8 companies becoming new clients and £191m being raised for 9 corporate clients. The quality of our research is such that we look forward to the unbundling of institutional commission and growth in our secondary market revenues. However, market conditions are inherently volatile and we operate in a fiercely competitive industry where competition for clients and talented people is relentless. Our success and future growth depends on our ability to continue to attract quality clients and talented individuals so we remain cautiously optimistic about the near term outlook but confident about Numis' long term prospects.

Our people

Our people are exceptional and are dedicated to serving clients and building the leading broker providing investment banking services for high quality London-quoted mid and small cap companies. We are grateful for their efforts, without which we would have been unable to make such strong progress in the year.

Oliver Hemsley
Chief Executive

07.12.05

Our Strategy.

The overarching **objective** of Numis' strategy is to become the undoubted **leader** in the mid and small cap investment banking and corporate broking market. Management's strategy to achieve this objective has the following key elements:

Staying focused

- on serving target markets and not diversifying away from the core integrated business model
- on putting institutional and corporate clients' interests first
 - staying away from asset management, retail broking and proprietary trading
- on providing genuinely independent research and the best execution for institutional and corporate clients

Creating a collegial partnership culture, recruiting the best talent and rewarding performance

- attracting superb professionals looking for an opportunity to serve clients without latent conflicts
- offering the opportunity to make a visible difference and participate in the direction and the profit of the Firm

Selectively investing

- in adding sectors and depth to sectors so that the firm continues to strengthen its offer and is able to serve more clients
- in adding distribution (e.g., in New York) to improve service to corporate clients
- in adding origination capacity to bring more exceptional investment opportunities to institutional clients and leverage our secondary distribution platform

Running a tight ship

- making continuous operational improvements and maintaining tight cost control
- actively evaluating and managing financial and other, especially reputational, risks
- managing our finances conservatively by retaining substantial liquidity and operating a progressive and sustainable dividend policy. In the medium term, we anticipate using surplus liquidity to fund buybacks and the recycling of senior employee owned stock

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE
NUMIS' BUSINESS

A leading independent, investment banking and broking group.

Numis is a leading independent, research led firm offering a full range of research, execution, equity capital markets, corporate broking and advisory services to London quoted mid and small cap companies and their investors.

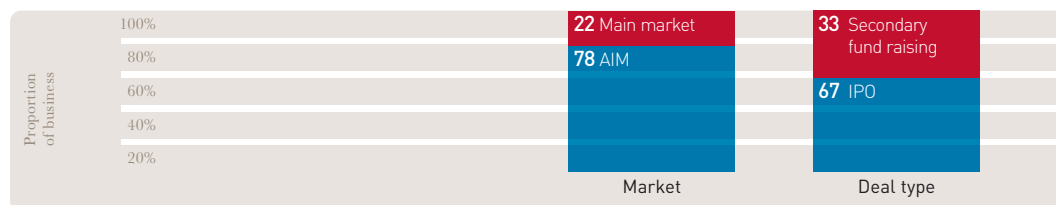
Our Business Model



Numis is focused on the London capital market and was the leading fundraiser on AIM during the year to 30th September 2005. £785m was raised on AIM; Numis also raised £235m on the main market. 33 percent of Numis' fund raising activity was for secondary fund raising for established clients – a proportion management seeks to increase with the continuing growth of our high quality client base.

Mix of Business.

Proportion of funds raised



Our client's successes during the year include:

CeresPower

- £21.6m Admission to AIM with placing
- Nomad & Broker. Nov 2004

Ceres Power Holdings plc

In November 2004, Numis acted as NOMAD and broker to Ceres Power Holdings plc ("Ceres Power"), a fuel cell developer and manufacturer, on its admission to AIM. Numis raised £21.6 million from institutional clients to fund the development and commercialisation of its fuel cell products and to provide founding shareholders with an exit.

Ceres Power is a fuel cell business originally incubated at Imperial College London targeting a range of global market applications including on-site/back-up generators, residential combined heat and power, and auxiliary power units for transport. Critically, the technology uses low-cost materials and existing mass-production techniques. And unlike many fuel cells, the Ceres cell can run on widely available fuels like LPG, propane and natural gas as well as on hydrogen.

Gyrus

- \$497m Acquisition & Vendor Placing
- Sponsor, Joint Financial Adviser & Broker. June 2005

Gyrus acquisition of ACMI and associated equity placing

Numis acted as sponsor and joint financial adviser to Gyrus Group PLC ("Gyrus") on its acquisition of American Cystoscope Makers, Inc. ("ACMI") for a total consideration of \$497 million. Numis also acted as sponsor, book-runner and joint broker on the associated vendor placings of equity in the UK market to raise a total of £89.7 million to finance the transaction.

ACMI was founded in 1904 and pioneered the development of urological medical instruments and endoscopic equipment. Gyrus produces advanced surgical systems for keyhole surgery and has grown both organically and through a series of complementary acquisitions. Following the acquisition, Gyrus joined the FTSE 250.

D

- £140m Admission to Aim with £140m Placing
- Nomad & Broker. July 2005

Dawnay, Day Carpathian plc

In July 2005, Numis acted as NOMAD and broker to Dawnay, Day Carpathian plc ("Dawnay Day"), on its admission to AIM, raising £137.5 million. Dawnay Day is an off-shore retail commercial property fund established to invest in Central and Eastern Europe. The funds raised on admission will be used to create a geared €1 billion portfolio of retail properties.

Dawnay Day is part of the wider Dawnay, Day Group, which currently owns and/or manages approximately 410 UK and European commercial properties recently estimated to have a market value in excess of £1.5 billion.

UTV

- £98m Recommended Offer for The Wireless Group
- Financial Adviser. May 2005

UTV recommended offer for The Wireless Group

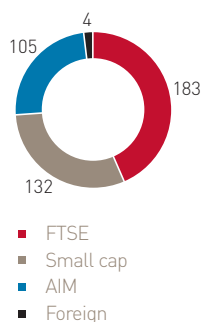
Numis acted as Financial Adviser to Ulster Television plc ("UTV") on its recommended offer for The Wireless Group plc, for a total consideration of £97.2 million in May 2005. The transaction was one of the major takeovers of 2005 in the media sector.

The Wireless Group is the owner of Talksport, Britain's national radio sports station and a portfolio of 16 local radio stations. These will support UTV's strategy of expansion in the radio sector; and, UTV's expertise will enable it to develop The Wireless Group as a leading player in UK radio broadcasting.

REVIEW OF OPERATIONS

RESOURCES, RISKS AND RELATIONSHIPS

Numis' Capabilities



Numis is a research led business supported by strong market making and distribution; and, an exceptional team of corporate financiers and brokers.

Numis is a research led house with **independent stock analysis coverage** of 424 stocks in 16 sectors by 31 recognised leading analysts. Numis' coverage includes extensive coverage of mid cap and smaller corporates, providing valuable research for our institutional clients and attracting high quality corporates.

Numis provides active execution services in 320 stocks. Numis has the largest share of market in 63 of these stocks and is a top 3 service provider in a further 70 stocks. Numis is also an active Retail Service Provider (RSP) to 22 broking clients.

Working alongside Numis traders are teams of experienced salesmen and sales-traders who provide sales, trading customer service and account management to our institutional clients.

Corporate broking and corporate finance execution and advisory services are provided by highly experienced teams who have helped our clients complete a range of fund raising and other corporate finance transactions, including primary and secondary issues and Rule 3 advice. Numis corporate client service teams continue to attract high quality corporate clients.

Risks and Risk Management

Numis is exposed to a number of business risks. The Board is responsible for determining Numis' risk appetite and for ensuring that Numis' risk management processes are appropriate and operating effectively. Day to day management of risk is delegated to the Management Committee and, where appropriate in order to preserve chinese walls within the business to the New Business and Financial Risk Management Committees.

Major risks and controls:

Reputational risk	Rigorous new business appraisal processes that discriminate strongly in favour of high quality, high potential businesses and management teams
Loss of staff	Substantial staff equity ownership and retention programmes, including a Long Term Incentive Programme that vests stock over a 5 year period
Poor quality execution	Highly experienced senior staff plus standard operating procedures and a rigorous compliance culture
Capital market volatility	Highly conservative limits on trading activity, substantial surplus capital (over three times current and anticipated regulatory requirements) and substantial liquid resources – representing over two years operating expenses
Loss of performance control	An employee "ownership culture" with sizeable employee share ownership, supported by tight cost budgets, cases for investment, structured performance evaluation
Counterparty or deposit taking institution failure	Diversification of deposits and credit quality limits, trading through collateralised central securities depositories where possible
Major infrastructural failure and/or terrorist event	Business continuity planning, duplicated infrastructure and remote facilities

REVIEW OF OPERATIONS OUR CORPORATE CLIENTS

CONSUMER/RETAIL

ASHLEY (LAURA)
DOMINO'S PIZZA
FINDEL
FLOORS 2 GO
INSTORE
INTER LINK FOODS
INVOX
LOOKERS
MONSOON
REAL GOOD FOOD GROUP
RICHMOND FOODS
THORNTONS
WYEVALE GARDEN CENTRES

NEW ENERGY & EMISSIONS

AZURE DYNAMICS
CERES POWER
REG
TRADING EMISSIONS

ENGINEERING

CORAC GROUP
TURBO GENSET

HEALTHCARE & PHARMA

ALLIANCE PHARMA
BIOTRACE
COZART
GOLDSHIELD
GYRUS
HEALTHCARE ENTERPRISES
MAELOR
PRIMARY HEALTH
WILLIAM RANSOM & SON

INSURANCE

ADVENT CAPITAL
BEAZLEY
BRIT INSURANCE
CHAUCER
GOSHAWK
HIGHWAY INSURANCE
KILN

INVESTMENT TRUSTS

PCH
SVM OFEX

MEDIA

CENTAUR
CHIME COMMUNICATIONS
HUNTSWORTH
ITE GROUP
M&C SAATCHI
MAIDEN GROUP
MECOM
P&MM
TOUCH GROUP
UTV
WI LINK

MINING

AFRICAN COPPER
ALBIDON
ANGLO ASIAN MINING
BALLARAT GOLDFIELDS
BISICHI
CLUFF GOLD
CONSOLIDATED MINERALS
EUROPEAN DIAMONDS
FIRST QUANTUM
IFM
MELROSE RESOURCES
JUBILEE PLATINUM
PATAGONIA GOLD
ZINCOX

OTHER FINANCIALS

ACCIDENT EXCHANGE
CALEDONIAN TRUST
CHESNARA
EPIC RECONSTRUCTION
LONDON SCOTTISH BANK
PLUS MARKETS
RENSBURG SHEPPARDS
THB GROUP

LEISURE

32RED
ARENA LEISURE
EMPIRE ONLINE
FIREONE
TALARIUS
URBIUM

SUPPORT SERVICES

API GROUP
AUGEAN
HARVEY NASH
HYDRODEC
PURE WAFER
VIROTEC INTERNATIONAL
WATERMARK
WYNDEHAM PRESS

HOUSE BUILDING / CONSTRUCTION

BLACK SEA PROPERTY FUND
DAWNAY DAY CARPATHIAN
MCINERNEY
ROK PROPERTY SOLUTIONS
TERRACE HILL GROUP

TECH

2ERGO
ESERV GLOBAL
IBS OPENSYSYSTEMS

OTHER

LONRHO AFRICA
PANNAL

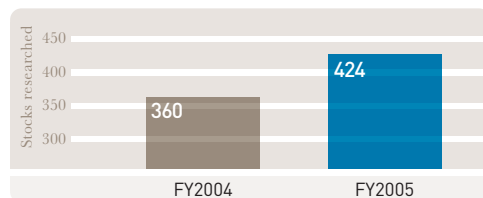


REVIEW OF OPERATIONS CURRENT AND FUTURE PROSPECTS

Performance in 2005

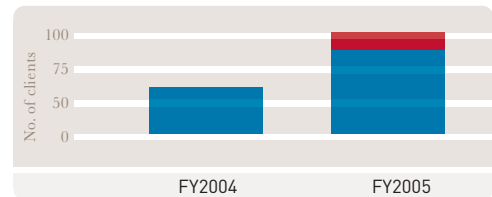
Revenue has grown strongly in 2005 driven by the exceptional success of our corporate clients in raising money and undertaking other transactions; and, as a result of the steady investment and development of our franchise in secondary sales and trading.

Our research coverage of corporate stocks continues to increase as we invest in additional analysts. Highlights in 2005 included the recruitment of leading analysts in the Technology, Support Services and New Energy & Emissions sectors.

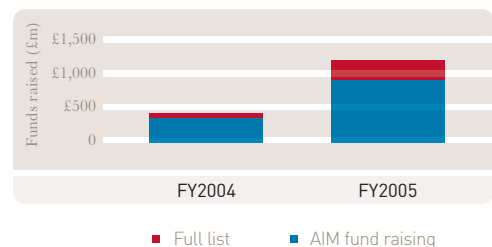


Our **market making activities have also expanded** and we now actively trade 320 stocks (2004: 236), of which 97 are on SETSmm (2004: 72). Our market making share has continued to improve over the year and on AIM our share is now 4.0% (2004: 2.3%), while our share of SETSmm activity is now 2.5% (2004: 2.0%).

Our **corporate client list has also strengthened**, with the client list increasing from 73 to 93 as we have won 36 new clients bringing 22 new businesses to market and winning 14 established quoted corporates – comfortably out-pacing 7 losses through M&A, 5 small (i.e. sub £20m market capitalisation) clients who have moved to other brokers; and, 4 other losses.



Results of business are heavily dependent on capital market activity and have benefited from the exceptionally high demand for new issues in the primary market, the exceptional success of its existing clients and from investment in Numis' equity capital raising capabilities that has seen its share of AIM activity rise from 14% in the year ended September 2004 to 19% in the year just ended. **The volume of fund raising activity has increased by 50%** with 37 transactions (2004: 25) and the average fund raising has increased by more than 80% to £27.8m (2004: £16.6m)



OUTLOOK FOR 2006...

Post year-end transactions

Numis has successfully completed 9 transactions in the 2 months following the year end. These transactions have included 4 IPOs, 3 secondary fund raisings and 1 acquisition & fund raising, which have collectively raised £191m for a range of clients. We have also successfully completed a major Rule 3 advisory transaction for Urbium.

Although it is difficult to predict market conditions or business flows, Numis' current pipeline of corporate client opportunities is ahead of last year.

CURRENT AND FUTURE PROSPECTS

Profitability of our business

The profitability of our business has also substantially improved as a result of exceptional growth in revenues. Revenue per employee is up 54% to £587,000. Expenses have risen 64% as a result of investment in staff (average headcount during the year was 112 up 30% on 2004), marketing and client servicing related costs; and, the renewal of back office systems and introduction of new front office technology.

Table 1

Despite significant expansion, cost control remains tight...

£m	FY05		FY04	
Revenue	65.7	100.0%	32.7	100.0%
Operating expenses	25.4	38.7%	14.7	45.0%
PBBT*	40.3	61.3%	18.0	55.0%
Bonuses	12.7	19.3%	6.5	19.9%
Operating profit	27.6		11.6	
Profit before tax & exceptionals	30.6	46.6%	13.1	40.1%

* PBBT is profit before bonuses, exceptional items, interest, associated earnings and taxation.

Quality of our business

The quality of Numis' business has steadily improved during the year. Institutional commissions and market making profits per research stock have increased 36% to £40.4k (2004: £29.7k). The average market capitalisation of our corporate clients has increased 16% from £110m to £128m, despite the average capitalisation of new clients, both IPOs and existing quoted companies being £90m. We are pleased that our established clients at the beginning of the year saw on average a 25% increase in their market capitalisation.

Despite significant investment in new infrastructure and other improvements, cost control remains tight and the coverage of the expense base by revenue from institutional commissions and market making results, corporate retainers and other recurring, non-deal related, income is 84%, (2004: 100%) and is expected to improve during the current year.

Financial Position

Our capital position has been strengthened and is now exceptionally robust with a current regulatory financial resources requirement of £6.9m (2004: £3.7m). Our balance sheet has improved markedly over the year as a result of both profitability and improved capital management with cash balances being 81% of net assets (2004: 60%) or £57.1m at the year end (2004: £23.5m).

CASE STUDY FOR 2006...

- £113m acquisition by Electra Partners Rule 3 Adviser
- October 2005

Urbium Plc

Numis acted as Rule 3 adviser and broker to Urbium PLC ("Urbium") on the £113 million recommended cash offer from Lightflower Acquisition Limited, a company formed by Electra European Fund II ("Electra"). The offer from Electra of 1075 pence in cash for each Urbium share represented a premium of 69 per cent to the closing price of 635 pence on 7 June 2005, the last business day prior to the announcement by Urbium that it had rejected an unsolicited

approach from Regent Inns plc. Numis also acted as adviser and broker to Urbium in its successful defence against the hostile bid from Regent Inns.

Urbium is a leading late night bar operator with 34 outlets located in premium positions in major urban markets across the UK. Urbium operates at the premium end of the market, targeting the growing affluent 21 to 35 year old customer demographic. Its estate includes Tiger Tiger, a bar, club and grill concept situated in the centre of eight major UK cities plus many other well known individual sites in London such as Zoo Bar, Abacus and Sway.

THE BOARD OF DIRECTORS

Michael Spencer

Michael Spencer is the Non-executive Chairman of Numis and is the Group Chief Executive of Intercapital plc ("ICAP plc"), which is the world's largest interdealer electronic broker of fixed income securities. Michael Spencer is also Chairman of Intercapital Private Group Limited ("IPGL"), which he founded in 1986, a private company which owns a leading financial spread betting bookmaker, City Index and various other interests, including a 10.1% stake in Numis Corporation PLC.

Oliver Hemsley

Oliver Hemsley is the Chief Executive Officer of Numis and is responsible for the implementation of, and the day to day operational and strategic running of the business. Prior to founding Numis, Oliver worked as a Marine Underwriter at Lloyd's for the Brockbank Group.

Tom Bartlam

Tom Bartlam is a Non-executive Director of Numis and until his recent retirement, was Managing Director of Intermediate Capital Group PLC (ICG), which he co-founded in 1989. Tom Bartlam remains a non-executive director of ICG and is Chairman of Pantheon International Participations PLC, an investment trust. Tom Bartlam has extensive experience of the financial services industry. He is a Chartered Accountant.

Declan Kelly

Declan Kelly is a Non-executive Director of Numis, acting as Michael Spencer's alternate. Declan Kelly is the Chief Executive of Intercapital Private Group Limited.

Lorna Tilbian

Lorna Tilbian is an Executive Director of Numis and has worked as a Media Analyst in the City for over 20 years with a distinguished career. Lorna Tilbian joined Numis in 2001 having previously held positions at SG Warburg and Panmure Gordon. Lorna Tilbian leads the Group's Media Research team, which has consistently been ranked in the top three for their analysis of UK Media companies.

Bill Trent

Bill Trent is the Chief Financial Officer of Numis and is a chartered accountant having spent eight years with Price Waterhouse. Bill Trent had previously worked as an independent strategic adviser following 14 years with McKinsey where he co-led their wholesale financial institutions practice. Bill Trent brings with him extensive experience in growing professional services businesses and risk management.

Nigel Turner

Nigel Turner is an Executive Director and Deputy Chairman of the Group as well as Chairman of Numis Securities Limited. Nigel Turner joins Numis from ABN Amro, where he was Chairman of ABN Amro Corporate Finance in the UK after joining them in 2000 and became Senior Executive Vice President, Global Head of Corporate Finance in 2001 and also Global Head of Equities in 2002. Nigel Turner was previously at Lazard Brothers in London from 1985 but he also spent three years as Head of the Lazard Brothers office in New York before returning to London and becoming a member of the Supervisory Board of Lazard LLC.

Geoffrey Vero

Geoffrey Vero is a Non-executive Director of Numis, and is a chartered accountant with a distinguished career in the private equity industry. Geoffrey Vero was an Investment Director of ABN Amro Private Equity, Lazard Development Capital and previously held senior positions at Savills and Diners Club.

CORPORATE GOVERNANCE

The Board and main committees

The Board

The Board of Numis Corporation Plc, chaired by Michael Spencer, now meets eight times a year and at other times as necessary, to discuss a formal schedule of matters specifically reserved for its decision including major strategic and operational issues of the Group. It reviews trading performance, business strategy, investment and divestment opportunities and any other matters of significance to the Group.

Remuneration Committee

The Remuneration Committee, now chaired by Tom Bartlam, comprises the Non-executive Directors of the Company. It determines salary levels, discretionary bonuses and the terms and conditions of service of the executive directors together with their equity awards. The Remuneration Committee also reviews the compensation decisions made in respect of all other senior executives and bonus distribution policy in respect of the rest of the firm.

Audit Committee

The Audit Committee is chaired by Geoffrey Vero and comprises the Non-executive Directors of the Company. The Audit Committee now meets four times a year and considers the internal control environment, reviews external financial reporting and monitors the system for compliance with relevant laws and regulations. Other directors, members of staff and the external auditors are invited to attend these meetings as appropriate. The Committee reports to the Board on the Company's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors.

Nominations Committee

The Company's Nominations Committee is chaired by Michael Spencer and comprises the non-executive directors and Oliver Hemsley.

Management Committee

The Management Committee, chaired by Oliver Hemsley, deals with the implementation of business strategy and day-to-day operational matters. It normally meets weekly to discuss the core activities of the Group, current performance, progress on management initiatives and corporate compliance matters.

Financial Risk Committee

The Group has a Financial Risk Committee, chaired by Bill Trent, which meets regularly to discuss and manage the financial risks of the Group, including amongst other financial risks the market risk of the Group's trading book. The Financial Risk Committee makes recommendations on Risk Policy which sets individual stock limits and overall trading book limits.

Internal Control

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

Corporate Governance Policy

AIM companies are not required to comply with the Combined Code 2003 (Principles of good governance and code of best practice) adopted by the London Stock Exchange but the directors have chosen to make these disclosures to provide corporate governance information.

DIRECTORS' REPORT

The directors present their report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 September 2005.

Principal activity

The principal activity of the Group is to provide integrated institutional stockbroking and investment banking services. This activity encompasses research, institutional sales, market making, corporate broking and corporate finance. The Group has one principal operating subsidiary, Numis Securities Limited, which is authorised and regulated by the Financial Services Authority and is a member firm of the London Stock Exchange. During 2003 Numis Securities Limited established a subsidiary in the United States of America, Numis Securities Inc, which is registered with the SEC and a member of the National Association of Securities Dealers, Inc.

Review of the business and future developments

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

Results and dividends

The Directors propose to pay a final dividend of 2.525p per share (2004: 1.6p restated).

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

	Group £000
Retained profit at 30 September 2004	19,210
Profit for the year, after taxation	30,442
Adjustment in respect of employee share plans	(302)
Dividends paid and proposed	(3,157)
Retained profit at 30 September 2005	46,193

Directors and their interests

Changes to the Board since the last Annual Report have been as follows:

	Appointed	Resigned
CA Crick		31 December, 2004
DBJ Sweetland		11 April, 2005
WEJ Trent	11 April, 2005	
DP Kelly	26 May, 2005	
TH Bartlam	8 August, 2005	
LM Tilbian	1 December, 2005	
PNN Turner	1 December, 2005	

DIRECTORS' REPORT

The directors serving during the year ended 30 September 2005 or appointed since the year end and their interests in the ordinary shares of 5p each ("ordinary shares") of the Company, other than with respect to options over ordinary shares, were as follows:

	30 September 2005 No. of ordinary shares**	30 September 2004 No. of ordinary shares**
MA Spencer *	10,618,652	9,140,000
PNN Turner (appointed 01.12.05)	–	–
OA Hemsley	14,627,440	14,627,440
WEJ Trent (appointed 11.04.05)	1,000	–
LM Tilbian (appointed 01.12.05)	3,748,806	–
TH Bartlam * (appointed 08.08.05)	25,000	–
DP Kelly * (alternate to Michael Spencer)	–	–
CA Crick	–	2,144,090
DBJ Sweetland	–	385,515
GO Vero *	20,000	20,000

* Non-executive Director

** Or date of appointment if later

MA Spencer together with his wife own approximately 55.1% of IPGL Limited which holds 10,618,652 ordinary shares. MA Spencer is deemed under the Companies Act 1985 to be interested in the entire issued share capital of IPGL.

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

There have been no changes in the interests of directors in ordinary shares and options over ordinary shares during the period 30 September 2005 to 7 December 2005.

Substantial shareholders

Except for the directors' interests noted above, the directors are aware of the following who are interested in 3% or more of the Company as at 30 September 2005 as follows:

	Registered holding No of ordinary shares	% of issued share capital
Mr DJ Poutney	7,546,485	7.18
Mr EPH Farquhar	8,926,950	8.49
Mourant & Co Trustees Ltd., Trustees of the Numis Corporation Plc Employee Share Trust	8,129,859	7.73

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP will be placed before the Annual General Meeting of the Company on 7 February 2006.

Debtors

The Group does not extend credit terms to its clients. On average the Group's clients have taken 3 days to settle.

Creditor payment policy

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

Charitable donations

During the year, the Group made charitable donations of £90,302 (2004: £3,555).

By order of the Board

WEJ Trent
Company Secretary
Numis Corporation Plc
Cheapside House
138 Cheapside
London EC2V 6LH

7 December 2005

DIRECTORS' REMUNERATION REPORT

The remuneration policy for executive directors and the setting of individual directors' remuneration packages are delegated to the Board's Remuneration Committee. The Remuneration Committee also oversees the remuneration of senior executives within the business. The Remuneration Committee consists of the Non-executive Directors.

Remuneration Policy

Remuneration is structured to reflect the profitability of the business. Much the largest portion of the remuneration of directors is a profit and personal performance related bonus. These bonuses are paid from the shared staff bonus pool, which has been set at 30 percent of the profit before bonus, shareholders' investment income, exceptional items and tax. The Remuneration Committee determines the proportion of the staff bonus pool allocated to executive directors. Executive directors also receive a relatively modest base salary and 7 percent of base salary contribution to a defined contribution pension saving scheme. In addition, they are entitled to insured death in service benefits of twice their base salary.

The Board believes alignment with shareholders' interests is enhanced by directors holding personally significant stakes in the Company. Directors will then derive additional benefit from the stock appreciation of their holdings in the Company. Therefore a material component in the total compensation of directors, who do not have significant holdings, are awards under the Company's Long Term Incentive Plan (LTIP) scheme, which offers to match 1 for 1 shares bought by the director on a 5 year vesting basis.

Remuneration During the Year

	Base Salary	Compensation for loss of office	Bonus	LTIP* Award	Benefits	Total 2005	Total 2004
Michael Spencer	30					30	25
Tom Bartlam	6					6	
Declan Kelly	-					-	-
Geoffrey Vero	25					25	20
Oliver Hemsley	150		900		30	1,080	584
Bill Trent	59		300	150	4	513	
Duncan Sweetland	56	111			9	176	176
Charles Crick	31	157			-	188	203
	357	268	1,200	150	43	2,018	1,008

Aggregate remuneration and Directors' pension entitlements

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

	2005 £000	2004 £000
Emoluments	1,994	954
Money purchase contributions	24	54
	2,018	1,008

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

DIRECTORS' REMUNERATION REPORT

Directors' share options

The Company no longer makes share option awards. However, details of options to acquire ordinary shares in the Company granted at zero cost held by the directors are as follows:

	Number of shares under option	Exercise price	Earliest exercise date	Latest exercise date
OA Hemsley				
7 July 1997	915,000	21.0p	7 July 2000	7 July 2007
18 October 1999	250,000	21.5p	18 October 2004	18 October 2006

Directors' interests under the Long Term Incentive Plan

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

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

	2005	2004
OA Hemsley	81,300	80,440
WEJ Trent	58,823	–

DBJ Sweetland

On 9 February 2005, DBJ Sweetland surrendered options over 533,000 Numis shares to a discretionary trust. The terms on which these options had been granted were 183,000 options at an exercise price of 21.5p per share, exercisable until 18 October 2006, 200,000 options with an exercise price of 58.5p exercisable until 28 March 2010 and 150,000 options at an exercise price of 50.5p per share. In accordance with the terms and conditions of the Group's Long Term Incentive Plan, Mr Sweetland's 25,185 Numis LTIP shares vested on his departure from the Group.

CA Crick

On 23 December 2004 CA Crick received ownership of a car owned by the Company. The car had a market value of £15,623 at 30 September 2004. In accordance with the Group's Long Term Incentive Plan, Mr Crick's 62,065 Numis LTIP shares vested on his departure from the Group.

This report on Directors' Remuneration is not required to be provided under AIM rules. However, the information has been provided voluntarily although it does not comply in all respects with the requirements for companies listed on the main market and is not subject to audit.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Report set out on page 19, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

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

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

The directors consider that the Group has adopted suitable accounting policies and confirm that they have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 30 September 2005 and that all accounting standards which they consider to be applicable have been followed.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUMIS CORPORATION PLC

We have audited the financial statements of Numis Corporation Plc for the year ended 30 September 2005 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the following: Financial Highlights, Chief Executive's Statement, Review of Operations, The Board of Directors, Corporate Governance, Directors' Report and the Directors' Remuneration Report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2005 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
LLP
Chartered Accountants
and Registered Auditors
London
5th January, 2006

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Notes	2005 £'000	2004 £'000
Operating income	4	65,693	32,733
Gross profit		65,693	32,733
Administrative expenses		(38,076)	(21,138)
Operating profit	7	27,617	11,595
Share of associated undertakings' operating profit	6	1,388	588
Exceptional item – profit on disposal of associated undertakings and fixed asset investments	8	9,299	984
Profit on ordinary activities before interest		38,304	13,167
Interest receivable and similar income	10	1,652	897
Interest payable and similar charges	11	(48)	(14)
Profit on ordinary activities before taxation		39,908	14,050
Tax on profit on ordinary activities	12	(9,466)	(4,321)
Profit on ordinary activities after taxation		30,442	9,729
Dividends paid and proposed	13	(3,157)	(1,951)
Retained profit for the year		27,285	7,778
Earnings per share (2004 restated for share split)			
Basic	26	31.3p	10.7p
Diluted	26	30.0p	9.6p
Earnings per share, excluding exceptional item			
Basic	26	21.7p	9.9p
Diluted	26	20.9p	8.9p

There were no other recognised gains or losses made during the years ended 30 September 2005 and 30 September 2004 other than the profits for those years. A reconciliation of movements in group shareholders' funds is given in note 23.

There are no material differences between profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All amounts shown in the consolidated profit and loss account derive from continuing operations of the group. The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible fixed assets	14	1,598	736
Fixed asset investments	15	1,546	295
Investment in associated undertakings	16	859	4,331
		4,003	5,362
Current assets			
Debtors	18	92,103	84,201
Investments	19	17,812	13,396
Cash at bank and in hand	20	57,133	23,468
		167,048	121,065
Creditors			
Amounts falling due within one year	21	(100,259)	(87,446)
Net current assets		66,789	33,619
Net assets		70,792	38,981
Capital and reserves			
Share capital	22	5,258	4,875
Share premium account	24	19,341	14,896
Profit and loss account	24	46,193	19,210
Equity shareholders' funds	23	70,792	38,981

Signed on behalf of the Board on 7 December 2005

OA Hemsley
Chief Executive

WEJ Trent
Chief Financial Officer

A reconciliation of movements in group shareholders' funds is given in note 23.
The accompanying notes are an integral part of this consolidated balance sheet.

HOLDING COMPANY
BALANCE SHEET

AT 30 SEPTEMBER 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investment in associated undertakings	16	48	4,278
Investment in subsidiary undertakings	17	2,001	2,101
		2,049	6,379
Current assets			
Debtors	18	34,986	18,571
Cash at bank and in hand		-	10
		34,986	18,581
Creditors			
Amounts falling due within one year	21	(6,068)	(4,831)
Net current assets		27,421	13,750
Net assets		30,967	20,129
Capital and reserves			
Share capital	22	5,258	4,875
Share premium account	24	19,341	14,896
Profit and loss account	24	6,368	358
Equity shareholders' funds	23	30,967	20,129

Signed on behalf of the Board on 7 December 2005

OA Hemsley
Chief Executive

WEJ Trent
Chief Financial Officer

A reconciliation of movements in group shareholders' funds is given in note 23.
The accompanying notes are an integral part of this Holding Company balance sheet.

CONSOLIDATED
CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	27	24,147	15,314
Returns on investments and servicing of finance			
Interest received		1,631	893
Interest paid		(48)	(14)
Dividends received		21	4
Net cash inflow from returns on investments and servicing of finance		1,604	883
Taxation			
Corporation tax paid		(5,683)	(4,431)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,375)	(345)
Purchase of associated undertaking		-	(4,231)
Purchase of fixed asset investments		(1,251)	-
Disposal of interests in associated undertakings	27	13,540	970
Disposal of fixed asset investments		-	1,604
Net cash inflows/(outflow) from investing activities and capital expenditure		10,914	(2,002)
Equity dividends paid		(1,361)	(1,304)
Financing			
Issue of ordinary shares		4,044	1,940
Increase in cash in the year		33,665	10,400
Reconciliation of net cash flow to movement in net funds			
Increase in cash balances in the year		33,665	10,400
Net funds at the beginning of the year		23,468	13,068
Net funds at the end of the year		57,133	23,468

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

(a) Basis of accounting

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

(b) Basis of consolidation

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

(c) Operating income

Operating income comprises institutional brokerage commission and net trading profit or loss on trading positions; corporate broking retainers; deal fees (comprising cash based advisory fees and the award of options to the Company); and, placing commissions.

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

Institutional commissions are recognised on trade dates. Net trading profit or loss is the realised and unrealised profits and losses from current asset investments and short positions on a trade date basis. This policy represents a departure from the statutory requirement to record positions and instruments at the lower of cost and net realisable value, but is necessary for the accounts to show a true and fair view.

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

(d) Tangible fixed assets

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

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

(e) Investments

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

Current asset investments and securities short positions represent proprietary trading and market making positions and are stated at fair value. Profits and losses arising from changes in fair value and dividend income from these positions are included in the operating result as noted above.

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

(f) Clients' deposits

All money held on behalf of clients is held off-balance sheet and 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.

1. Accounting policies (continued)

(g) Client, broker and other counterparty balances

Client, broker and other counterparty balances represent unsettled bought and sold securities transactions with clients, brokers and other counterparties and are recognised on a trade date basis. Where a netting agreement is in place the net balance is shown, otherwise all balances are shown gross.

(h) Pension costs

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

Further information on pension costs is provided in note 28d.

(i) Operating leases

The Group has entered into operating leases as described in note 28c.

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

(j) Foreign currencies

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

(k) Taxation

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

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

(l) Employee share ownership plans

The Group has an Employee Share Ownership Plans ("ESOP"). The ESOP encompasses a Long Term Incentive Plan ("LTIP"), and discretionary option awards. The ESOP trust acquires ordinary shares in the Company to be held on trust for the benefit of, and ultimately distributed to, employees either on the exercise of share options or other remuneration arrangements. The costs of share and option awards made under employee share ownership plans, as measured by the market (or in the case of options, intrinsic) value of awards at the date of granting, are taken to the profit and loss account over the vesting period (if any), and disclosed under staff costs (see note 9). Prior to 1 October 2004 the assets held by the ESOP were recognised in the balance sheet of the Company; following the implementation of UITF 38, the assets, being holdings of shares in the Company are no longer shown as a Fixed Asset Investment on the face of the balance sheet and are deducted as an adjustment to the profit and loss account.

(m) Financial instruments

Financial instruments used for hedging are accounted for on an accruals basis.

(n) Interest

Interest income and expense is accounted for on an accruals basis.

NOTES

TO THE FINANCIAL STATEMENTS

CONTINUED

2. Disposal of interest in Squaregain Limited (formerly called comdirect Limited)

On 13 July 2004, the Group acquired a 26.3% stake in Squaregain, then the UK's second largest on-line stockbroker.

On 12 May 2005, the Group announced that it had entered into a contingent agreement to sell its 26.3% interest in Squaregain Limited and that it had, together with other shareholders in Execution Services Group Limited ("ESGL"), the holding company of Squaregain Limited, entered into an arrangement of put and call options in respect of their interest in ESGL with Boursorama SA ("Boursorama"), France's largest online retail broker.

On 1 August 2005 Boursorama exercised their option to purchase the entire issued share capital of ESGL for £51 million and the Group consequently disposed of its entire interest in ESGL.

Numis received £13.5 million in cash in August 2005 and a further £0.3 million in cash in October 2005 in respect of its investment, which had a book value of £4.5 million, thereby realising an exceptional pretax profit of £9.3 million.

Numis and Squaregain have continued their mutually profitable trading partnership, providing its Retail Service Provider (RSP) facilities to Squaregain Limited.

3. Profit of the parent company

As provided by Section 230 Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year amounted to £6,312,000 (2004: £2,929,000).

4. Operating income

	2005 £000	2004 £000
Institutional trading profits and commissions	17,386	11,258
Corporate retainers	2,197	1,811
Deal fees	11,044	5,560
Placing commissions	35,066	14,104
	65,693	32,733

The gross value of transactions during the year in which the Group acted as principal for the sale or purchase of securities was £13,310m (2004: £8,270m).

5. Segmental information

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

	2005 £000	2004 £000
Operating income:		
Investment banking activities	65,693	32,733
Associates		
Insurance broking	10,542	2,934
Stockbroking	4,549	872
	80,784	36,539
Profit on ordinary activities before taxation:		
Investment banking activities	38,520	13,462
Associates		
Insurance broking	1,188	515
Stockbroking	200	73
	39,908	14,050
Net assets:		
Investment banking activities	69,933	34,650
Associates		
Insurance broking	859	27
Stockbroking	-	4,304
	70,792	38,981

The Group's business arises mainly from the United Kingdom and amounts arising outside the United Kingdom are not significant to the Group's business. The operating income, profit on ordinary activities before taxation and net assets relating to the stockbroking segment relate wholly to the Group's interest in comdirect, which was disposed of during the year.

6. Interest in unlisted associated undertakings

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

	2005 £000	2004 £000
Turnover	15,091	3,806
Profit for the year before taxation	1,388	588
Fixed assets	506	3,167
Current assets	8,878	4,439
Creditors: amounts falling due within one year	(7,828)	(3,834)

NOTES

TO THE FINANCIAL STATEMENTS

CONTINUED

7. Operating profit Operating profit is stated after charging:

	2005 £000	2004 £000
Depreciation	514	457
Operating lease costs	582	278
Staff costs (see note 9)	26,620	14,836
Auditors' remuneration		
(a) PricewaterhouseCoopers LLP		
audit related current year	123	72
audit related prior year	35	-
non-audit related	192	100
(b) PKF		
non-audit related	-	22

8. Exceptional items

	2005 £000	2004 £000
Profit on disposal of fixed asset investment, being 265,000		
London Stock Exchange Plc shares	-	984
Profit on disposal of interest in associate: comdirect Ltd (now Squaregain)	9,299	-
	9,299	984

The original cost of the investment in comdirect Ltd was £4,231,000. The Group's share of retained earnings in previous and current years amounted to £273,000 and net cash proceeds from disposal were £13,802,000.

9. Staff costs

Costs and numbers of employees (including executive directors) are as shown below:

	2005 £000	2004 £000
Employee costs during the year amounted to:		
Wages and salaries	8,753	6,601
Incentive payments	10,697	6,459
Exceptional incentive (awarded in connection with comdirect disposal)	600	-
Social security costs	4,226	778
Compensation for loss of office	526	48
Other pension costs (see note 27d)	755	448
ESOP costs	1,063	502
	26,620	14,836
Number of staff employed:		
	2005 Number	2004 Number
Average for the year		
Professional	85	64
Administration	27	22
	112	86
At the year end	127	100

10. Interest receivable and similar income

	2005 £000	2004 £000
Interest receivable	1,631	893
Dividend income from listed investments	21	4
	1,652	897

11. Interest payable and similar charges

	2005 £000	2004 £000
On overdrafts repayable within five years not by instalments	48	14

12. Tax on profit on ordinary activities

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

	2005 £000	2004 £000
Current tax		
Corporation tax at 30% (2004:30%)	9,230	4,378
Corporation tax under provided in the previous year	27	1
Share of tax of associated undertakings	356	162
	9,613	4,541
Deferred tax		
Origination and reversal of timing differences	(147)	(220)
Adjustments in respect of previous years	-	-
	9,466	4,321

The tax effect in the profit and loss account relating to the exceptional item in note 8 in 2004 was a charge of £295,000. The gain on disposal of comdirect is exempt from tax under UK capital gains substantial shareholders relief.

	2005 £000	2004 £000
Factors affecting the tax charge for the year:		
Profit on ordinary activities before taxation	39,908	14,050
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	11,972	4,215
Effects of:		
Expenses not deductible for tax purposes	220	324
Capital allowances for the period in excess of depreciation/ Depreciation for the period in excess of capital allowances	(15)	54
Other timing differences	163	-
Non taxable exceptional income received	(2,884)	-
Losses not available for utilisation in the UK (2004: utilisation of losses)	130	(53)
Prior year adjustments	27	1
Current tax charge for the period	9,613	4,541

13. Dividends paid and proposed

	2005 £000	2004 £000
Final dividend proposed of 2.525p (2004: 1.60p)	2,482	1,482
Interim dividend paid of 0.625p (2004: 0.50p)	626	463
Under provided dividends from prior year	49	6
Dividends paid and proposed	3,157	1,951

The final dividends proposed are based on 100,527,365 ordinary shares (2004: 92,600,295); this excludes cash dividends payable on the ordinary shares held in the ESOP Trust.

NOTES

TO THE FINANCIAL STATEMENTS

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14. Tangible fixed assets

The movement during the year was as follows:

	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 October 2004	1,970	56	2,026
Additions	1,376	–	1,376
Disposals	–	(29)	(29)
At 30 September 2005	3,346	27	3,373
Depreciation			
At 1 October 2004	1,239	51	1,290
Charge for year	509	5	514
Disposals	–	(29)	(29)
At 30 September 2005	1,748	27	1,775
Net book value			
At 1 October 2004	731	5	736
At 30 September 2005	1,598	–	1,598

15. Fixed asset investments

	2005 £000	2004 £000
(a) Group		
UK listed investments		
At 1 October	100	100
At 30 September	100	100

The market value of these investments at 30 September 2005 was £150,592 (2004: £138,778).

	2005 £000	2004 £000
(b) Group		
UK unlisted investments		
At 1 October	116	616
Additions at cost	1,026	–
Disposals	–	(500)
At 30 September	1,142	116

	2005 £000	2004 £000
(c) Group		
Non UK unlisted investments		
At 1 October	79	200
Additions at cost	225	–
Disposals	–	(121)
At 30 September	304	79
Total	1,546	295

16. Investment in associated undertakings

	2005 £000	2004 £000
Group		
At 1 October	4,331	644
Additions	–	4,375
Restructuring of investment (see below)	–	(1,115)
Disposal	(4,504)	–
Share of associated undertakings' profit on ordinary activities after tax	1,032	427
At 30 September	859	4,331
Holding Company		
At 1 October	4,278	371
Additions	–	4,230
Restructuring of investment (see below)	–	(323)
Disposal	(4,230)	–
At 30 September	48	4,278

During the year the company sold its 26.38% interest in Execution Services Group Limited. Execution Services Group Limited is a holding company which owns 100% of the ordinary share capital of comdirect Ltd (now called Squaregain Limited), an online private client stockbroker.

The remaining investment comprises the Group's holding in Abbey Protection Group Limited. In 2004 the company disposed of its 26.42% interest in the ordinary shares of Abbey Legal Holdings Limited and acquired a 30% interest in the ordinary shares of its successor company Abbey Protection Group Limited. Abbey Protection Group Limited, incorporated in the United Kingdom, provides legal expense and tax protection insurance products. Audited accounts of the company were drawn up to 31 March 2005. The above figures were based on management accounts drawn up to 30 June 2005.

The accounting treatment for the restructuring described above follows UITF 31. The accounting abstract requires that where there is a continuing interest in an underlying business, the proceeds arising from the restructuring should be set against the carrying value of the investment in the Group accounts, and, accordingly no gain or loss is recognised. The £970,000 received as part of the restructuring is included in the Consolidated cash flow statement (see note 27).

17. Investment in subsidiary undertakings

	2005 £000	2004 £000
(a) Holding Company Fixed asset investment in subsidiary undertakings		
At 1 October	2,101	2,101
Disposals	(100)	–
At 30 September	2,001	2,101

(b) Subsidiary undertakings

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

Subsidiary	Country of incorporation	Principal activity	Group shareholding
Numis Securities Limited	United Kingdom	Financial services	100%
Numis Securities Inc*	United States of America	Financial services	100%
Numis Corporate Finance Limited	United Kingdom	Dormant	100%
Numis Capital Limited*	United Kingdom	Dormant	100%
Numis Nominees Limited*	United Kingdom	Dormant	100%

* Held through a subsidiary undertaking

NOTES

TO THE FINANCIAL STATEMENTS

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18. Debtors

	2005 £000	2004 £000
(a) The following amounts are included within debtors		
Group		
Due from clients, brokers and other counterparties	74,754	72,100
Collateral (primarily for stock borrowing arrangements)	7,857	8,525
VAT	655	229
Loans	1,318	432
Other debtors, including corporate finance receivables	4,818	180
UK Corporation tax receivable	231	-
Deferred tax	491	343
Prepayments and accrued income	1,979	2,392
	92,103	84,207
Holding Company		
Dividend due from subsidiary undertaking	-	4,500
Amounts due from subsidiary undertakings	34,493	13,806
Other debtors	262	-
UK Corporation tax receivable	231	-
Deferred tax	-	265
	34,986	18,571

	2005 £000	2004 £000
(b) Analysis of deferred tax		
Group		
In respect of tax allowances in excess of depreciation	42	57
In respect of other timing differences	449	286
	491	343
Holding Company		
In respect of other timing differences	-	265

19 Current asset investments

	2005 £000	2004 £000
Group		
Long equity, convertibles, and equity option positions at fair value		
Listed on the London Stock Exchange main market	4,212	6,391
Listed on AIM	8,087	6,558
Listed overseas	2,566	447
Warrants and options	529	-
Short term liquid investments	2,418	-
	17,812	13,396

20 Cash at bank and in hand – Group

	2005 £000	2004 £000
Cash at bank and in hand	57,133	23,468

The balances exclude interest-bearing deposits of clients' monies placed by the Group with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the Group may have with them at that time. The balance on 30 September 2005 held on deposit for clients was £64,250 (2004: £57,102). Cash held in segregated bank accounts in respect of placings undertaken for corporate clients amounted to £33.4m (2004: Nil).

21 Creditors

Amounts falling due within one year	2005 £000	2004 £000
Group		
Amounts due to clients, brokers and other counterparties	65,719	68,752
Equities short positions, at fair value	5,186	6,819
Other creditors		
UK corporation tax payable	5,490	1,685
VAT	387	80
Social security and PAYE	986	300
Sundry creditors	6,117	78
Accruals	13,840	8,250
Dividend proposed	2,534	1,482
	100,259	87,446

Amounts falling due within one year	2005 £000	2004 £000
Holding Company		
Dividend proposed	2,534	1,482
Other creditors		
UK corporation tax payable	–	27
Other	565	3,321
Amounts due to subsidiary undertakings	2,969	1
	6,068	4,831

22 Share capital

	2005 £000	2004 £000
Authorised		
140,500,000 (2004: 140,500,00) 5p ordinary shares	7,025	7,025
	7,025	7,025
Allotted, issued and fully paid		
105,161,583 (2004: 97,500,265 after share split) 5p ordinary shares	5,258	4,875

During the year 7,661,318 ordinary shares were issued for a total consideration £4,828,108 of which £4,445,042 has been included as share premium (see note 24 below). 505,907 shares were issued during the year in respect of scrip dividend elections. The net effect of this is that the cash inflow to the Group from the issuance of shares in the period was £4,044,515. Of the total issuance 1,185,686 ordinary shares were issued to the ESOP for a total cash consideration of £1,742,997 of which £1,683,713 has been included as share premium.

NOTES

TO THE FINANCIAL STATEMENTS

CONTINUED

22 Share capital
(continued)

At 30 September 2005 the following options granted to directors and employees to acquire ordinary shares in the Company were outstanding, as follows:

Grant date	Number of options	Exercise price	Earliest exercise date	Latest exercise date
7 July 1997	915,000	21.0p	7 July 2000	7 July 2007
18 October 1999	250,000	21.5p	18 October 2004	18 October 2006
28 March 2000	550,000	58.5p	28 March 2004	28 March 2010
9 May 2000	350,000	50.5p	9 May 2004	9 May 2010
15 May 2001	1,136,025	30.0p	15 May 2005	15 May 2011
15 August 2001	25,000	43.3p	15 August 2005	15 August 2011
8 August 2002	500,000	46.2p	8 August 2005	8 August 2012

23 Reconciliation
of the movement
in shareholders'
funds

	2005 £000	2004 £000
Profit for the financial year	30,442	9,729
Dividends paid and proposed	(3,157)	(1,951)
Adjustment in respect of ESOP	(302)	(1,149)
New shares issued	4,828	3,568
Net addition to shareholders' funds	31,811	10,197
Opening shareholders' funds	38,981	28,784
Closing shareholders' funds	70,792	38,981

24 Reserves

	Share premium account £000	Profit and loss account £000
Group		
At 1 October 2004	14,896	19,210
Retained profit for the year	-	27,285
Adjustment in respect of ESOP	-	(302)
Premium on shares issued	4,445	-
At 30 September 2005	19,341	46,193
Holding Company		
At 1 October 2004	14,896	358
Retained profit for the year	-	6,312
Adjustment in respect of ESOP	-	(302)
Premium on shares issued	4,445	-
At 30 September 2005	19,341	6,368

The cumulative amount of goodwill written off against the Group's reserves is £1,291,984 (2004: £1,291,984).

25 ESOP Trust

The movement in the cumulative adjustment for ESOP arrangements during the year was as follows:

	Employee Share Option Plan £000	Long Term Investment Plan £000	Total £000
Group and Holding Company			
At 1 October 2004	865	2,171	3,036
Transfers between pools	467	(467)	0
Additions		1,743	1,743
Transfer to employees and employee personal trusts	(168)	(210)	(378)
Amortisation	(384)	(679)	(1,063)
At 30 September 2005	780	2,558	3,338

At 30 September 2005 the total number of shares held in the ESOP were 8,129,859, comprising 7,041,942 designated LTIP shares and 1,087,917 ESOP unencumbered shares. The market value of the shares was £22,642,000.

The distributable reserves of the Company are reduced by the cost of the shares held in the ESOP trust. In addition, dividends payable on shares held by the trust have been deducted from dividends payable in the profit and loss account and balance sheet.

The dividends proposed in the profit and loss account and in notes 13 and 21 have been reduced by £146,000 (2004: £59,000), and the profit and loss account in the balance sheet for 30 September 2004 has been increased by the same amount.

26 Earnings per share

The calculation of basic earnings per ordinary share is calculated on profit on ordinary activities after taxation for the year of £30,442,000 (2004: £9,729,000) and 97,310,000 (2004: 91,035,000) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share assumes that options outstanding at 30 September 2005 were exercised at 1 October 2004, for options where the exercise price was less than the average price of the share during the year.

Basic earnings per share, excluding the exceptional items for the year ended 30 September 2005 is calculated on profit on ordinary activities after taxation of £21,143,000 (2004: £9,040,000). Diluted earnings per share assumes that options outstanding at 30 September 2005 were exercised at 1 October 2004, 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.

	2005 Number 000's	2004 Number 000's
Weighted average number of ordinary shares in issue during the year – basic	97,310	91,035
Effect of options over ordinary shares	4,001	10,800
Diluted number of ordinary shares	101,311	101,835

NOTES

TO THE FINANCIAL STATEMENTS

CONTINUED

27 Consolidated cash flow statement

	2005 £000	2004 £000
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	27,617	11,595
Amounts written off tangible fixed assets	-	-
Amounts written off investments	-	-
Depreciation charges	514	457
Increase in debtors (excluding collateral and taxation receivable)	(8,191)	(25,717)
Net increase in short term liquid investments	(2,418)	-
Net increase in other current asset investments	(1,998)	(4,444)
Net (increase)/decrease in collateral	668	(5,871)
Increase in creditors (excluding taxation and dividends payable)	7,955	39,294
Net cash inflow from operating activities	24,147	15,314

	2005 £000	2004 £000
b) Cash inflow from exceptional items		
Sale of interest in associate: comdirect Ltd	13,540	-
Disposal of 265,000 London Stock Exchange plc shares	-	984
Restructuring of investment in associated undertaking	-	970
Cash inflow from exceptional items	13,540	1,954

28 Guarantees and other financial commitments

a) Capital commitments

Amounts contracted for but not provided in the accounts amounted to £nil for the Group (2004: £34,100).

b) Contingent liabilities

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

The Company has given a guarantee to the Company's bankers, National Westminster Bank plc, for the debts of Numis Securities Limited, up to £10 million. As at 30 September 2005 that company did not have any indebtedness to the National Westminster Bank plc.

The company has given a guarantee to Pershing LLC for any indebtedness of Numis Securities Inc., an indirect wholly owned subsidiary of the Company. Pershing LLC provides securities clearing services to Numis Securities Inc for its agency broker activities. As at 30 September 2005 that company did not have any indebtedness to Pershing LLC.

c) Operating leases

At 30 September 2005 the Group had annual commitments under operating leases as set out below:

	2005 £000	Property	2004 £000
Within one year	-		-
In two to five years	610		278
After five years	-		-
	610		278

28 Guarantees and other financial commitments (continued)

d) Pension arrangements

The pension cost charge for the year was £754,935 (2004: £447,824).

A Group Personal Pension Plan has been in operation from 6 April 1997 for all full-time employees of the Group over the age of 18 who have served the Group for at least 3 months. The Group Personal Pension Plan is funded through monthly contributions. The Group contributes 7% of members' salaries with members contributing at least 2½% of their salary. Employees who join the Group Personal Pension Plan are eligible for death-in-service benefits.

29 Financial instruments

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

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

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

Undrawn committed borrowing facilities	2005 £000	2004 £000
Expiring within one year	250	250

Risk management

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

Market risk exposures

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

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

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

	Long Positions £000	Short Positions £000	Gross Positions £000	Net Positions £000
Highest positions	21,650	12,682	29,900	16,265
Lowest positions	12,255	3,947	17,649	2,372
Average positions	16,172	7,548	23,720	8,625
Positions at 30 September 2005	14,865	5,186	20,051	9,679

Currency risk

Numis faces the foreign exchange risk that the sterling value of the Group's net assets or the sterling value of the Group's profit and loss will change as a consequence of foreign exchange movements. Numis hedges all material transactional exposures, however, profits and losses can arise from time to time as Numis purchases foreign currency in order to place settlement collateral at Central Security Depositories, or Numis meets committed foreign currency flows arising from placings. Numis must also carry out FX deals to meet USD currency cash flow requirements of our US subsidiary, Numis Securities Inc.

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

NOTES

TO THE FINANCIAL STATEMENTS

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29 Financial instruments (continued)

Derivative financial instruments held to manage the interest rate and currency profile:

	2005 Book value £000	2005 Fair value £000	2004 Book value £000	2004 Fair value £000
Foreign currency contracts	-	[141]	-	-

Functional currency of group operation:	Net foreign currency monetary assets/(liabilities)					Total £000
	Sterling £000	Australian Dollars £000	Canadian Dollars £000	US Dollars £000	Euro £000	
2005						
Sterling	70,795	-	4	-	[7]	70,792
2004						
Sterling	38,983	[3]	[2]	1	2	38,981

Interest rate risk

Currency	2005				2004			
	Cash at bank and in hand £000	Short-term investments £000	Equity investments £000	Total £000	Cash at bank and in hand £000	Short-term investments £000	Equity investments £000	Total £000
Sterling	57,133		10,407	67,540	23,468	-	6,663	30,131
Canadian Dollars		2,418		2,418				-
Euros			[38]	[38]				-
At 30 September	57,133	2,418	10,369	69,920	23,468	-	6,663	30,131
Floating rate	57,133			57,133	23,468			23,468
Fixed rate		2,418		2,418				0
At 30 September	57,133	2,418	-	59,551	23,468	-	-	23,468

In addition, collateral of £7,857,000 (2004: £8,525,000) generates floating rate interest. Short-term investments are held for 90 days or less. Management believe interest rate risk to be immaterial as cash is held short-term at floating rate with banks and placed on overnight or short-term deposit. Equity investments are not interest bearing.

Liquidity risk

The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, investing cash resources for 90 days or less with good credit quality banks and, if appropriate, in high quality liquid funds and financial investments.

Credit Risk

Numis' principal credit risk exposures arise from the possibility of counterparty settlement failure or the failure of a deposit taking institution of fund.

Numis is exposed to credit risk from our counterparty to a security transaction during the period between the trade date and the settlement date. This period is generally 3 business days but can be longer in some markets. In addition, Numis has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. The majority of these security transactions are with other financial institutions, primarily located in the UK. Numis seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits and enforcing credit standards based upon a review of the counterparty's financial condition.

Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism operated by Crest. Residual settlement risk is reduced further by using the services of major clearing banks for non-Crest settlements and by actively monitoring outstanding trades as part of the Group's management of working capital.

Risk exposures in relation to the failure of bank or deposit funds are reduced by credit quality limits and diversification of deposits across banks and funds.

SHAREHOLDER INFORMATION

Financial Calendar

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

Company Registration Number

2375296

Nominated Broker

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Cheapside House
138 Cheapside
London
EC2V 6LH

Nominated Adviser

PricewaterhouseCoopers LLP
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London
WC2N 6RH

Registrar

Computershare Investor Services plc
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Auditors

PricewaterhouseCoopers LLP
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WC2N 6RH

Bankers

National Westminster Bank plc
1 Princes Street
London
EC2R 8PH

NOTICE OF ANNUAL GENERAL MEETING

SEE NOTES ON PAGE 42 FOR A BRIEF EXPLANATION OF EACH OF THE RESOLUTIONS

Notice is hereby given that the Annual General Meeting of the Company will be held at Cheapside House, 138 Cheapside, London, EC2V 6LH on 7 February 2006, at 11.00am for the following purposes:

ORDINARY BUSINESS

To receive and, if thought fit, pass the following resolutions numbered 1-9 (inclusive) as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the year ended 30 September 2005, together with the directors' report and auditors' report on those accounts.
2. To declare a final dividend for the year ended 30 September 2005 of 2.525p per 5p ordinary share payable to shareholders on the register at the close of business on 16 December 2005.
3. To reappoint Mr M A Spencer, who is retiring by rotation in accordance with the Company's articles of association, as a director.
4. To appoint Mr T H Bartlam, who was appointed as a director of the Company since the last Annual General Meeting, and in accordance with the Company's articles of association, being eligible, offers himself for election.
5. To appoint Mr D P C Kelly, who was appointed as alternate director to M A Spencer, since the last Annual General Meeting, and in accordance with the Company's articles of association, being eligible, offers himself for election.
6. To appoint Mr W E J Trent, who was appointed as a director of the Company since the last Annual General Meeting, and in accordance with the Company's articles of association, being eligible, offers himself for election.
7. To appoint Mr P N N Turner, who was appointed as a director of the Company since the last Annual General Meeting, and in accordance with the Company's articles of association, being eligible, offers himself for election.
8. To appoint Ms L M Tilbian, who was appointed as a director of the Company since the last Annual General Meeting, and in accordance with the Company's articles of association, being eligible, offers herself for election.
9. To reappoint PricewaterhouseCoopers LLP as auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolution 10 will be proposed as an ordinary resolution, and resolutions 11 and 12 will be proposed as special resolutions:

Ordinary resolution

10. That in place of all existing authorities the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £1,752,693 provided that:
 - a) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously revoked or renewed by the Company in general meeting;
 - b) the Company shall be entitled to make prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - c) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Special resolution

11. That, subject to and conditional upon the passing of resolution 10 the directors be granted power pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by the said resolution as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- a) the allotment of equity securities in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them on that date but subject to such exclusions and other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or other legal or practice difficulties under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or as regards shares in issue in uncertified form; and
 - b) the allotment (otherwise than pursuant to sub-paragraph a) above) of any equity securities having an aggregate nominal amount, not exceeding in aggregate £262,904 representing approximately 5% of the current issued ordinary share capital of the Company.

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

Special resolution

12. That, the Company be unconditionally and generally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange plc's market for Alternative Investment Market securities, of ordinary shares of 5p each in the capital of the Company provided that:
- a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 10,516,158 such shares (representing 10 per cent of the Company's issued ordinary share capital at the date of this resolution).
 - b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 5p;
 - c) the maximum price, exclusive of any expenses, which may be paid for each share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
 - d) this authority shall expire on the earlier date of the conclusion of the next Annual General Meeting of the Company or fifteen months after the date on which this resolution is passed unless such authority is revoked or renewed prior to such time; and
 - e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.

EXPLANATORY NOTES

TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolution 1 – report and accounts

The directors are required to present the accounts for the year ended 30 September 2005 to the meeting.

Resolution 2 – declaration of dividend

A final dividend can only be paid if it is recommended by the directors and approved by the shareholders at a general meeting. The directors propose that a final dividend of 2.525p per ordinary share be paid on 17 February 2006 to ordinary shareholders who are on the register at the close of business on 16 December 2005. Shareholders are being offered the option to receive new ordinary shares as an alternative to cash in respect of this dividend.

Resolution 3 – reappointment of director

The articles of association of the company require one third of the directors to retire at each Annual General Meeting. At this meeting, Mr Michael Spencer will retire by rotation and seek re-election.

Resolution 4 – appointment of director

The articles of association of the company require that all directors appointed to the Company during the period since the last Annual General Meeting, must seek re-election. Mr T H Bartlam will seek re-election.

Resolution 5 – appointment of director

The articles of association of the company require that all directors appointed to the Company during the period since the last Annual General Meeting, must seek re-election. Mr D P C Kelly will seek re-election.

Resolution 6 – appointment of director

The articles of association of the company require that all directors appointed to the Company during the period since the last Annual General Meeting, must seek re-election. Mr W E J Trent will seek re-election.

Resolution 7 – appointment of director

The articles of association of the company require that all directors appointed to the Company during the period since the last Annual General Meeting, must seek re-election. Mr P N N Turner will seek re-election.

Resolution 8 – appointment of director

The articles of association of the company require that all directors appointed to the Company during the period since the last Annual General Meeting, must seek re-election. Ms L M Tilbian will seek re-election.

Resolution 9 – reappointment of auditors

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

Resolution 10 - authority to allot the relevant securities

The Company requires the flexibility to allot equity securities from time to time. Accordingly, resolution 10 seeks to grant (until the next Annual General Meeting or the expiration of 15 months if sooner) the directors authority to allot equity securities up to an aggregate nominal amount of £1,752,693. Save in respect of the issue of new ordinary shares pursuant to the share incentive schemes, the directors currently have no plans to allot relevant securities but the directors believe it to be in the interests of the company for the board to be granted this authority to enable the board to take advantage of appropriate opportunities which may arise in the future.

Resolution 11 – disapplication of section 89(1) of the Companies Act 1985

This resolution seeks to disapply the pre-emption rights provisions of section 89 of the Companies Act 1985 in respect of the allotment of equity securities pursuant to rights issues and other preemptive issues and in respect of other issues of equity securities for cash up to an aggregate nominal value of £262,904, being approximately 5% of the current issued ordinary share capital. If given, this power will expire at the same time as the authority referred to in resolution 10. The directors consider this power desirable due to the flexibility afforded by it. They have no present intention of issuing any equity securities pursuant to this disapplication.

Resolution 12 – authority to purchase company's own shares

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



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