

Numis Corporation Plc

London, 5 December 2018: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2018.

Highlights

- **Record revenues generated for 3rd consecutive year**
 - CB&A delivered 4% revenue growth, including 21% growth in Advisory fees
 - Equities delivered revenue of £47.5m representing 6% growth
- **Significant investment in the business impacting margins, but enhancing capabilities**
 - Average headcount increased 15% as a result of hiring across the business
 - Operating margin declined to 21.8% as result of the investment in the business
- **Growth of the Corporate client base**
 - Number of corporate clients increased to 210, including 49 FTSE 350 clients
 - Average market capitalisation of the client base has grown by 15%
- **Strong performance in Equities against a backdrop of regulatory disruption**
 - 6% growth in institutional income, no adverse impact on the institutional client base arising from MiFID II. Well positioned to capture further market share
 - Ranked 1st in Extel survey for UK Small & Mid-Caps for the 6th successive year
- **Commitment to shareholder returns**
 - Dividend maintained at 12p per share for the full year
 - £16.3m of share repurchases
 - Well capitalised balance sheet and strong liquidity position

Key statistics

Financial highlights	2018	2017	Change
Revenue	£136.0m	£130.1m	4.6%
Underlying Operating profit	£29.7m	£34.7m	(14.4%)
Profit before tax	£31.6m	£38.3m	(17.4%)
EPS	25.1p	27.4p	(8.4%)
Cash	£111.7m	£95.9m	16.5%
Net assets	£143.1m	£133.6m	7.1%

Operating highlights

Corporate clients	210	202	4.0%
Average market cap of clients	£829m	£723m	14.7%
Revenue per head	£538K	£591k	(9.1%)
Operating margin	21.8%	26.7%	(4.8ppts)
Spend on share repurchases	£16.3m	£22.9m	(28.8%)

Notes:

- 1) Revenue, Underlying Operating profit, Operating margin and Revenue per head all exclude investment income
- 2) EPS represents Basic EPS

Alex Ham and Ross Mitchinson, Co-Chief Executive Officers, said:

“We are pleased to report another year of record revenue alongside making substantial strategic progress toward our ambition of building the investment bank of a generation.

This has been a year of investment in people which, whilst impacting profitability, has strengthened our competitive position, expanded the range of services available to our clients and enhanced the overall quality of the Numis platform.

Whilst market conditions have become more challenging in the past couple of months, our focus will continue to be on clients, responding to their needs and requirements as we seek to build our investment banking business and become the leading UK equities platform. Our culture and people are central to our ambitions and we are grateful to all our staff whose commitment, drive and collaborative approach have delivered growth across the business this year. ”

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Notes for Editors

Numis is a leading independent investment banking group offering a full range of research, execution, corporate broking and advisory services to companies in the UK and their investors.

Business review

Another year of record revenues and strategic progress

We are pleased to report another year of record revenues and strategic progress for the business. While profitability declined this year due to our investment in people, we enhanced our reputation in the market with another year of high quality client wins, execution of interesting deals and growth in Equities delivered against a transitioning regulatory backdrop.

Market conditions during the financial year were broadly favourable for our business. The FTSE 100 and 250 increased by 1.9% and 2.2% respectively over the period, and volatility levels were generally subdued throughout the year, which supported equity issuance. As a result UK Equity Capital Market (ECM) activity levels for the year were broadly in line with the prior year. Similarly, UK M&A activity levels were comparable to the prior year.

Corporate Broking & Advisory

CB&A had a strong start to the year supported by positive client activity with deals such as the \$546m fund raise for CatCo Reinsurance, and an advisory mandate for Aveva delivering early momentum to our revenue. Transaction activity remained at consistent levels throughout the financial year, however, the average deal fee on transactions declined in the second half. Overall the number of deals completed across the year was 7% lower than the number completed in 2017. However, revenues for CB&A increased in the year by 4%, driven by further progress in growing our average deal fee relative to the prior year.

This progress has been achieved through a combination of working with larger clients, winning and executing larger mandates, and achieving a greater share of the fees available on deals. This has been particularly noticeable in advisory this year where we have benefited from a strong increase in average deal fees. While 2018 was not particularly active for sell-side transactions among our client base relative to historic levels, we were able to win a number of M&A mandates in support of our clients' growth ambitions. As we build our track record in advisory services we should be well placed to capture a greater share of the fee opportunities generated by our corporate clients.

Towards the end of the year we invested in a debt advisory capability. We believe there is an opportunity to broaden our engagement with our corporate clients and provide independent advice in an area where we see consistent demand.

Capital markets delivered revenue of £58.8m, which was broadly in line with the prior year (2017: £59.4m). The revenue mix within this category changed from the previous year with an increase secondary issuance for corporate clients being offset by a decline in block trades and private placement transactions.

Whilst our private placement revenue performance was disappointing, we continue to build our presence in unquoted capital markets where we believe there is a compelling revenue opportunity in view of the growing pool of capital allocated to private investment opportunities.

For the third successive financial year we were ranked first by Bloomberg in UK ECM deals, including investment trusts transactions. Given the highly competitive landscape this is a particularly notable achievement. Building on this success, we continue to believe there is the opportunity to gain market share and deliver further revenue growth across our capital markets activities.

We increased our corporate client base during the period to 210 clients. Of this, 49 are FTSE 350 clients. Notable wins during the year include BCA Marketplace and 3i, a FTSE 100 win. Our portfolio of corporate clients delivered retainer fee revenue of £12.4m for the year (2017: £11.6m). While this source of recurring revenue is important to the firm, the corporate client base is the primary source of our deal flow. Building the

corporate client list continues to be a priority although we are increasingly selective and target those ambitious, high quality companies, of all sizes and both public or privately owned, who we believe we can support over the long term in a mutually beneficial capacity.

This year we also invested to strengthen the CB&A department at mid-ranking levels in certain sectors as we build increased depth of coverage across the business and develop a more efficient operating structure in the department. We also completed our first ever graduate intake this year, with nine graduates joining the business in September 2018.

Going forward we will continue to focus on optimising our sector and product capabilities to win new clients, and deliver high quality advice underpinned by unique market insight.

Equities

The transition to MiFID II formed much of the focus in Equities over the year. Engaging with our institutional clients on the structure and value of payments is likely to be a continuous process, but we are encouraged to report revenues of £47.5m (2017: £44.8m), 6% higher than the prior year despite the regulatory disruption across the market.

Our institutional clients value the service we provide and we expect MiFID II to place greater focus on the quality of individuals, service level and insight which we believe favours our approach and platform. Accordingly, we have actively hired a number of highly regarded senior individuals across the Equities business during the year to provide further strength to our coverage of certain sectors. In addition, we launched an Event Driven product at the end of the year which we believe presents an exciting opportunity to capture incremental revenue and expand our client base. We continue to enhance our institutional client service to levels we believe to be unmatched in our market segment.

We won the UK Small & Mid Cap Extel survey for the sixth consecutive year, as voted by institutions, receiving an all-time record share of the vote for this survey. This is an excellent achievement demonstrating the overall consistency of quality from our Equities business.

Not only does the quality of our Equities business underpin the revenues delivered in the division but it is critical to our ability to attract and retain corporate clients and execute ECM deals.

The efforts made in transitioning the business in advance of MiFID II and the recent recruitment of highly regarded individuals position us well to deliver further market share gains as we seek to establish Numis as the UK's leading equities platform.

Strategic investments

During the year we decided to close our asset management business, liquidate the fund and return the proceeds to the fund's investors. The fund had performed broadly in line with benchmark since launch, however, we did not consider the performance to be sufficiently strong to invest in marketing the fund to third-party investors. We continue to hold a portfolio of strategic investments consisting of mostly early-stage private opportunities where we believe we can contribute to the development of the company through our network and position in the market.

Investing in our platform

We are continuously assessing our technology and processes to identify areas of improvement so that we can better serve our clients, meet ever-increasing regulatory requirements and identify efficiency gains.

MiFID II demanded significant changes to our platform and procedures and involved close collaboration with our clients, staff and partners. We encountered no material operational issues associated with the implementation of MiFID II and continue to believe we are well positioned to benefit from the regulation.

Operational changes to our business were also required with the introduction of the General Data Protection Regulation (GDPR) and we are currently planning for the introduction of the Senior Managers and Certification Regime (SMCR), which we anticipate will become effective in December 2019.

As well as delivering change required by regulation, we invest in our technology platform to ensure resilience, including cyber security, as part of a continuous programme of maintaining, and upgrading where necessary our operating platform.

Technology is an increasingly important aspect of service delivery and we continue to strive to ensure we are using our data and technology capabilities to serve our clients across the business to the best of our abilities. This year we launched the Numis Client App, which promotes efficient client engagement and supplies clients with unique content and data from our platform.

Our strategy is to continue developing and enhancing our platform. In particular we will focus on the quality and use of our data to assess performance, identify operational inefficiencies and underpin our risk management processes.

Investing in our people

Our people really are our most important asset and we devote a lot of time, energy and investment to attracting, developing and retaining outstanding individuals, and providing a great place for them to work and succeed.

This year we ran our second people survey, which had an excellent response rate. Scores were up on average 7% across each question theme year on year. Our highest scoring question was “I believe Numis has a successful future ahead” which scored 98%.

Throughout the year we have invested in three core areas: personal resilience and wellbeing; diversity and inclusion; and learning and development. Initiatives have included a broad range of internal and external training programmes, guest speakers, on-site support for staff and coaching as we aim to create and enhance a high performance culture.

Recruiting the next generation of outstanding talent

Developing the next generation of talented leaders across the business is a key priority for us and we have invested in a number of initiatives which seek to deliver this long term goal.

We completed not only our first graduate intake but also our first structured summer internship programme. We had over 1,700 applicants, and through a very thorough and rigorous assessment and selection programme we hired nine graduates and 18 interns. We will continue this highly successful process in the years ahead - identifying and developing talent at junior levels is the most effective strategy to build strength and depth across the business.

Making the most of our strong Numis culture

We believe our distinctive culture and values are critical to our success and we are determined to nurture and build on them as we continue to grow. As we get bigger, we will stay true to our dynamic, focused, highly collaborative culture.

Current trading and outlook

Since the start of the financial year, equity markets have declined, with mid-market growth stocks in particular suffering material adverse share price movements. Volatility levels have also increased following a prolonged period of relatively benign market conditions. As a result, the environment for ECM transactions has become more challenging and issuance volumes in the first two months of the year have been lower than the comparative period. Against this backdrop we have completed 14 deals in the current financial year, including three IPOs, however, this represents a decline in deal volumes relative to the comparative period in FY18, although average deal fees remain broadly in line with the level achieved for the full year. Activity levels remain high across the business and our pipeline continues to be strong with a combination of IPOs, and capital raisings for our corporate clients. However, in the current market, the execution of these transactions is increasingly unpredictable.

The increase in volatility has impacted the Equities business, with lower trading profits and institutional income achieved in the first two months of the year against the comparative period. We believe the quality of our service to institutional clients, insight and analysis is highly valued by institutions, particularly in periods of market uncertainty. In addition, the recent investment in the Equities business positions Numis to capture further market share in UK Equities irrespective of the prevailing market environment.

2018 was a year of investment in the business, the benefits of which are now materialising. Since the start of the year, we have won three new corporate clients with an average market cap of £1.4bn. These clients have recognised the strength and depth of the Numis service across multiple business lines and our success in growing the corporate client list continues to underpin our confidence in the future prospects for the business.

Financial review

Summary revenue for the year

	2018 £m	2017 £m	% change
CB&A	88.6	85.3	3.9%
Equities	47.5	44.8	5.9%
Revenue	136.0	130.1	4.6%
Investment income	1.7	3.4	(49.5%)
Total income	137.8	133.5	3.2%

Revenue for the year was £136.0m (2017: £130.1m), representing year on year growth of 4.6% which was achieved consistently across both CB&A and Equities. Total income was up 3.2% notwithstanding a lower contribution from the investment portfolio which closed the year materially smaller than the prior year at £16.3m (2017: £28.1m) due to the closure of the asset management business during the course of the year.

Corporate Broking & Advisory revenue

	2018 £m	2017 £m	% change
Capital Markets	58.8	59.4	(0.9%)
Advisory	17.3	14.4	20.8%

Corporate retainers	12.4	11.6	7.4%
Total CB&A revenue	88.6	85.3	3.9%

CB&A delivered 3.9% growth, achieving revenue of £88.6m (2017: £85.3m). The retainer fee income growth reflects the continued expansion of the corporate client base and contractual fee increases. Our client base provides the significant majority of our deal fee income, which was 3.3% higher this year compared to the prior year, with Advisory fees increasing 20.8% year on year reflecting our continued focus on growing this business line. Whilst the deal count for the year was lower compared to the prior year, Capital Markets and Advisory revenues both benefited from higher average deal fees across the year. This was driven by the continuation of the beneficial trend we have experienced in recent years of participating in higher value transactions, and our ability to secure more senior and rewarding roles on these deals.

Equities revenue

	2018	2017	%
	£m	£m	change
Institutional income	37.9	35.8	5.9%
Trading	9.6	9.0	6.0%
Total Equities revenue	47.5	44.8	5.9%

Equities delivered revenue of £47.5m representing growth of 5.9% for the year. Within this, institutional income also was up 5.9% in a year which included the transition to MiFID II, which came into effect on 3 January 2018. Whilst the composition of our institutional income has changed slightly with a greater proportion being received in the form of payments for research and sales, there has been no material change in our client base.

Furthermore, despite the shift in revenue mix, we continue to perform well in execution and have been capturing increasing market share in UK equities which has largely offset any decline in commissions arising as a result of MiFID II. Trading delivered gains of £9.6m, up 6.0% on the prior year, with capital allocation and VaR limits remaining at conservative levels. In line with recent years, the contribution from investment trusts and equities market making activities was broadly equal.

Investment portfolio

Our investment portfolio reduced in size by 42% during the year as a result of the liquidation of the Numis Mid Cap fund. The investment portfolio now comprises 96% unlisted investments. A total of five new investments were made in the year amounting to a total investment spend of £2.6m (2017: £1.3m). During the year we completed the disposal of three unquoted investments recognising an aggregate gain of £0.8m. Overall, the portfolio delivered net gains of £1.7m across the year (2017: £3.4m).

Costs

	2018	2017	%
	£m	£m	change
Staff costs	64.7	58.5	10.6%
Share-based payment	10.6	10.5	1.2%
Non-staff costs	31.0	26.4	17.5%

Total administrative costs	106.3	95.4	11.5%
Year end headcount	273	235	16.2%
Average headcount	253	220	15.0%
Compensation ratio	55.4%	53.0%	2.3 ppts

Staff related costs comprise the majority of our cost base. During the year we increased average headcount by 15% as we hired across the business to strengthen our platform and expand our capabilities to drive market share gains. Some of our recruiting activity relating to senior hires resulted in higher initial costs being incurred which impacted the costs in the year.

Our share-based payment charge was £10.6m (2017: £10.5m), an increase of 1.2% for the year. This increase is attributable to awards made to staff as part of the annual compensation round, and awards made to new hires to compensate for sacrificed awards made by previous employers.

Compensation costs as a percentage of revenue increased to 55.4% (2017: 53.0%) as a result of the costs incurred relating to hiring activities. We adopt a disciplined approach to managing the compensation ratio of the business, however, we do expect the ratio to move within acceptable parameters as a result of hiring activities and market cycles.

Our non-staff costs increased 17.5% over the year to £31.0m as we incurred costs in association with the implementation of MiFID II and additional variable costs in relation to the higher headcount. In addition, investment in our platform is critical to ensuring we are able to offer our clients a high quality service, maintain the highest risk management and regulatory standards, and deliver operational efficiency gains. This requires sustained investment in technology.

Profit

	2018	2017	%
	£m	£m	change
PBT	31.6	38.3	(17.4%)
Adjustments:			
Investment income	(1.7)	(3.4)	
Net finance income	(0.2)	(0.2)	
Underlying Operating profit	29.7	34.7	(14.4%)
Operating margin	21.8%	26.7%	(4.8ppts)

Underlying Operating profit was down 14.4% to £29.7m (2017: £34.7m) as the increase in revenue was more than offset by the additional costs incurred in the year. Similarly, the operating margin declined to 21.8% (2017: 26.7%). Revenue per head declined by 9% to £538k per head but this remains above the level achieved in FY16.

PBT for the year was £31.6m, representing a decline of 17.4% compared to the prior year, this was attributable to the 11.5% increase in cost base and lower investment gains recorded in the period. Our effective tax rate for the year reduced to 15.7%, resulting in profit after tax 12.2% lower at £26.7m (2017: £30.4m).

EPS declined by 8.4% to 25.1p per share as the reduction in share count achieved by the share buyback programme was more than offset by the decline in profits for the year.

Net asset position

The Group's net asset position at the year end was £143.1m, representing an increase of 7% against the prior year with the profits of the Group, and the awarding of shares being partially offset by dividend distributions and share repurchases.

The Group assesses its capital position against its requirements throughout the year. At present the Group has qualifying capital representing more than double the regulatory requirement. This position of strength ensures the Group is well positioned to navigate a variety of market conditions.

Cash position

The Group's cash position increased by 17% to £111.7m as a result of movements in our trading book position, cash profits and the liquidation of the Numis Mid Cap Fund. Our cash position is significantly in excess of our regulatory liquidity requirements. Financing outflows included £12.8m of dividend payments to shareholders (2017: £13.5m) and £16.3m spent on the repurchase of shares to offset future shareholder dilution from staff compensation share schemes (2017: £22.9m).

Our strong liquidity position is essential in supporting our market making activities and facilitating client trading activity, in addition our liquidity position is an important factor in our ability to secure and execute certain ECM transactions.

Dividends and share purchases

The Board has declared a final dividend for the year of 6.5p per share. The dividend will be paid on 8 February 2019 to shareholders on the Register on 14 December 2018.

Our goal is to pay a stable ordinary dividend and re-invest in our platform, pursue selective growth opportunities and return excess cash to shareholders subject to capital and liquidity requirements and market outlook.

During the year 4.5m shares were repurchased at a weighted average price of 362p per share, this compares to 9.1m shares purchased in the prior year at an average price of 250p per share. The impact of the share repurchases has been to reduce the issued share count by 0.9m shares over the course of the financial year. Whilst the issued share count will increase with the vesting of share awards during the early months of the year, our intention is to continue mitigating the dilutive impact of these awards and reduce our share count in the medium term subject to market conditions.

Consolidated Income Statement
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £'000	2017 £'000
Revenue	3	136,047	130,095
Other operating income	4	1,733	3,431
Total income		137,780	133,526
Administrative expenses	5	(106,348)	(95,395)
Operating profit		31,432	38,131
Finance income		393	293
Finance costs		(181)	(105)
Profit before tax		31,644	38,319
Taxation		(4,967)	(7,942)
Profit after tax		26,677	30,377
Attributable to:			
Owners of the parent		26,677	30,377
Earnings per share			
Basic	6	25.1p	27.4p
Diluted	6	23.0p	25.9p
Dividends	7	(12,763)	(13,473)

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018	2017
	£'000	£'000
Profit for the year	26,677	30,377
Exchange differences on translation of foreign operations	115	21
Other comprehensive income for the year, net of tax	115	21
Total comprehensive income for the year, net of tax, attributable to owners of the parent	26,792	30,398

Consolidated Balance Sheet
AS AT 30 SEPTEMBER 2018

	Note	2018 £'000	2017 £'000
Non current assets			
Property, plant and equipment		3,200	2,998
Intangible assets		77	33
Deferred tax	8a	4,938	3,116
		8,215	6,147
Current assets			
Trade and other receivables	8b	369,304	247,204
Trading investments	8c	43,800	47,424
Stock borrowing collateral	8d	7,906	8,606
Derivative financial instruments		350	35
Cash and cash equivalents	8f	111,673	95,852
		533,033	399,121
Current liabilities			
Trade and other payables	8b	(381,607)	(246,070)
Financial liabilities	8e	(14,632)	(19,875)
Current income tax		(1,873)	(5,697)
		(398,112)	(271,642)
Net current assets		134,921	127,479
Non current liabilities			
Deferred tax	8a	-	-
Net assets		143,136	133,626
Equity			
Share capital		5,922	5,922
Other reserves		17,537	13,416
Retained earnings		119,677	114,288
Total equity		143,136	133,626

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2017	5,922	-	13,416	114,288	133,626
Profit for the year				26,677	26,677
Other comprehensive income			115	-	115
Total comprehensive income for the year	-	-	115	26,677	26,792
Dividends paid				(12,763)	(12,763)
Net movement in Treasury shares				(5,750)	(5,750)
Movement in respect of employee share plans			4,006	(3,778)	228
Deferred tax related to share based payments				1,004	1,004
Transactions with shareholders	-	-	4,006	(21,287)	(17,281)
Balance at 30 September 2018	5,922	-	17,537	119,677	143,136

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2016	5,922	38,854	8,238	76,063	129,077
Profit for the year				30,377	30,377
Other comprehensive income			21	-	21
Total comprehensive income for the year	-	-	21	30,377	30,398
Share premium cancellation		(38,854)		38,854	-
Dividends paid				(13,473)	(13,473)
Net movement in Treasury shares				(17,238)	(17,238)
Movement in respect of employee share plans			5,157	(546)	4,611
Deferred tax related to share based payments				251	251
Transactions with shareholders	-	(38,854)	5,157	7,848	(25,849)
Balance at 30 September 2017	5,922	-	13,416	114,288	133,626

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities	9	55,661	50,410
Interest paid		(222)	(14)
Taxation paid		(9,610)	(7,027)
Net cash from operating activities		45,830	43,369
Investing activities			
Purchase of property, plant and equipment		(1,314)	(493)
Purchase of intangible assets		(93)	-
Interest received		393	295
Net cash (used in)/from investing activities		(1,014)	(198)
Financing activities			
Purchases of own shares – Treasury		(10,675)	(19,588)
Purchases of own shares – Employee Benefit Trust		(5,597)	(3,298)
Dividends paid		(12,763)	(13,473)
Net cash used in financing activities		(29,035)	(36,359)
Net movement in cash and cash equivalents		15,781	6,812
Opening cash and cash equivalents		95,852	89,002
Net movement in cash and cash equivalents		15,781	6,812
Exchange movements		40	38
Closing cash and cash equivalents		111,673	95,852

Notes to the Financial Statements

1. Basis of preparation and accounting policies

Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2018 will be delivered to the Registrar of Companies in due course. The annual report and statutory accounts will be posted to shareholders on 2nd January 2019 and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 5th February 2019.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these preliminary results have been applied on a consistent basis with the statutory accounts for the years ended 30 September 2017 and 30 September 2016. Although such estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The consolidated financial information contained within these financial statements has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

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

Accounting policies

The consolidated financial information contained within these financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and are in accordance with the accounting policies that were applied in the Group's statutory accounts for the year ended 30 September 2018.

2. Segmental analysis

Geographical information

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

The Group earns its revenue in the following geographical locations:

	2018	2017
	£'000	£'000
United Kingdom	124,990	119,867
United States of America	11,057	10,228
	136,047	130,095

There are no clients who accounted for more than 10% of revenues in the year ended 30 September 2018 (2017: Nil).

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

	2018	2017
	£'000	£'000
United Kingdom	2,713	2,982
United States of America	564	49
	3,277	3,031

Other information

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

	2018	2017
	£'000	£'000
Equities income	47,460	44,799
Corporate retainers	12,430	11,578
Total deal fees	76,157	73,718
Revenue (see note 3)	136,047	130,095
Investment activity net gains	1,733	3,431
Contribution from investment portfolio	1,733	3,431
Total	137,780	133,526
Net assets		
Investment Banking activities	15,121	9,633
Investing activities	16,342	28,141
Cash & cash equivalents	111,673	95,852
Total net assets	143,136	133,626

3. Revenue

	2018	2017
	£'000	£'000
Net trading gains	9,594	9,047
Institutional income	37,866	35,752
Equities income	47,460	44,799
Corporate retainers	12,430	11,578
Advisory ⁽¹⁾	17,335	14,356
Capital Markets ⁽¹⁾	58,822	59,362
CB&A income	88,587	85,296
	136,047	130,095

⁽¹⁾ Certain fees charged in relation to Capital Markets transactions were previously categorised as Advisory revenues and have been reclassified. The value of fees affected by this reclassification is £2,115k for 2017 full year. In prior years Capital markets revenue was disclosed as Placing Commissions.

4. Other operating income

Other operating income represents net gains made on investments which are held outside of the market making portfolio.

5. Administrative expenses

	2018	2017
	£'000	£'000
Wages and salaries	53,292	48,171
Social security costs	9,477	8,160
Compensation for loss of office	223	132
Other pension costs	1,751	2,082
Share based payments	10,583	10,454
Total staff costs	75,326	68,999
Non staff costs	31,022	26,396
	106,348	95,395

The average number of employees during the year increased to 253 (2017: 220) with the number as at 30 September 2018 totalling 273 (30 September 2017: 235). Compensation costs as a percentage of revenue has increased to 55% (2017: 53%).

Non-staff costs comprise expenses incurred in the normal course of business, the most significant of which relate to technology, information systems, market data, brokerage, clearing and exchange fees. Investment relating to regulatory requirements and in respect of our platform continue to impact such costs.

6. Earnings per share

Basic earnings per share is calculated on a profit after tax of £26,677,000 (2017: £30,377,000) and 106,435,314 (2017: 110,919,356) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders.

The calculations exclude shares held by the Employee Benefit Trust on behalf of the Group and shares held in Treasury.

	2018	2017
	Number	Number
	Thousands	Thousands
Weighted average number of ordinary shares in issue during the year – basic	106,435	110,919
Dilutive effect of share awards	9,374	6,328
Diluted number of ordinary shares	115,809	117,247

7. Dividends

	2018	2017
	£'000	£'000
Final dividend for year ended 30 September 2016 (6.50p)		7,308
Interim dividend for year ended 30 September 2017 (5.50p)		6,165
Final dividend for year ended 30 September 2017 (6.50p)	6,902	
Interim dividend for year ended 30 September 2018 (5.50p)	5,861	
Distribution to equity holders of Numis Corporation Plc	12,763	13,473

The Board has proposed a final dividend of 6.5p per share for the year ended 30 September 2018. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. These preliminary results do not reflect this dividend payable.

The final dividend for 2018 will be payable on 8th February 2019 to shareholders on the register of members at the close of business on 14th December 2018, subject to shareholder approval at the Annual General Meeting on 5th February 2019. Shareholders have the option to elect to use their cash dividend to buy additional shares in Numis through a Dividend Re-Investment Plan (DRIP). The details of the DRIP will be explained in a circular to accompany our 2018 Annual Report and Accounts, which will be circulated to all shareholders on 2nd January 2019.

8. Balance sheet items

(a) *Deferred tax*

As at 30 September 2018 deferred tax assets totalling £4,938,000 (2017: £3,116,000) have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments. A deferred tax asset of £503,000 (2017: £1,104,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence within the relevant legal entity that there will be taxable gains in the future against which the deferred tax asset could be utilised.

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

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of such balances varies with the level of business being transacted around the reporting date and the relatively high value at the balance sheet date reflects a number of corporate transactions completing in the days immediately after the balance sheet date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £8,630,000 (2017: £9,530,000).

(c) *Trading investments*

Included within trading investments is £16,342,000 (2017: £28,141,000) of investments held outside of the market making portfolio. New investments of £2.6m and fair value increases amounting to £1.7m were offset by net disposals of £16.0m.

As at 30 September 2018 no trading investments had been pledged to institutions under stock borrowing arrangements (2017: nil).

(d) *Stock borrowing collateral*

The Group enters stock borrowing arrangements with certain institutions which are entered into on a collateralised basis with cash advanced as collateral. Under such arrangements a security is purchased with a commitment to return it at a future date at an agreed price.

The securities purchased are not recognised on the balance sheet. An asset is recorded on the balance sheet as stock borrowing collateral at the amount of cash collateral advanced.

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

(e) *Financial liabilities*

Financial liabilities comprise short market making positions and include shares listed on the London Stock Exchange Main Market and quoted on the AIM market as well as overseas exchanges. In conjunction with the long market making positions included within Trading investments, these two combined represent the net position of holdings within the market making book which, year on year, increased to £13.2m long as at 30 September 2018 (2017: £0.6m short). The magnitude of financial liabilities will depend, in part, on the nature and make-up of long positions combined with the market makers' view of those long positions over the short and medium term, taking into consideration market volatility, liquidity, client demand and future corporate actions.

(f) *Contingent liabilities*

During the accounting period the Company signed two investment subscription agreements where the full amount of the subscription had not been called upon at the balance sheet date.

An investment in a U.S. private fund with a total subscription value of \$1.0m had been signed. The fund calls upon capital as it is required and at the balance sheet date \$0.4m had been called up and paid. This is classified within Trading Investments. The remaining \$0.6m has not yet been called and is therefore a commitment until it is paid over to the fund. The subscription agreement allows that the investment can be called any time up till the 5th anniversary of the agreement, which is June 2023.

An investment in a UK unlisted company with a total subscription value of £0.5m had been signed. The investment is dependent on the company receiving regulatory approval, which is in process but had not been received at the balance sheet date. Therefore a commitment of £0.5m exists at the balance sheet date which we expect to pay over within 12 months of the balance sheet date.

(g) *Cash and cash equivalents*

Cash balances reflect movement in market making positions, the operating performance of the business offset by dividend distributions (£12.8m cash outflow) and share buy-backs through the repurchase of shares into Treasury and the Employee Benefit Trust (£16.3m cash outflow).

9. Reconciliation of profit before tax to cash flows from operating activities

	2018	2017
	£000	£000
Profit before tax	31,644	38,319
Net finance income	(212)	(188)
Depreciation charges on property, plant and equipment	1,113	1,226
Amortisation charges on intangible assets	49	89
Share scheme charges	10,583	10,454
Decrease in current asset trading investments	3,624	1,029
Increase in trade and other receivables	(122,100)	(85,583)
Decrease/ increase in stock borrowing collateral	700	(4,705)
Increase in trade and other payables	130,580	89,188
Increase/ decrease in derivatives	(320)	581
Cash flows from operating activities	55,661	50,410

Cash flows in 2018 benefitted from higher revenues, a net divestment of our strategic investment portfolio and temporary movement in the market making positions. These were offset by a higher expense base compared to 2017.