Numis Corporation Plc

Full Year Results

for the year ended 30 September 2019

London, 4 December 2019: Numis Corporation Plc ("Numis") today announces preliminary results for the year ended 30 September 2019.

Highlights

- Difficult market environment and political uncertainty persisted throughout the year impacting revenues across the business
    - Investment Banking revenues 16% lower than last year due to substantial decline in UK deal activity
    - Market share gains in Equities but revenue down 21% reflecting weak UK investor sentiment and lower trading profits
- Corporate client base continues to strengthen – 217 clients and 7% increase in average market cap
- Payments for research remain stable despite reduction in overall market spend by institutions
- Costs controlled in response to market conditions
- Full year dividend maintained at 12p for fourth successive year, and £12.0m spent on share repurchases
- Strong balance sheet and liquidity position maintained
- Encouraging start to the current financial year with improved revenue performance across the business

Key statistics

Financial highlights	**2019**	**2018**	**Change**
Revenue	£111.6m	£136.0m	(18.0%)
Underlying Operating profit	£14.1m	£29.7m	(52.5%)
Profit before tax	£12.4m	£31.6m	(60.7%)
EPS	8.8p	25.1p	(64.9%)
Cash	£84.2m	£111.7m	(24.6%)
Net assets	£138.2m	£143.1m	(3.5%)

Operating highlights			
Corporate clients	217	210	+7
Average market cap of clients	£888m	£829m	7.1%
Revenue per head	£404k	£538k	(24.8%)
Operating margin	12.6%	21.8%	(9.2ppts)
Spend on share repurchases	£12.0m	£16.3m	(26.3%)

Notes:

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

Alex Ham and Ross Mitchinson, Co-Chief Executive Officers, said:
"It has without doubt been a challenging year for everyone in the industry and our results have inevitably been impacted by the persistent political uncertainty, macro-economic factors and subdued, yet volatile markets.

But our ambitions for the business remain unchanged. We continue to add to our capabilities and to selectively hire brilliant people, taking full advantage of the opportunities that are presented by challenging times. We have the best corporate client list we have ever had; we have the best people we have ever had, and we have a broader offering for our clients than ever before.

We continue to be actively focused on our clients and believe we are better positioned than ever to continue winning market share, achieving progress against our strategic objectives, and returning to delivering strong growth as and when market conditions improve."

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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 and their investors. Numis is listed on AIM, and employs approximately 270 staff in London and New York.

Business review

A challenging year impacted by low activity levels in UK markets

Our performance for the year was significantly impacted by domestic political uncertainty which both inhibited transaction activity amongst our client base, and led to a decline in volumes in UK equities. However, we continued to make good strategic progress in delivering market share gains and developing the quality and capabilities of the business. Our balance sheet remains very strong and we aim to provide the best possible advice and support for all our clients across the business, in all market environments.

Equity markets declined sharply during the first quarter of the financial year and whilst indices gradually recovered over the remainder of the year, we witnessed increased volatility levels as a result of global economic and Brexit concerns. The UK market has not experienced a year with volatility levels as high since 2012.

As a result, UK Equity Capital Markets (ECM) volumes declined significantly compared to the prior year and, given the low transaction volume, deal fees were concentrated amongst a far smaller group of deals compared to more active years. Merger & Acquisition (M&A) volumes also declined over the year although we saw an increase in bid activity toward the end of the year.

The persistent uncertainty facing the UK also impacted institutional investors as they typically adopted a more cautious approach toward investing in UK equities. Many overseas institutions maintained underweight positions limiting their exposure to the UK market, whilst many domestic long-only institutions suffered outflows in UK equity strategies. Consequently activity levels amongst our institutional clients were generally subdued.

In contrast private markets continue to advance, benefitting from growing capital allocations which supported an increase in transaction volumes, and higher value transactions. In recent times, high growth private businesses have repeatedly demonstrated that raising significant capital from a variety of investors at attractive valuations no longer demands a public listing. Whilst such transactions are global in their distribution, our long history of raising capital for growth businesses provides a platform from which we can continue to progress our participation in these private transactions and add to our developing track record.

Investment Banking – building the client base and diversifying

During the year we made good progress in broadening the capabilities and track record of our Investment Banking division. We continued to invest in hiring talent to complement our strong corporate broking and ECM platform. We have strengthened our pool of senior bankers across a range of sectors and continued to recruit exciting talent at all levels. Our ability to recruit high quality individuals at all levels has been materially enhanced in recent years as we continue to raise our profile, work with interesting clients and promote a culture which is differentiated from our larger investment banking competitors.

The increase in market volatility and decline in business confidence has prompted boards to ensure they are receiving the best advice and market insights. This has presented opportunities for us to win new corporate brokerships and continue our strategic ambition to enhance the quality of our client base. We added a net seven brokerships during the year with companies such as Fever-Tree and Euromoney joining our list of clients. The average market cap of our client base increased 7% during the year notwithstanding indices having declined over the year. We now act for 47 FTSE250 clients and seven FTSE100 clients. Over the past year the average market cap of our clients wins was more than double that of our losses.

Our stability and trusted advice has significantly contributed to our sustained track record of client growth. We believe the current market environment, whilst uncertain in the short term, presents further opportunities for the business to continue advancing the quality of the client base.

Investment Banking revenue declined 16% compared to the prior year, driven by lower deal fee income. In particular we executed fewer capital raising transactions for our corporate clients as UK business confidence weakened and decisions regarding significant transactions were typically deferred. When clients did execute deals they tended to be smaller in size, reflecting the cautious sentiment of all market participants. This resulted in fewer large fee events this year and a decline in average deal fees compared to the prior year.

Capital markets revenues declined by 18% and we broadly maintained market share in UK ECM despite not being involved in the largest deals to complete this year. The UK IPO market was particularly weak, recording the lowest volume of deals since 2012. Despite this decline we managed to complete more IPOs this year compared to the prior year including the successful IPO of AJ Bell, a sole bank deal, which has traded particularly well in the after-market. We expect our capital markets revenues to improve as soon as ECM market volumes recover and, given our track record and client base, we believe we are well positioned to maintain a market leading position and capture greater share.

Whilst public market activity declined, we recorded revenues of approximately £9m from private markets transactions, representing a meaningful improvement on the prior year. We successfully repositioned our strategy in private markets, adopting a more targeted approach, focused on late-stage transactions for companies both in the UK and overseas. Notably, our largest investment banking transaction of the year was a private fund raise for Swedish fintech business, Klarna. Numis acted as exclusive placing agent raising $460m for the business at a valuation of $5.5bn. We have a good pipeline of private markets opportunities and we are focused on building a strong track record to establish Numis as a leading player in this relatively new market.

Advisory revenue remains a core strategic focus for the business and whilst revenues declined, the market backdrop has not been particularly supportive of public M&A transactions for the majority of the year. However, in recent months activity has increased, particularly amongst private equity firms who are increasingly identifying the UK public markets as a source of good investment opportunities. We continue to expand our advisory capabilities within Investment Banking by hiring bankers with strategic advisory and M&A experience. Accordingly, we are targeting an improved performance in FY20.

Equities - continuing to gain market share

As well as strengthening our core product offering to institutional investors and gaining market share, we continue to expand our capabilities in Equities as we seek to serve a wider investor base and establish Numis as the leading UK equities business. In response to the increased penetration of low-touch trading we expect to launch an electronic trading product during the first half of FY20 which we believe will both provide access to a new client base and also facilitate broader trading relationships with some existing clients.

Whilst our institutional income, which comprises both execution commission and payments for research under MIFID II, declined 12% against the prior year, we continued to gain market share in UK equities. The number of UK institutions who consider Numis their top rated UK broker also continues to grow.

In June, we won the UK Small & Mid Cap Extel survey for the seventh consecutive year, as voted by institutions, confirming our market leading position in equity research. This sustained success reflects the quality of our research product and service to institutions, both of which underpin our deep, longstanding relationships with the investor community. Such connectivity is critical to our business model and enables us to formulate valued advice and guidance for our corporate clients.

The quality and experience of our staff across research, sales and trading is a material competitive advantage in a market which has been subject to regulatory disruption. Our market share gains have been supported by the investment in new hires across the research and sales teams completed in 2018.

Following the introduction of MiFID II in January 2018, payments for research have been subject to significant scrutiny by asset managers with the outcome invariably resulting in a reduction in payment to the broking sector. We are pleased to report our research payments remain stable despite the undoubted recent decline in market wallet for this product. Such market share gains are important not just in securing the stability of this revenue stream but as a financial endorsement of the quality of our service which benefits all client activities across the firm.

Whilst our research revenues were stable, our execution commission declined over the year, reflecting the fall in market volumes and the generally weak investor sentiment toward the UK throughout the year. Once the political uncertainty dissipates and investor confidence returns, we would expect execution revenues to recover.

Trading gains were £4.0m in the year which was down on the prior year, however the first half was impacted by a one-off loss associated with underwriting of the Kier rights issue. Excluding this loss, trading has delivered a reasonable performance in the year given the increased volatility and variable markets.

Current trading and outlook

Revenue for the first two months of the year is ahead of the comparative period. We have benefited from an increase in ECM deal volumes including raising £152m for Bovis Homes Plc and £104m for Future Plc. In addition we acted as financial adviser to Unite Group Plc in relation to the £1.4bn acquisition of Liberty Living. We continue to build our track record in private markets - in November we completed another significant transaction in the fintech sector. Our private markets pipeline of opportunities, both in the UK and internationally, continues to grow.

Equities has also delivered an improved revenue performance with strong trading gains and an increase in execution commissions contributing to a strong two month performance, materially ahead of the comparative period.

Whilst the political uncertainty and macroeconomic concerns impacting our FY19 results have not subsided, we are encouraged by the recent performance of the business. Market conditions and the upcoming general election will likely impact the pipeline of deals in the short-term but we remain well positioned to progress our strategy.

Financial review

We continue to make strategic progress and maintain a strong financial position affording us the opportunity to pursue our ambitions for the business through difficult markets.

	2019 £m	2018 £m	% Change
Investment Banking	74.3	88.6	(16.1%)
Equities	37.3	47.5	(21.4%)
Revenue	**111.6**	**136.0**	**(18.0%)**
Investment income	(2.2)	1.7	
Total Income	**109.4**	**137.8**	**(20.6%)**

Revenue for the year was £111.6m (2018: £136.0m), representing a decline of 18% as the unfavourable market conditions impacted all aspects of our business consistently across the financial year. Revenue per head declined by 24.8% to £404k reflecting the increase in average headcount compared to the prior year. Total income was down 20.6% due to the negative fair value adjustments within the investment portfolio which closed the year at £14.8m (2018: £16.3m).

Investment Banking

	2019 £m	2018 £m	% Change
Capital Markets	48.4	58.8	(17.8%)
Advisory	12.6	17.3	(27.5%)
Corporate retainers	13.4	12.4	7.5%
Investment Banking revenue	**74.3**	**88.6**	**(16.1%)**

The Investment Banking division delivered revenue of £74.3m (2018: £88.6m), resulting in a 16% decline on the prior year. Public markets have clearly experienced a difficult year and our volume of completed transactions was lower as a result. Our corporate client base continues to be the main source of deal flow and given our domestic mid-market bias, these clients have typically been less active this year. As a result, we have experienced a significant decline in the volume of deals at the larger end of our typical fee range which has resulted in a reduction in our average deal fees this year.

Capital markets fees were 18% lower as ECM transaction volumes in the small and mid cap sector were materially lower this year. However, the decline in public markets deal volumes was partially offset by a significantly improved revenue contribution from our private markets activities. Advisory fees were similarly impacted by a decline in UK transaction volumes. Notwithstanding the revenue decline of 28% to £12.6m this year, we expect an improved performance in the near term and believe the investment we have made in this strategic priority will enable us to capture a greater share of M&A fee opportunities, in particular those opportunities generated by our list of retained corporate clients.

The retainer fee income growth of 8% to £13.4m (2018: £12.4m) reflects the continued expansion of the corporate client base and contractual fee increases relating to existing clients. We now have 217 corporate clients and we are seeing further near-term opportunities to continue growing this list, partially assisted by the changing strategic focus of some of our larger investment banking competitors.

Equities

	2019 £m	**2018 £m**	**% change**
Institutional income	33.3	37.9	(12.0%)
Trading	4.0	9.6	(58.2%)
Equities revenue	**37.3**	**47.5**	**(21.4%)**

Equities delivered revenue of £37.3m (2018: £47.5m), which represented a decline of 21%. Institutional income declined 12% against the prior year which featured the introduction of MiFID II at the start of January 2018. Our institutional income performance reflects a significant decline in overall market wallet this year which was partially offset by further market share gains.

The mix of our institutional income shifted toward payments for research which remained resilient, and away from execution commissions which suffered a reasonable decline due to weak markets and low investor sentiment.

Trading reported gains for the year of £4.0m (2018: £9.6m). The decline in performance is attributable, in part, to the first half loss associated with the underwriting of the Kier rights issue. The challenges presented by increased volatility and varied market performance over the year resulted in a 23% increase in the number of loss days compared to the prior year. We continue to operate within conservative trading book limits and utilised a consistent amount of capital compared with recent years.

Investment portfolio

We 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. Our investment portfolio decreased in value by £2.2m over the year reflecting a number of write-downs in relation to our early-stage unquoted investments. Further amounts totalling £0.7m were deployed into existing portfolio businesses during the year. The total number of investments in our portfolio remains the same as the prior year and we continue to seek liquidity events for our legacy holdings whilst maximising the strategic value and network benefits of more recent portfolio investments.

Costs

	2019 £m	2018 £m	% Change
Staff costs	53.6	64.7	(17.2%)
Share-based payment	10.9	10.6	3.1%
Non-staff costs	33.0	31.0	6.3%
Total administrative costs	**97.5**	**106.3**	**(8.3%)**
Year end headcount	277	273	1.5%
Average headcount	276	253	9.1%
Compensation ratio	57.8%	55.4%	+2.4ppts

Total costs declined to £97.5m (2018: £106.3m) representing a reduction of 8%. Staff related costs comprise the majority of our cost base. Average headcount increased 9% reflecting the hiring activity completed in the final few months of the prior year. Our year end headcount was broadly flat as we responded to the prevailing market by focusing on efficiency and productivity gains, as well as integrating the hires completed last year to optimise client service. Overall our fixed staff costs increased in line with average headcount growth over the year.

The decline in revenue performance resulted in a material reduction in variable compensation. This reduction more than offset the increase in fixed staff costs resulting in an aggregate staff cost decline for the year of 17%.

Our share-based payment charge was in line with the prior year at £10.9m (2018: £10.6m). This charge has been subject to minimal variance over the last three years demonstrating the consistency of our compensation policy across this period. We will continue to use equity to reward and incentivise our staff, both as part of our year end compensation round and to facilitate hiring activity.

Compensation costs as a percentage of revenue increased to 57.8% (2018: 55.4%) as a result of the lower revenue performance and a disciplined approach to staff compensation. This ratio reflects the upper end of our target range of 50% to 60% which we believe to be appropriate given the potential for market cycles to significantly impact revenue performance.

Our non-staff costs increased 6% over the year as we continued to execute the changes demanded by regulation, and those required to satisfactorily mitigate the risks inherent in our industry. During the period we upgraded our settlement system and prepared the business for the introduction of SMCR.

Non-staff costs were lower in the second half compared to the first six months as we implemented a number of efficiency savings. In addition, we continue to invest in client focused initiatives targeted to ensure we are able to offer our clients best in class service.

Office relocation

As announced in September, the lease on our current London office of 31,000 sq. ft. expires in September 2021 and we have entered into a 15-year lease of 50,000 sq. ft. at 40 Gresham Street. The lease is currently expected to commence near the end of FY20 upon completion of the building and we expect to relocate during the second half of FY21.

Whilst we will have the cash flow benefit of a three year rent-free period, the increased size of the premises, and the prevailing level of City rents will result in an increase of approximately £3m to our ongoing property costs commencing FY21. This cost increase includes the impact of IFRS 16 which will be adopted next year and will result in higher costs being recognised in earlier years of the lease, offset by lower costs in the later years.

We will also incur fit out costs in relation to 40 Gresham Street during the course of the next year, these will be capitalised and amortised over the life of the new lease.

Profit

	2019 **£m**	**2018** **£m**	**%** **Change**
PBT	12.4	31.6	(60.7%)
Adjustments:			
Investment (income) / losses	2.2	(1.7)	
Net finance income	(0.6)	(0.2)	
Underlying operating profit	14.1	29.7	(52.5%)
Operating margin	12.6%	21.8%	(9.2ppts)

Owing to the operational gearing in our business, any reduction in revenue has a more significant impact on operating profit which was down 53% to £14.1m (2018: £29.7m). Similarly, the Underlying operating margin declined to 12.6% (2018: 21.8%) as the reduction in costs only partially offset the revenue decline.

PBT for the year was £12.4m, representing a decline of 61% compared to the prior year, this included the impact of losses of £2.2m in relation to the investment portfolio compared to gains of £1.7m in the prior year. Our effective tax rate for the year increased to 25%, resulting in profit after tax 65% lower at £9.3m (2018: £26.7m), largely due to the share price decline over the period having an adverse impact on the deferred tax asset.

EPS declined in line with profits to 8.8p per share as the small reduction in share count achieved by the share buyback programme was immaterial compared to the decline in profits for the year.

Capital and Liquidity

The Group's net asset position as at 30 September 2019 was £138.2m representing a small decline of 4% compared to the prior year. The profits of the Group and the movement attributable to equity compensation were more than offset by dividend distributions and share repurchases. We continue to operate significantly in excess of our regulatory capital requirements and believe this provides the Group stability, and strategic flexibility, throughout periods of lower profitability. Furthermore, in periods of market dislocation the strength of our balance sheet provides significant comfort to our clients and counterparties.

Our liquidity position is subject to material daily movements as a result of our trading and underwriting activities. As at 30 September 2019, our cash position was £84.2m which was lower than the prior year reflecting trading book movements and cash outflows relating to dividends and share repurchases.

The Group operates with a cash position materially above its minimum liquidity obligations, however the liquidity requirements of the Group are likely to continue increasing as a result of our participation in larger and more complex equity transactions. Accordingly, during the year the Group entered into a revolving credit facility agreement with Barclays and AIB to provide access to a further £35m of liquidity. The facility is committed for 3 years providing additional capacity to support our strategy and also offers us greater cash management flexibility. The facility is currently undrawn.

Dividends and shareholder returns

The Board has declared a final dividend for the year of 6.5p per share. The dividend will be paid on 7 February 2020 to shareholders on the Register on 13 December 2019.

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 4.7m shares were repurchased at a weighted average price of 257p per share, this compares to 4.5m shares purchased in the prior year at an average price of 363p per share. The impact of the share repurchases has been to reduce the issued share count by 1.0m shares over the course of the financial year. Our issued share count is now 8.7m lower than the level three years ago. Whilst the issued share count will increase with the vesting of various share awards, our intention is to ensure that, over the medium term, the dilutive impact of these awards is offset through buybacks.

Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	3	111,610	136,047
Other operating (expense)/income	4	(2,210)	1,733
Total income		**109,400**	**137,780**
Administrative expenses	5	(97,514)	(106,348)
Operating profit		**11,886**	**31,432**
Finance income		684	393
Finance costs		(134)	(181)
Profit before tax		**12,436**	**31,644**
Taxation		(3,110)	(4,967)
Profit for the year		**9,326**	**26,677**
Attributable to:			
Owners of the parent		9,326	26,677
Earnings per share			
Basic	6	8.8p	25.1p
Diluted	6	8.1p	23.0p
Dividends	7	(12,650)	(12,763)

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £'000	2018 £'000
Profit for the year	9,326	26,677
Exchange differences on translation of foreign operations	(96)	115
Other comprehensive income for the year, net of tax	**(96)**	**115**
Total comprehensive income for the year, net of tax, attributable to owners of the parent	**9,230**	**26,792**

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment		2,790	3,200
Intangible assets		80	77
Deferred tax	8a	3,962	4,938
		6,832	**8,215**
Current assets			
Trade and other receivables	8b	188,233	369,304
Trading investments	8c	38,463	43,800
Stock borrowing collateral	8d	14,640	7,906
Derivative financial instruments		1,103	350
Cash and cash equivalents	8g	84,202	111,673
		326,641	**533,033**
Current liabilities			
Trade and other payables	8b	(179,588)	(381,607)
Financial liabilities	8e	(14,153)	(14,632)
Current income tax		(1,578)	(1,873)
		(195,319)	**(398,112)**
Net current assets		**131,322**	**134,921**
Net assets		**138,154**	**143,136**
Equity			
Share capital		5,922	5,922
Other reserves		20,639	17,537
Retained earnings		111,593	119,677
Total equity		**138,154**	**143,136**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share Capital £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2018	5,922	17,537	119,677	143,136
Profit for the year			9,326	9,326
Other comprehensive income		(96)		(96)
Total comprehensive income for the year	-	(96)	9,326	9,230
Dividends paid			(12,650)	(12,650)
Net movement in Treasury shares			(2,303)	(2,303)
Movement in respect of employee share plans		3,198	(1,879)	1,319
Deferred tax related to share-based payments			(578)	(578)
Transactions with shareholders	-	3,198	(17,410)	(14,212)
Balance at 30 September 2019	**5,922**	**20,639**	**111,593**	**138,154**

	Share Capital £'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	(3,779)	227
Deferred tax related to share-based payments			1,004	1,004
Transactions with shareholders	-	4,006	(21,287)	(17,282)
Balance at 30 September 2018	**5,922**	**17,537**	**119,677**	**143,136**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Cash flows generated from operating activities	9	391	55,661
Interest paid		(134)	(222)
Taxation paid		(3,005)	(9,609)
Net cash (used in) / generated from operating activities		**(2,748)**	**45,830**
Investing activities			
Purchase of property, plant and equipment		(714)	(1,314)
Purchase of intangible assets		(47)	(93)
Interest received		684	393
Net cash used in investing activities		**(77)**	**(1,014)**
Financing activities			
Purchases of own shares – Treasury		(7,774)	(10,675)
Purchases of own shares – Employee Benefit Trust		(4,222)	(5,597)
Dividends paid		(12,650)	(12,763)
Net cash used in financing activities		**(24,646)**	**(29,035)**
Net movement in cash and cash equivalents		**27,471**	**15,781**
Opening cash and cash equivalents		111,673	95,852
Net movement in cash and cash equivalents		(27,471)	15,781
Exchange movements		-	40
Closing cash and cash equivalents		**84,202**	**111,673**

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 2019 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 2020 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 4th February 2020.

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 2018 and 30 September 2017. 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 2019.

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have been adopted by the Group and Company for the accounting year ended 30 September 2019. There are no other new mandatory standards, amendments or interpretations for the Group's and the Company's accounting year ended 30 September 2019.

IFRS 9 introduces new requirements for classifying and measuring financial assets. The Group has implemented this standard and it is not material to the financial statements, as all the relevant financial assets held by the Group are held either at amortised cost or fair value through profit and loss. In addition, the Group has no debt instruments in issue.

IFRS 15 is a convergence standard aimed at improving the financial reporting of revenue and the comparability of the revenue line in financial statements globally. The Group has implemented this standard and it is not material to the financial statements due to the type of revenue which is earned within the Group and the absence of any long-term contract arrangements.

As at the date of authorisation of the financial statements, the following relevant standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the Group:

IFRS 16 “Leases” brings all material leases onto the balance sheet with a liability representing future lease payments and an asset representing right of use. This will impact the Group for all its leases that fall within the scope of the standard. All leases have been assessed, and those that fall within the standard will be the two property leases that the Group has in place. The standard is applicable for the Group’s 2020 accounting year end. The initial assessment shows that the impact will not be material to the income statement, although it will introduce material additional balances to the assets and liabilities of the Group. In relation to the two property leases that the Group currently has in place, where the space is available for use, the net present value of the remaining lease liabilities, and therefore also the right of use assets, is approximately £6m and the impact on the income statement is immaterial.

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:

	2019 £'000	2018 £'000
United Kingdom	106,077	124,990
United States of America	5,533	11,057
Revenue (see note 3)	**111,610**	**136,047**

There are no clients who accounted for more than 10% of revenues in the year ended 30 September 2019 (2018: 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:

	2019 £'000	2018 £'000
United Kingdom	2,394	2,713
United States of America	476	564
Total non-current assets	**2,870**	**3,277**

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.

	2019 £'000	2018 £'000
Equities income	37,325	47,460
Corporate retainers	13,357	12,430
Total deal fees	60,928	76,157
Revenue (see note 3)	**111,610**	**136,047**
Investment activity net gains/(losses)	(2,210)	1,733

Contribution from investment portfolio	**(2,210)**	**1,733**
Total	**109,400**	**137,780**

Net assets		
Investment banking activities	39,105	15,121
Investing activities	14,847	16,342
Cash & cash equivalents	84,202	111,673
Total net assets	**138,154**	**143,136**

3. Revenue

	2019 £'000	2018 £'000
Net trading gains	4,008	9,594
Institutional income	33,317	37,866
Equities revenue	37,325	47,460
Corporate retainers	13,357	12,430
Advisory fees	12,576	17,335
Capital markets fees	48,352	58,822
Investment banking revenue	74,285	88,587
Total	**111,610**	**136,047**

4. Other operating income/(expense)

Other operating income/(expense) represents net gains/(losses) made on investments which are held outside of the market making portfolio.

5. Administrative expenses

	2019 £'000	2018 £'000
Wages and salaries	45,181	53,292
Social security costs	6,301	9,477
Compensation for loss of office	302	223
Other pension costs	1,845	1,751
Share-based payments	10,914	10,583

Total staff costs	64,543	75,326
Non-staff costs	32,971	31,022
Total administrative expenses	**97,514**	**106,348**

The average number of employees during the year increased to 276 (2018: 253) with the number as at 30 September 2019 totalling 277 (30 September 2018: 273). Compensation costs as a percentage of revenue has increased to 58% (2018: 55%).

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 £9,326,000 (2018: £26,677,000) and 105,443,304 (2018: 106,435,314) 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 or 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.

	2019 Number Thousands	2018 Number Thousands
Weighted average number of ordinary shares in issue during the year – basic	105,443	106,435
Dilutive effect of share awards	9,424	9,374
Diluted number of ordinary shares	**114,867**	**115,809**

7. Dividends

	2019 £'000	2018 £'000
Final dividend for year ended 30 September 2017 (6.50p)		6,902
Interim dividend for year ended 30 September 2018 (5.50p)		5,861
Final dividend for year ended 30 September 2018 (6.50p)	6,837	
Interim dividend for year ended 30 September 2019 (5.50p)	5,813	
Distribution to equity holders of Numis Corporation Plc	**12,650**	**12,763**

The Board has proposed a final dividend of 6.5p per share for the year ended 30 September 2019. 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 2019 will be payable on 7th February 2020 to shareholders on the register of members at the close of business on 13th December 2019, subject to shareholder approval at the Annual General Meeting on 4th February 2020. 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 2019 Annual Report and Accounts, which will be circulated to all shareholders on 2nd January 2020.

8. Balance sheet items

(a) Deferred tax

As at 30 September 2019 deferred tax assets totalling £3,962,000 (2018: £4,938,000) have been recognised reflecting management's confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share-based payments. A deferred tax asset of £1,470,000 (2018: £503,000) 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. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £12,007,000 (2018: £8,630,000).

(c) Trading investments

Included within trading investments is £14,847,000 (2018: £16,342,000) of investments held outside of the market making portfolio. There were new investments of £670,000 and fair value net decreases of £2,165,000.

As at 30 September 2019 no trading investments had been pledged to institutions under stock borrowing arrangements (2018: 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, including derivatives, which, year on year, decreased to £10.6m long as at 30 September 2019 (2018: £13.2m long). 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.

During the year the Group agreed a £35m unsecured Revolving Credit Facility ('RCF') with Barclays and AIB. The facility is undrawn.

(f) Contingent liabilities

The Company has signed a subscription agreement 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 $890k had been called up and paid. This is classified within Trading Investments. The remaining $110k 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.

(g) Cash and cash equivalents

Cash balances reflect movement in market making positions, the operating performance of the business offset by dividend distributions (£12.7m cash outflow) and share buy-backs through the repurchase of shares into Treasury and the Employee Benefit Trust (£12.0m cash outflow).

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

	2019 £000	2018 £000
Profit before tax	12,436	31,644
Net finance income	(550)	(212)
Depreciation charges on property, plant and equipment	1,124	1,113
Amortisation charges on intangible assets	44	49
Share scheme charges	10,914	10,583
Decrease in current asset trading investments	5,337	3,624
Decrease/(increase) in trade and other receivables	181,071	(122,100)
(Increase)/decrease in stock borrowing collateral	(6,734)	700
(Decrease)/increase in trade and other payables	(202,498)	130,580
(Increase)/decrease in derivatives	(753)	(320)
Cash flows from operating activities	**391**	**55,661**

Cash flows in 2019 benefitted from lower trade and other receivables, but were offset by higher trade and other payables and lower profit before tax.