

Numis Corporation Plc

Half Year Results

for the six months ended 31 March 2019

London, 3 May 2019: Numis Corporation Plc (“Numis”) today announces unaudited interim results for the period ended 31 March 2019.

Highlights

- Challenging market backdrop has impacted first half performance
- Investment Banking revenues 24% lower than H1 2018 but 3% higher than the second half of 2018
- Quality of the corporate client base continues to progress - 54 FTSE 350 clients and 17% increase in average market cap
- Equities revenue down 28% reflecting weak UK investor sentiment and lower market volumes
- Transition to MiFID II completed, payments for research remain in line with prior year despite reduction in institutional budgets
- Dividend maintained at 5.5p and £7.5m spent on share repurchases in the 6 month period
- Strong balance sheet, additional £35m of liquidity provided by new committed credit facility

Key statistics

Financial highlights	H1 2019	H1 2018	Change
Revenue	£55.7m	£74.1m	(24.9)%
Underlying Operating profit	£8.1m	£19.3m	(57.9)%
Profit before tax	£7.1m	£19.5m	(63.6)%
EPS	5.4p	15.8p	(65.8)%
Cash	£78.9m	£82.5m	(4.4)%
Net assets	£140.2m	£140.0m	0.1%

Operating highlights

Corporate clients	214	208	+6
Average market cap of clients	£836m	£711m	17.3%
Revenue per head (annualised)	£401k	£606k	(33.8)%
Operating margin	14.6%	26.0%	(11.4ppts)
Spend on share repurchases	£7.5m	£9.7m	(22.7)%

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:

“We operate in a cyclical industry and our financial performance will always be influenced to a certain extent by market conditions. Our first half performance has been impacted by a significant slowdown in UK deal activity and investors maintaining a cautious approach toward the UK market. However, we are encouraged by the continued progress of the business and believe our investment in recent years provides a strong platform from which we can continue to successfully execute our strategy.

Numis benefits from a strong financial position established over a period of many years. This stability provides reassurance to existing and potential clients, and ensures Numis continues to be a great platform for our staff, and potential new hires. Stability has also significantly contributed to our track record of outperformance during periods of difficult market conditions. We believe the current market environment, whilst uncertain in the short term, presents further opportunities for the business to advance its strategic ambitions within an evolving competitive landscape.”

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Contacts:

Numis Corporation:

Alex Ham & Ross Mitchinson, Co-Chief Executives 020 7260 1245

Andrew Holloway, Chief Financial Officer 020 7260 1266

Brunswick:

Nick Cosgrove 020 7404 5959

Simone Selzer 020 7404 5959

Grant Thornton UK LLP (Nominated Adviser):

Philip Secrett 020 7728 2578

Harrison Clarke 020 7184 4384

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

Business review

Overall performance

The first half performance was impacted by a difficult trading environment dominated by domestic political uncertainty, volatile equity markets and a material decline in transaction activity. Revenues declined 25% to £55.7m (2018: £74.1m) and Underlying Operating profit declined 58% to £8.1m (2018: £19.3m). Profit before tax declined by £12.4m to £7.1m and includes £1.4m of losses recognised on investments held outside of our market making business (2018: £0.4m gain). Our balance sheet remains strong with cash balances of £78.9m (2018: £82.5m) and net assets of £140.2m (2018: £140.0m).

Market conditions

Whilst markets closed the period at broadly similar levels to the start of the financial year, with the FTSE 100 and 250 declining 3.1% and 5.9% respectively, the 6 month period witnessed a material decline at the start of the period followed by a partial recovery over the past few months. In addition, volatility levels were elevated for much of the period driven by both domestic matters and a variety of global economic concerns. The political uncertainty facing the UK has inhibited corporate client activity resulting in both lower M&A activity and a significant reduction in equity capital markets transactions. UK ECM volumes are approximately 50% lower in the 6 month period to 31 March 2019 compared to the previous 6 months to 30 September 2018.

Investment Banking

	H1 2019	H1 2018	%
	£m	£m	Change
Capital Markets	24.9	33.0	(24.7)%
Advisory	7.5	11.7	(35.9)%
Corporate retainers	6.4	6.1	4.9%
Investment Banking revenue	38.8	50.9	(23.8)%

During the period, the Corporate Broking & Advisory division (CB&A) was renamed Investment Banking reflecting the broader range of products and services now delivered by the team (there is no change to revenue attribution as a result of the renaming). Investment Banking revenue for the 6 months to 31 March 2019 was 24% lower than the first half of the prior year but, despite the significant fall in market activity, revenue was 3% higher than the second half of the prior year. The period started positively with a number of IPOs and Capital Markets transactions in October, and ended strongly with 13 deals completed in March, however, across the period, deal volumes were down compared to both 6 month periods of the prior year. Average deal fees remained at broadly the same level achieved across the prior financial year reflecting the sustained benefits of a higher quality corporate client base and consistently being awarded senior roles on transactions.

Capital Markets revenues were 25% lower than the comparable period and only 4% lower than the second half of the prior financial year, notwithstanding the far greater decline in UK capital markets volumes over the past 6 months. Our performance reflects our ability to execute transactions in challenging market environments and enhances our reputation for being able to provide our clients insightful, accurate and bespoke advice at pivotal moments.

Advisory revenues were also down on the comparable period but 35% higher than the second half of the prior year, this continues to be an area of focus as we leverage our evolving sector specialisation with our strong execution capabilities to improve the frequency of our appointment as a financial adviser in M&A situations. We continue to make progress and the recent growth in the M&A pipeline is encouraging.

Retainer fee income increased 3% relative to the comparative period through a combination of new client wins and negotiated fee increases. Overall we delivered a net 6 client wins in the six month period including Fever-Tree and Euromoney. The average market capitalisation of the clients won was materially higher than those lost in the period reflecting our continued focus on developing the quality and size of our corporate client base. We now act as retained broker for 6 FTSE 100 companies and 48 FTSE 250 companies.

Equities

	H1 2019	H1 2018	%
	£m	£m	Change
Institutional income	16.5	18.7	(11.8)%
Trading	0.4	4.6	(91.3)%
Equities revenue	16.9	23.3	(27.5)%

Equities delivered revenue of £16.9m for the six months ended 31 March 2019 (2018: £23.3m), which represented a decline of 28%. Institutional income, which comprises execution commission and payments for research under MIFID II, declined 12% compared to the first half of the prior year. This performance is reflective of lower volumes in the UK market as the prevailing uncertainty has reduced trading activity amongst our predominantly long-only institutional client base. Payments for research remain robust notwithstanding a reduction in budgets across the asset management community. We continue to expect research payments for calendar year 2019 to be in line with the previous year which we believe would represent an increase in our market share. Our institutional clients clearly recognise the relative quality of our product and analysts, both of which have been enhanced by new hires completed over the past 12 months. As a result, the number of institutional clients who consider Numis their top rated UK broker continues to grow.

Whilst Trading has reported a negligible gain in the period of £0.4m, this includes the loss associated with the underwriting of the Kier rights issue. Excluding this loss, Trading has delivered a reasonable performance in the first half although below the level achieved in the comparative period largely due to the increased volatility and varied market performance across the 6 month period.

The strength of our Equities platform continues to provide a competitive advantage to our Investment Banking business, in particular the quality of our research and distribution remains central to our strategy to grow the corporate client base and gain market share in UK ECM.

Investment portfolio

The valuation of our portfolio as at 31 March 2019 was £15.5m, compared to £16.3m at the year end, representing a decline of £0.8m. A total of £0.6m new investments were completed during the period comprising one new investment and follow-on investments relating to commitments arising from a private equity fund investment made in the prior year. There were no disposals during the period but we incurred a write down of £0.9m in relation to our unquoted investments and a loss of £0.5m in relation to our only remaining quoted investment. We do not anticipate materially increasing the number of investments in the near term and we will aim to take advantage of liquidity events to exit certain investments.

Costs and people

	H1 2019	H1 2018	%
	£m	£m	Change
Staff costs	24.7	34.8	(29.0)%
Share-based payment	5.5	5.2	6.5%
Non-staff costs	17.4	14.9	16.8%
Total administrative costs	47.6	54.9	(13.3)%
Period end headcount	279	254	9.8%
Average headcount	278	245	13.5%
Compensation ratio	54%	54%	-

Staff related costs comprise the majority of our cost base. During the period we increased average headcount by 13.5% reflecting the hiring activity completed towards the end of the previous year. Periods of market dislocation generally present good hiring opportunities and whilst we do not expect a material change in our headcount across the remainder of the year, we may consider such opportunities on a selective basis. The hiring initiatives of the prior year were focused on strengthening our platform and expanding our capabilities. The benefits of these hires are beginning to materialise in the current financial year and our primary focus is to maximise the positive impact of this investment and continue to grow our market share.

Overall, staff costs were 29% lower than the comparative period with the increase in salary costs associated with the higher headcount being more than offset by a lower variable compensation provision attributable to the weaker revenue performance over the period.

Our share-based payment charge was £5.5m (2018: £5.2m), an increase of 7% compared to the comparable period. 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. The expense related to equity awards is generally weighted toward the first year of a three year term.

Compensation costs as a percentage of revenue remained at 54% (2018: 54%) as a result of the lower revenue performance over the period being partially offset by a decline in variable compensation. We adopt a disciplined approach to managing the compensation ratio of the business across market cycles and seek to ensure an appropriate alignment between staff compensation, business performance and shareholder returns.

Non-staff costs are 17% higher than the comparable period. In the six months to 31 March 2019 we incurred additional variable costs related to information services and data costs arising partly as a result of the higher headcount as well as further regulatory related expenditure. In addition we continue to believe investing in technology to enhance our service to clients, and effectively manage the risks inherent in our business should remain priorities.

Capital and Liquidity

The Group's net asset position as at 31 March 2019 was £140.2m. We operate significantly in excess of our regulatory capital requirements and believe this provides the Group stability, and strategic flexibility, throughout periods of lower profitability.

Our liquidity position is subject to material daily movements as a result of our trading and underwriting activities. As at 31 March 2019, our cash position was £78.9m which was £3.6m lower than 31 March 2018 and £32.8m lower than 30 September 2018 reflecting the seasonality of certain cash outflows.

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, the Group has recently entered into a revolving credit facility agreement with Barclays Bank PLC and AIB Group (UK) p.l.c 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 additional costs and fees associated with the credit facility are likely to be offset by cost savings attributable to the reconfiguration of our clearing arrangements which has been facilitated by the structure of the new credit facility.

Dividends and share purchases

The Board has declared an interim dividend for the year of 5.5p per share in accordance with our stated policy. The dividend will be paid on 21 June 2019 to shareholders on the Register on 17 May 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 period 2.87m shares were repurchased compared to 2.84m shares purchased in the prior period. The majority of employee share vestings occur during the first half, as a result the share count typically increases in the first few months of the year. Our intention is to continue mitigating the dilutive impact of these awards through share buybacks.

Current trading and outlook

A number of Capital Markets transactions have been completed in April, however, these have been generally lower value fee events. Equities revenues are running at similar levels to recent months.

Our pipeline remains encouraging with an increase in M&A fee opportunities offsetting a reduction in the IPO pipeline. We also continue to work on a number of meaningful capital raising opportunities and hope to progress these transactions over the coming months. In addition we expect to complete a number of high quality corporate client wins in the near term.

Once greater clarity regarding the UK political outlook is established, we expect a material improvement in corporate and institutional client activity. As for all market participants, predicting the timing of any such improvement remains difficult. In the meantime we continue to support our clients, focus on delivering market share gains, and ensure the firm remains well positioned to take advantage of market opportunities.

Alex Ham & Ross Mitchinson

Co-Chief Executives

3 May 2019

Consolidated Income Statement

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019

		6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Revenue	3	55,689	74,140	136,047
Other operating income	4	(1,428)	399	1,733
Total income		54,261	74,539	137,780
Administrative expenses	5	(47,567)	(54,831)	(106,348)
Operating profit		6,694	19,708	31,432
Finance income	6	430	150	393
Finance costs	6	(16)	(332)	(181)
Profit before tax		7,108	19,526	31,644
Taxation		(1,396)	(2,716)	(4,967)
Profit after tax		5,712	16,810	26,677
Attributable to:				
Owners of the parent		5,712	16,810	26,677
Earnings per share	7			
Basic		5.4p	15.8p	25.1p
Diluted		5.0p	14.6p	23.0p

Consolidated Statement of Comprehensive Income
UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Profit for the period	5,712	16,810	26,677
Exchange differences on translation of foreign operations	8	29	115
Other comprehensive income for the period, net of tax	8	29	115
Total comprehensive income for the period, net of tax, attributable to the owners of the parent	5,720	16,839	26,792

Consolidated Balance Sheet

UNAUDITED AS AT 31 MARCH 2019

	Notes	31 March 2019 Unaudited £'000	31 March 2018 Unaudited £'000	30 September 2018 Audited £'000
Non-current assets				
Property, plant and equipment	9a	2,798	3,236	3,200
Intangible assets		62	101	77
Deferred tax	9b	3,455	4,102	4,938
		6,315	7,439	8,215
Current assets				
Trade and other receivables	9c	230,764	185,587	369,304
Trading investments	9d	38,824	51,263	43,800
Stock borrowing collateral	9e	23,853	10,926	7,906
Derivative financial instruments		967	466	350
Cash and cash equivalents	9g	78,876	82,531	111,673
		373,284	330,773	533,033
Current liabilities				
Trade and other payables	9c	(217,313)	(188,428)	(381,607)
Financial liabilities	9f	(21,261)	(7,277)	(14,632)
Current income tax		(804)	(2,483)	(1,873)
		(239,378)	(198,188)	(398,112)
Net current assets		133,906	132,585	134,921
Non current liabilities				
Deferred tax	9b	-	(11)	-
Net assets		140,221	140,013	143,136
Equity				
Share capital		5,922	5,922	5,922
Share premium		-	-	-
Other reserves		18,004	12,669	17,537
Retained earnings		116,295	121,422	119,677
Total equity		140,221	140,013	143,136

Consolidated Statement of Changes in Equity
 UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2017	5,922	13,416	114,288	133,626
Profit for the period			16,810	16,810
Other comprehensive income		29	-	29
Total comprehensive income for the period		29	16,810	16,839
Dividends paid			(6,902)	(6,902)
Movement in respect of employee share plans		(776)	(3,357)	(4,133)
Deferred tax related to share based payments			638	638
Net movement in Treasury shares			(55)	(55)
Transactions with shareholders	-	(776)	(9,676)	(10,452)
Balance at 31 March 2018	5,922	12,669	121,422	140,013
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)
Movement in respect of employee share plans		4,006	(3,779)	227
Deferred tax related to share based payments			1,004	1,004
Net movement in Treasury shares			(5,750)	(5,750)
Transactions with shareholders	-	4,006	(21,288)	(17,282)
Balance at 30 September 2018	5,922	17,537	119,677	143,136
Balance at 1 October 2018	5,922	17,537	119,677	143,136
Profit for the period			5,712	5,712
Other comprehensive income		8	-	8
Total comprehensive income for the period		8	5,712	5,720
Dividends paid			(6,837)	(6,837)
Movement in respect of employee share plans		459	(2,281)	(1,822)
Deferred tax related to share based payments			(1,445)	(1,445)
Net movement in Treasury shares			1,469	1,469
Transactions with shareholders	-	459	(9,094)	(8,635)
Balance at 31 March 2019	5,922	18,004	116,295	140,221

Consolidated Statement of Cash Flows

UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019

		6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
	Notes			
Cash from/(used in) operating activities	10	(16,817)	10,860	55,661
Interest paid		(16)	(17)	(222)
Taxation paid		(1,949)	(6,527)	(9,609)
Net cash from/(used in) operating activities		(18,782)	4,316	45,830
Investing activities				
Purchase of property, plant and equipment		(155)	(820)	(1,314)
Purchase of intangible assets		-	(93)	(93)
Interest received		430	150	393
Net cash (used in) investing activities		275	(763)	(1,014)
Financing activities				
Purchase of own shares – Employee Benefit Trust		(3,457)	(4,801)	(5,597)
Purchase of own shares – Treasury		(4,001)	(4,979)	(10,675)
Dividends paid		(6,837)	(6,902)	(12,763)
Net cash used in financing activities		(14,295)	(16,682)	(29,035)
Net movement in cash and cash equivalents		(32,802)	(13,129)	15,781
Opening cash and cash equivalents		111,673	95,852	95,852
Net movement in cash and cash equivalents		(32,801)	(13,129)	15,781
Exchange movements		5	(192)	40
Closing cash and cash equivalents		78,876	82,531	111,673

Notes to the Financial Statements

1. Basis of preparation

Numis Corporation Plc is a UK AIM traded company incorporated and domiciled in the United Kingdom. The address of its registered office is 10 Paternoster Square, London, EC4M 7LT. The Company is incorporated in the United Kingdom under the Companies Act 2006 (company registration No. 2375296).

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. These financial statements have been prepared in accordance with AIM Rule 18. The statutory accounts for the year ended 30 September 2018, which were 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, have been delivered to the Registrar of Companies. The report of the independent auditor on those statutory accounts contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.

The preparation of these interim 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 judgements and estimates applied by the Group in these interim financial statements have been applied on a consistent basis with the statutory accounts for the year ended 30 September 2018. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

These interim financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments.

These interim financial statements are prepared on a going concern basis as the directors have satisfied themselves that, at the time of approving these interim financial statements, the Group has adequate resources to continue in operational existence for at least the next twelve months.

During the period, a number of new standards and amendments to IFRS became effective and were adopted by the Company and the Group. These included IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments, which replaces IAS 39, introduces the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised through profit and loss as they arise, unless specific requirements are met for classifying and measuring the asset at either Amortized Cost or Fair Value Through Other Comprehensive Income. As all of the Group's investments are held as trading and measured at fair value through profit and loss there is no material impact of this change.

Further, the new standard also replaces the incurred loss impairment approach under IAS 39 with an "expected credit loss" model which focusses on the risk that a loan will default rather than whether a loss has already occurred. As the Group does not have any debt instruments in issue at the balance sheet date this change has no material impact on the Group's reporting.

Finally, the new standard also contains revised requirements which aim to simplify hedge accounting. As the Group does not apply hedge accounting, this change has no material impact on the Group's reporting.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 and IAS 11 and does not apply to financial instruments, lease contracts or insurance contracts which fall under the scope of other IFRSs. The standard introduces a new revenue recognition model which features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognised. The Group's contractual terms already stipulate the contractual conditions, and the Group recognises revenue only when these conditions have been met. In addition, where a service is provided over time (eg retainer fees) fees are recognised upon the same basis of the client's consumption of the services. Adoption of IFRS 15 therefore does not have a material impact on the Group's reporting.

We therefore conclude that none of the new standards or amendments have a material impact on the Group's income statement, statement of comprehensive income, balance sheet, statement of changes in equity or statement of cash flows.

2. Segmental reporting

Geographical information

The Group is managed as an integrated investment banking and equities 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:

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
United Kingdom	51,308	67,893	124,990
United States of America	4,381	6,247	11,057
	55,689	74,140	136,047

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:

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
United Kingdom	2,359	2,933	2,713
United States of America	501	404	564
	2,860	3,337	3,277

Other information

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

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Equities income	16,871	23,278	47,460
Corporate retainers	6,423	6,123	12,430
Total corporate transactions revenues	32,395	44,739	76,157
Revenue (see note 3)	55,689	74,140	136,047
Investment activity net gains	(1,428)	399	1,733
Contribution from investment portfolio	(1,428)	399	1,733
Total income	54,261	74,539	137,780

Net assets	6 months ended	6 months ended	Year ended
	31 March 2019	31 March 2018	30 September 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Investment Banking & Equities activities	45,820	29,889	15,121
Investing activities	15,525	27,593	16,342
Cash and cash equivalents	78,876	82,531	111,673
Total net assets	140,221	140,013	143,136

3. Revenue

	6 months ended	6 months ended	Year ended
	31 March 2019	31 March 2018	30 September 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net trading gains	359	4,557	9,594
Institutional income	16,512	18,721	37,866
Equities income	16,871	23,278	47,460
Corporate retainers	6,423	6,123	12,430
Advisory	7,541	11,732	17,335
Capital markets	24,854	33,007	58,822
Investment banking income	38,818	50,862	88,587
	55,689	74,140	136,047

4. Other operating income

Other operating income represents net losses made on investments which are held outside of the market making portfolio. The losses reflect price movements on quoted holdings, fair value adjustments on unquoted holdings and related dividend income. In the period both our portfolio of unquoted and remaining quoted investments suffered negative valuation movements.

5. Administrative expenses

	6 months ended	6 months ended	Year ended
	31 March 2019	31 March 2018	30 September 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Staff costs	30,200	39,966	75,326
Non-staff costs	17,367	14,865	31,022
	47,567	54,831	106,348

The average number of employees during the period has increased to 278 (H1 2018: 245). Staff costs excluding share award related charges have decreased by 29% compared to the prior period due to the lower revenue performance resulting in lower variable compensation.

Non-staff costs have increased by 17% compared to the prior period. The increase is largely attributable to the additional information and data costs associated with the higher headcount in the period. In addition we continue to invest in our technology platform.

6. Finance income and Finance costs

Finance income for the period:

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Interest income	430	150	393

Finance costs for the period:

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Net foreign exchange losses	10	315	167
Interest expense	6	17	14
	16	332	181

7. Earnings per share

Basic earnings per share is calculated on profits after tax of £5,712,000 (2018: £16,810,000) and 105,750,034 (2018: 106,654,473) ordinary shares being the weighted average number of ordinary shares in issue during the period. 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. Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred.

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

	6 months ended 31 March 2019 Unaudited Number Thousands	6 months ended 31 March 2018 Unaudited Number Thousands	Year ended 30 September 2018 Audited Number Thousands
Weighted average number of ordinary shares in issue during the period – basic	105,750	106,654	106,435
Dilutive effect of share awards	9,114	8,153	9,374
Diluted number of ordinary shares	114,864	114,807	115,809

8. Dividends

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Final dividend year ended 30 September 2017 (6.50p)		6,902	6,902
Interim dividend year ended 30 September 2018 (5.50p)			5,861
Final dividend year ended 30 September 2018 (6.50p)	6,837		
Distribution to equity holders of Numis Corporation Plc	6,837	6,902	12,763

The Board has approved the payment of an interim dividend of 5.50p per share (2018: interim 5.50p per share). This dividend will be payable on 21 June 2019 to shareholders on the register of members at the close of business on 17 May 2019. These financial statements do not reflect this dividend payable.

9. Balance sheet items

- (a) Property, plant and equipment
The Group's offices in London underwent a program of refurbishment during 2015. No material additions have been made since then.
- (b) Deferred tax
As at 31 March 2019 deferred tax assets totalling £3,455,000 (30 September 2019: £4,938,000) have been recognised reflecting management's confidence that there will be sufficient levels of future taxable profits against which these deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of unvested share based payments.
- (c) 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 £7,160,000 (30 September 2018: £8,630,000).

The group has a legally enforceable right and intention to offset with a clearing house. The amount offset at the period end was £14.5m (2018 £33.0m). The prior period has been restated to reflect the application of the offsetting rules. This does not affect the prior period net assets value and there has been no impact on reported results in either financial period.

- (d) Trading investments
Included within trading investments is £15,493,000 (30 September 2018: £16,348,000) of investments held outside of the market making portfolio. The net decrease during the period has been due to unfavourable valuation movements.
- (e) 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. Where cash has been used to affect the purchase, an asset is recorded on the balance sheet as stock borrowing collateral at the amount of cash collateral advanced or received.

In the rare event that trading investments are pledged as security these remain within trading investments and the value of security pledged disclosed separately except in the case of short-term highly liquid assets with an original maturity of three months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

- (f) **Financial liabilities**
Financial liabilities comprise short positions in quoted securities arising through the normal course of business in facilitating client order flow and form part of the market making portfolio.
- (g) **Cash and cash equivalents**
Cash balances are lower than those reported at 31 March 2018 reflecting decreased levels of operating profit, dividend distributions and the repurchase of shares into Treasury and the Employee Benefit Trust.
- (h) **Investment commitment**
During the prior year the Company signed an investment subscription agreement in a U.S. private fund with a total subscription value of \$1.0m. The full amount of the subscription had not been called upon at the balance sheet date. The fund calls upon capital as it is required and at the balance sheet date \$0.9m had been called up and paid. This is classified within Trading Investments. The remaining \$0.1m 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.

10. Reconciliation of profit before tax to cash from operating activities

	6 months ended 31 March 2019 Unaudited £'000	6 months ended 31 March 2018 Unaudited £'000	Year ended 30 September 2018 Audited £'000
Profit before tax	7,108	19,526	31,644
Net finance income/(expense)	(414)	182	(212)
Depreciation charge on property, plant and equipment	558	582	1,113
Amortisation charge on intangible assets	15	25	49
Share scheme charges	5,493	5,158	10,583
(Increase)/ Decrease in current asset trading investments	4,976	(3,665)	3,624
Decrease/(Increase) in trade and other receivables	139,506	37,389	(122,100)
Net movement in stock borrowing collateral	(15,947)	(2,320)	700
(Decrease)/Increase in trade and other payables	(157,490)	(46,011)	130,580
(Increase)/Decrease in derivatives	(622)	(6)	(320)
Cash from/(used in) operating activities	(16,817)	10,860	55,661

The cash from operating activities during the six months ended 31 March 2019 reflects the lower operational inflows, principally due to lower cash-based revenues, combined with outflows in respect of seasonal expense items which fall within the first half of our financial year.