



Numis

Dynamic client-focused  
investment banking

Annual Report and Accounts 2019

# The Numis difference

At Numis, we strive to be the investment bank of a generation – a dynamic, creative investment bank driven to excel for our clients and with long-term partnerships at our heart.

## An investment bank for exciting times

In today's fast-changing world, entrepreneurial high-growth companies need an investment bank they can trust to give them truly valuable connected advice and help. Just as importantly, investors looking to back these companies need a trusted guide who can help them make the most of the opportunities. That's what we're here to do. Essentially, to help our clients – companies and investors – capitalise on growth and success.

We have broad and deep UK-focused experience and expertise – all-round capability orchestrated for long-term success. We keep on investing in our strengths, staying true to our ambition and building ever-stronger relationships, so that together we can do great things and deliver great value.



## Message from the Co-CEOs

Going from strength to strength

16

## Our values

Our values guide and inspire us, we live our values day in day out

### Partnership



### Creativity



### Dynamism

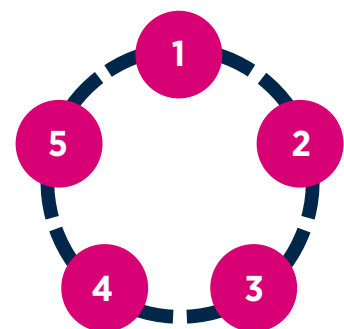


### Excellence



Read the on pages 2 and 3, 38 and 39, 72 and 73, 118 and 119

05



## Strategy in action

Standout achievements through the year

12

## Financial highlights

### Revenue (£m)

**£111.6m**  
-18%

### Total income (£m)

**£109.4m**  
-21%

### Cash balances (£m)

**£84.2m**  
-25%

### Total dividend per share (p)

**12.0p**  
unchanged

### Underlying operating profit (£m)\*

**£14.1m**  
-53%

### Basic earnings per share (p)

**8.8p**  
-65%

### Net assets (£m)

**£138.2m**  
-4%

## Business model

Our engine for success



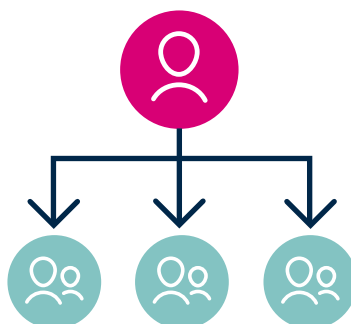
**08**



Our priority, as it always has been, is on matching ambitious high growth companies that need capital to grow, and investors who are attracted to those opportunities.

**Alex Ham**  
Co-Chief Executive Officer

**Ross Mitchinson**  
Co-Chief Executive Officer



## Governance

Committed to doing the right things

**38**

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\* The non-GAAP alternative performance measures shown here are described on page 126.



We live our values day in, day out



# Partnership


Long-term relationships built on shared ambition are at the heart of everything we do.



- We strive to create unrivalled relationships based on trust and integrity and acting with purpose
- We constantly build our network to be at the forefront of every opportunity
- We provide a collaborative, inclusive and supportive environment where people can thrive

## Partnership in action

The way we work with our clients goes far beyond specific transactions, projects, tasks or requests. We are always thinking about our clients – what might help them, who could help them, what would best serve their interests. So for example, this year for one of our global fintech clients we made a connection with a very large strategic investor for no other reason than we thought there might be ways for them to work together. That for us is partnership.



● **Strategic Report**

● Governance

● Financial Statements

● Other Information

## Strategic Report

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# What we do

We build strong long-term relationships with our clients by focusing on their needs and consistently excelling in providing their investment banking services.

## Our clients

We advise, analyse and execute

Delivering a range of products and services

### Investment Banking

- Corporate Broking
- Equity Capital Markets
- Mergers & Acquisitions
- Debt Advisory
- Private Placements

### Equities

- Research
- Sales and Trading

### For our clients

- Listed corporates
- Investment trusts
- Private companies
- Private equity funds
- Family offices
- Sovereign wealth funds
- Asset managers
- Hedge funds
- Private client fund managers
- Venture capital funds

### Through an integrated approach

Our integrated approach is driven by our strategy and we measure our performance with KPIs.

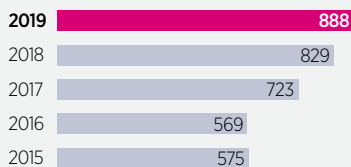


Read more on pages 14 and 15

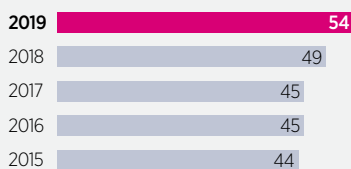


● FTSE 350	54
● Main market	97
● AIM	64
● Private	2

### Client size (average market cap £m)



### FTSE 350 corporate clients



### Our clients are in a wide range of sectors including:

- Building, construction & real estate
- Healthcare & life sciences
- FIG
- Media
- Resources
- Support services
- Retail
- Technology
- Travel & leisure
- Industrials

## Our services

We provide a comprehensive range of investment banking services across our two divisions.



### Investment Banking

We help companies and owners achieve their goals by providing advice and sourcing the capital they need to fuel investment in their products, services and people. Our services include:

- Equity capital markets
- M&A
- Debt advisory
- Retained broker & adviser
- Private capital raising



### Equities

We help our clients identify, assess and execute investment decisions.

### Research

We provide in-depth, high quality research, on UK listed companies. This level of research is one of the most valuable tools in any investment decision.

### Distribution and execution

We provide powerful distribution and execution giving us a leading market share in equities. Our services include:

- UK, EU and US sales
- Execution
- Trading



See pages 20 to 29 to read more about our performance in the year

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**Strong track record**

120

of our corporate clients have been with us for more than five years.

**Revenue by product (£m)**

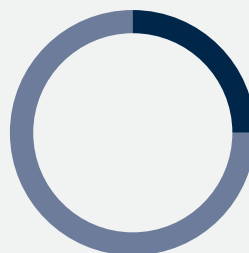


Capital markets	48.3
Advisory	12.6
Retainers	13.4
Institutional income	33.3
Trading profits	4.0

4

years of consistent dividend payments.

**Client base (%)**



FTSE 350	25
Other listed	75

23%

The number of FTSE 350 clients has grown 23% in the last five years.

**Extel survey**

Between 2013 and 2019 we were voted the top-ranked UK Small & Mid Cap Brokerage by institutions and, in 2014, 2015, 2016 and 2017, we were voted the top-ranked UK Small & Mid Caps Brokerage by both institutions and companies.



We are listed on AIM. **AIM**

**Transaction highlights**

We have completed a number of major transactions

<p><b>AJ Bell</b> £173m</p> <p>Sole Global Coordinator, Sponsor and Bookrunner</p> <p>£173m placing and £651m Admission to the Official list December 2018</p>	<p><b>Primary Health Properties</b> £393m</p> <p>Lead Financial Adviser, Sponsor and Joint Broker</p> <p>£392.9m recommended all-share merger with MedicX Fund January 2019</p>	<p><b>Mucklow</b> £415m</p> <p>Sole Financial Adviser</p> <p>Recommended cash and shares offer of £414.7m from LondonMetric Property May 2019</p>	<p><b>Unite Students</b> £1.4bn</p> <p>Sole Sponsor, Joint Financial Adviser and Joint Bookrunner</p> <p>£1.4bn acquisition of Liberty Living and £260m equity fundraise July 2019</p>	<p><b>Klarna</b> \$460m</p> <p>Exclusive Adviser</p> <p>\$460m private growth round August 2019</p>
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**Our people**



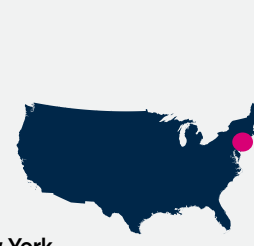
Investment Banking	104
Research & Sales	92
Execution	12
Technology	17
Support	52

**Where we operate**



London

264 employees



New York

13 employees



# Chairman's Statement

In 2019 we stayed true to our ambition and made considerable progress despite the tough market conditions.



“  
In a testing year for everyone in the industry, we consolidated our capabilities, built our profile, and continued as ever to give our corporate and institutional clients exceptional levels of service.

**Alan Carruthers**  
Chairman

## **Investing to achieve our ambition**

Last year was a year of concerted investment in increasing the capabilities of the firm. This year we built on and benefited from this investment. Our ambition and direction remain unchanged – to make the most of our drive and dynamism, our creative entrepreneurial spirit, our skills and capabilities to give our clients excellent service. And in so doing, to be a different kind of investment bank – the investment bank of a generation.

## **Continuing to grow**

Without doubt, this was a tough year for everyone in the industry. Uncertainty surrounding Brexit continued through the year and is still as yet unresolved. Levels of business confidence and corporate activity were subdued, with for example the lowest number of IPOs on the London market for seven years. Against this backdrop of headwinds essentially beyond our control, we continued to grow core aspects of our business.

In Investment Banking we grew both the number and average market cap of our corporate clients. We now have 217 clients including 47 FTSE 250 clients and seven FTSE 100 clients. We added to our M&A capability through the year. We believe it is increasingly important to combine our institutional connectivity, which differentiates Numis, with our trusted corporate relationships to materially develop our M&A business. We also made considerable progress in our work for privately owned companies, with our role as the sole strategic adviser on the \$460m Klarna transaction being a standout achievement. De-equitisation of the capital markets has become an increasingly relevant theme and Numis has always sought to be at the forefront of industry trends. It is management's belief that this represents a global opportunity for our firm.

In Equities we continued to strengthen our relationships with our institutional clients, delivering consistently high levels of service. We also broadened our offer. Last year we added an event driven business to service risk arbitrage funds. At the start of next year we are planning on introducing electronic trading. We are taking every opportunity to ensure we give our institutional clients exactly the service they need.



For the seventh year running we won the UK Small & Mid Caps Extel survey, as voted by institutions. We are extremely proud of this achievement and of the vote of confidence our clients give us year after year.

Overall, we achieved Group revenues of £111.6m (2018: £136.0m). Profit before tax was £12.4m compared to £31.6m in 2018.

**Enhancing our high performance culture**

We pride ourselves on our entrepreneurial high performance culture. It's a tone set at the top by our strong leadership team and reflected in the four core values we defined this year: partnership, excellence, dynamism and creativity. These values resonate throughout the firm – guiding and inspiring everyone on our journey.

But our culture, our distinctive way of excelling, is nothing without our great people. They bring it to life and make all the difference through their skills, talent, commitment and sheer dedication. In a challenging year for everyone, it is great to see such high levels of energy and positivity amongst our colleagues. On behalf of the Board I would like to thank everyone in the firm for their unending hard work and contribution.

We continued to invest in training and development throughout the year. It is a critical part of our ongoing commitment to fostering a highly collaborative, high performance culture together with our commitment to personal resilience and wellbeing throughout the firm. More details can be found in our stakeholder engagement overview on page 24.

**Complying with regulation to ensure high service levels**

Two years on from the implementation of MiFID II in January 2018, we have built on the smooth transition to the new regime and I am pleased to say that our highly regarded research service is in an even stronger position as a result of the changes. There is no doubt that truly valuable expert research wins out post-MiFID II and in a market which has inevitably contracted, our research fees have remained steady year on year.

In addition, our operational changes ahead of the introduction of the General Data Protection Regulation (GDPR) ensured we were able to continue delivering our services to clients seamlessly.

Through the year, we planned for the introduction of the Senior Managers Certification Regime (SMCR), which became effective in December 2019. Again, we prepared well and were ready in good time for this regulatory change.

**Ensuring strong governance for a growing business**

It is a core part of our culture that we maintain the highest ethical and professional standards. This is driven by the Board and applied throughout the firm. More details can be found in our Corporate Governance Report on pages 42 to 51.

This year, we took the decision to create separate Audit and Risk Committees, rather than having these key areas handled by one combined committee. It was a natural step to take to ensure the continued good governance of our growing business.

**Making the most of our streamlined Board**

Our streamlined Board works well for us. We have a good balance of three executives, three non-executives and myself as Chairman. As indeed is the case throughout our firm, Board debates are robust and lively and meetings are focused for positive impact.

This year, we introduced a formal Board-employees engagement process, led by Independent Non-Executive Director Catherine James. It is a very helpful way for the Board to take the temperature of the wider firm, and for everyone in the firm to air their views directly to the Board. More details can be found in our stakeholder engagement overview on page 24 and in the Corporate Governance Report on page 44.

As announced in last year's report, Geoffrey Vero stood down from the Board in February 2019 after 15 years of outstanding service and contribution to the firm. I am very sad to say that Geoffrey passed away in May. Geoffrey was at the heart of our firm. He is greatly missed. On behalf of the Board and the whole firm I would like to extend our deepest sympathies to Geoffrey's family.

In February 2019, we welcomed Luke Savage as an incoming member of the Board. It has been a pleasure to work with him through the year. His extensive experience across the financial services industry and his attributes are proving highly valuable to Numis.

**Paying dividends**

We aim to deliver shareholder returns through a balance of dividends and share buybacks. We are proposing a final dividend of 6.5p per share (2018: 6.5p per share), which brings the total dividend for the year to 12.0p per share (2018: 12.0p per share). A Dividend Re-Investment Plan (DRIP) will remain in place for the 2019 final dividend. Existing shareholders are, therefore, being offered the facility to elect to use their cash dividend to buy additional shares in Numis, the main benefit being that the Company does not need to issue new shares. The Board continues to believe that this approach is in the best interests of the Company.

**Moving offices**

In 2021, we will move into a larger, more modern office space at 40 Gresham Street. Our new home will enable us to keep on growing while maintaining our highly collaborative one firm way of working.

**Looking ahead**

Looking ahead after an undeniably challenging year, I have great confidence. We finish the year stronger, more focused and more determined than ever to be an outstanding investment bank for our clients and our times – the investment bank of a generation. When the surrounding political uncertainties clear, when the macroeconomic tide turns, we will be there for our clients as we are now. Working closely with them, excelling for them – helping them achieve their ambitions. And in so doing, creating great value for the firm, for our investors and for all our stakeholders.



**Alan Carruthers**  
Chairman  
13 December 2019

# Business model

## How we create value

### Driven by


#### Our aim

We strive to be the investment bank of a generation

### Impacted by


#### Our unique market position

We operate in a highly competitive market featuring rapid change, mounting cost pressures and a diverse range of players. With our distinctive strengths and integrated approach, we are uniquely positioned to grow and succeed in the market.

 [Read more on pages 16 to 19](#)

#### Our resources and relationships

- The strength and reputation of our brand
- A strong, well-funded and diversified balance sheet
- Client trust and depth of relationships
- Our geographic focus: firmly anchored in the two financial centres of London and New York
- A track record of successfully innovating and delivering for clients
- The skills and expertise of our people and our shared values which inform the way we work and how we act

 [Read more on pages 16 to 25](#)

### Our way of creating value

#### Our distinctive strengths

We have a number of distinctive strengths which together enable us to stand out and excel as a dynamic, client-focused investment bank.



#### Client commitment

We are deeply committed to building ever stronger long-term client relationships.



#### Forward focus

We are constantly looking to build on our capabilities to ensure we make the most of new opportunities and meet changing client needs.



#### Agile integrated approach

We work closely together as one joined-up firm to excel for our clients.



#### Strong track record

Over the years we have built up an exceptionally strong track record that provides a firm foundation for creating the investment bank of a generation.



#### High level of expertise

We have a high level of expertise across our chosen areas of focus – expertise that is honed and applied to help our clients.

#### Our business model

**We advise, analyse and execute**

#### Delivering a range of products and services

##### Investment Banking

- Corporate Broking
- Equity Capital Markets
- Mergers & Acquisitions
- Debt Advisory
- Private Placements

##### Equities


- Research
- Sales and Trading

#### For our clients

- Listed corporates
- Investment trusts
- Private companies
- Private equity funds
- Family offices
- Sovereign wealth funds
- Asset managers
- Hedge funds
- Private client fund managers
- Venture capital funds

#### Through an integrated approach

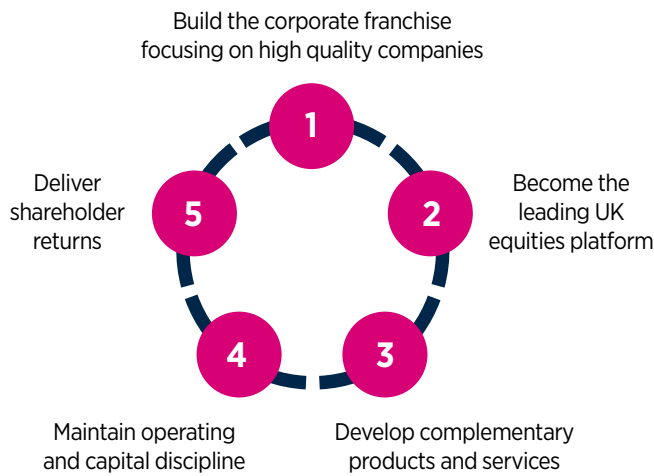
Our integrated approach is driven by our strategy and we measure our performance with KPIs.

 [Read more on pages 14 and 15](#)

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**Driven by our five strategic priorities**



Read more on pages 10 and 11

**Underpinned by our values**



**Partnership**  
Long-term relationships built on shared ambition are at the heart of everything we do

Read more on pages 2 and 3



**Creativity**  
We dare to challenge convention and are innovative in our origination and execution

Read more on pages 38 and 39



**Dynamism**  
We operate with passion and intensity to match the aspirations of our clients

Read more on pages 72 and 73



**Excellence**  
We deliver with distinction and pursue ever greater impact

Read more on pages 118 and 119

**Our positive impact for stakeholders**

**Clients**

Provide exciting and innovative products and services to help our clients achieve their goals.

**£890m**

Private markets transactions completed this year

**Voted No. 1**

in the Extel survey rankings

**Employees**

Create a compelling place to work where our 277 people are engaged and motivated to achieve their full potential.

Employee engagement survey scores up an average of

**7%**

across each question theme

**Shareholders and investors**

Deliver long-term shareholder value through strong financial performance, the payment of dividends and return of capital where appropriate.

Dividend of

**12.0p**

per share

10 year total shareholder return

**131%**

Read more on pages 24 and 25





# Our strategy


To focus the effort and energy of the firm we have five key strategic priorities.



	Related KPIs	Related risks
<p><b>1 Build the corporate franchise focusing on high quality companies</b>                      We have a strong and growing corporate client base characterised by ambitious high quality companies of all sizes. We want to keep on helping our existing clients to succeed as well as welcoming new clients with exciting futures.</p>	Revenue per head Corporate client base UK ECM market share Advisory revenue	Strategic risk People risk Conduct, regulatory & legal risk Reputational risk
<p><b>2 Become the leading UK equities platform</b>                      We are proud to be consistently recognised as the No1 house in UK small and mid cap equities. Our success is based on having the very best equity research, the largest and best distribution team and a very good execution function. Our ambition is to be No1 across the UK irrespective of market cap.</p>	Equities revenue UK ECM market share Extel survey	Strategic risk People risk Technology risk Conduct, regulatory & legal risk Reputational risk
<p><b>3 Develop complementary products and services</b>                      As the needs and opportunities of our clients change and grow we want to ensure that we can help them as much as they would like. To this end, we develop complementary products and services focused on our clients.</p>	Advisory revenue	Strategic risk People risk Conduct, regulatory & legal risk Operational risk
<p><b>4 Maintain operating and capital discipline</b>                      We maintain operating and capital discipline not only to meet our obligations as a regulated business but also to ensure we have the flexibility to respond to changing client needs and build the firm in line with our ambitions across a variety of market environments.</p>	Revenue per head Underlying operating margin Liquid resources Share count	Strategic risk Financial risk Technology risk Conduct, regulatory & legal risk Reputational risk Operational risk Governance risk Macroeconomic risk
<p><b>5 Deliver shareholder returns</b>                      We are committed to rewarding shareholders for their backing and the confidence they place in us. We want to ensure they share in the growth and success of Numis.</p>	Earnings per share	Strategic risk Financial risk Conduct, regulatory & legal risk Macroeconomic risk Reputational risk

 Read more on pages 12 and 13, 16 and 19

 Read more on pages 14 and 15

 Read more on pages 30 to 37

# Our strategy in action

## We successfully put our strategy into action through 2019. Here are a few highlights.

1 3

### Building an international private markets business

Over a number of years, we have built a strong relationship with both the major shareholders and the management team of Klarna – a Swedish-based global payments and banking provider. This relationship, alongside our insights into the private fund raising market, ensured we were the natural partner for Klarna to select ahead of their latest fundraising transaction. We were able to leverage our global network of growth-orientated investors

and secure \$460m of capital at a valuation of \$5.4bn – ranking Klarna as one of the largest private fintech businesses globally. This transaction demonstrates our commitment to building a highly credible private markets business capable of executing transactions outside our traditional UK market.

#### Valuation

# \$5.4bn



A partnership for over

# 17 years



1 3

### Developing long-term partnerships

We have been broker and adviser to Primary Health Properties plc for more than 17 years. During that time, we have advised the company on numerous strategic matters, and acted on many capital markets transactions to support their growth ambitions. Through the course of this longstanding relationship, we have become a trusted adviser to the Board. When the opportunity to acquire a listed business in the same sector arose, we were well positioned to be appointed as financial adviser in relation to the £390m transaction. Deals such as these demonstrate the value of our commitment to long-term partnerships.







1 3

### Leveraging our sector knowledge to capture M&A opportunities

We were appointed by AJ Mucklow as financial adviser for their £415m acquisition by London Metric, despite not being their corporate broker. Our industry knowledge, institutional relationships and execution capability were considered highly valuable to the Board in guiding the company through this pivotal event. Growing our M&A revenues is an important feature of our strategy. Acting on transactions such as these, which are sourced independently to our corporate client base, are important in developing our reputation in M&A.



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1 2 3 4

### Investing in the next generation of great Numis people

To develop the next generation of talented leaders across the business we make sure we have sustained investment and focus. Over the last three years we have hired a total of 26 graduates, representing a significant investment in the future of our business. Many of these graduates were participants on our successful summer internship programmes which provide an excellent opportunity for us to identify talented individuals aligned with our culture and values. Diversity continues to be an important aspect of our graduate hiring initiative as we aim to increase the breadth of experience and backgrounds contributing to the future of Numis.



1 2 3

### Creating innovative solutions for our clients

We were appointed as the sole investment bank on the IPO of AJ Bell which proved to be one of the most successful UK IPOs of the year. Rather than a standardised approach to the transaction, the client required a bespoke process to accommodate their wider stakeholder base.

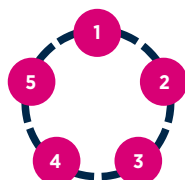
Our innovative thinking and engagement with the client throughout the transaction was a critical factor in our ability to secure a positive outcome for all participants and forms the basis of a successful long-term partnership going forward.



We are constantly looking out for new talent, for people that fit with the business – talented people with real humility and a deep desire and drive to do great things.


# Key performance indicators

We use a range of financial and non-financial metrics to measure our performance.



**A reminder of our strategy – read more on pages 10 to 13**


- 1 Build the corporate franchise focusing on high quality companies
- 2 Become the leading UK equities platform
- 3 Develop complementary products and services
- 4 Maintain operating and capital discipline
- 5 Deliver shareholder returns

 **To read more about our performance in the year go to the business and financial reviews on pages 20 to 29**

**Link to remuneration** £

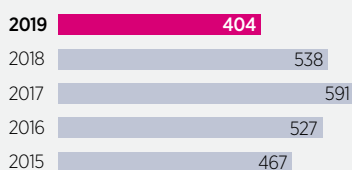
**Performance-focused pay**

Key performance indicators that are linked to remuneration are marked with this symbol. To ensure our Board and employees act in the best interests of clients and shareholders, remuneration is aligned to the strategic priorities and financial performance of the business and also takes into account specific risk management controls. The remuneration awarded to Executive Directors is weighted towards the delivery of long-term, sustainable performance that aligns with shareholder experience.

 **For more information read the remuneration report on pages 60 to 67**

## Financial

**Revenue per head (£k)** 1 4 £



**Why it's important**

Our aim is to ensure that sufficient productivity levels are achieved whilst acknowledging the impact that the economic cycle and weaker external market conditions can have on revenue generation opportunities.

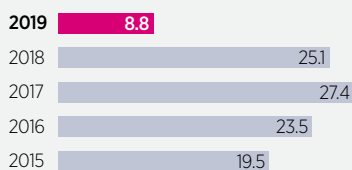
**2019 performance**

Revenue per head declined due to lower revenue performance across the business in particular lower deal volumes and lower average deal fees.

**Outlook**

We believe the investment in our people positions the Group well for future growth whilst recognising our revenue performance is subject to variations in equity market conditions.

**Earnings per share (p)** 5 £



**Why it's important**

Our aim is to grow earnings per share as this reflects value creation for our shareholders.

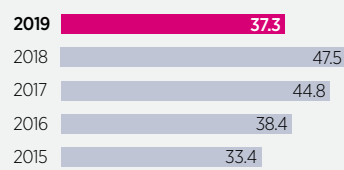
**2019 performance**

EPS declined materially as a result of the weaker revenue performance and operational gearing in our business.

**Outlook**

EPS growth is a key output of our long-term strategic ambitions for the Group.

**Equities revenue (£m)** 2 £



**Why it's important**

Our aim is to leverage our equities platform, capture greater market share and fulfil our strategic ambition to become the leading UK equities business.

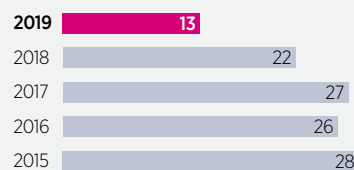
**2019 performance**

Revenue declined 21% due to weak markets and lower trading profits.

**Outlook**

Whilst equity market conditions will influence performance over the short term, we believe our equities platform is well invested and positioned to continue achieving market share gains.

**Operating margin (%)** 4



**Why it's important**

Our operating margin is a reflection of revenue performance relative to cost base. We aim to ensure the overall cost base is managed effectively and that the interests of shareholders and employees are aligned over the longer-term business cycle.

**2019 performance**

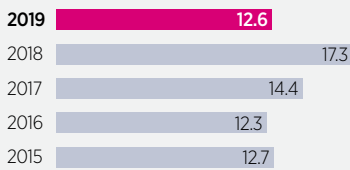
Our operating margin declined to 13% as a result of the weaker revenue being only partially offset by cost reduction.

**Outlook**

Execution of our strategy alongside improvement in market conditions will support margin improvement.

**Advisory revenue (£m)**

1 3 £



**Why it's important**

Advisory revenues primarily represent M&A fees. Growing our share of the fees available from our client base is a core element of our strategy as we aim to deliver greater diversification of revenues.

**2019 performance**

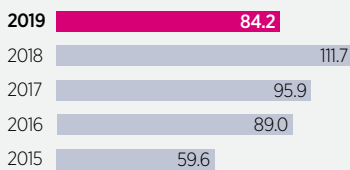
28% decline due to lower corporate client activity.

**Outlook**

We will continue to develop our advisory capability and aim to increase our participation in transactions relating to our corporate client base.

**Liquid resources (£m)**

4



**Why it's important**

Our cash balance supports our trading activities and ECM capability as well as providing a strong financial foundation to pursue our strategic initiatives across the cycle.

**2019 performance**

Our cash position reduced by 25% partly as a result of trading related activity around the balance sheet date. We agreed a £35m committed credit facility during the year.

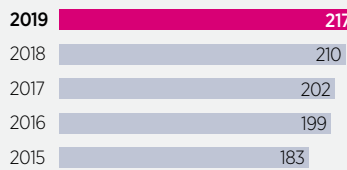
**Outlook**

Our cash position is subject to material short-term movements associated with our trading activities, although we will continue to ensure we maintain a conservative level of liquidity headroom above our regulatory and operational requirements.

**Non-financial**

**Corporate client base**

1 £



**Why it's important**

Our aim is to win corporate clients across a broad range of sectors ensuring that both the number and quality of our corporate client base continues to grow. Our corporate client base provides long-term captive revenue opportunities.

**2019 performance**

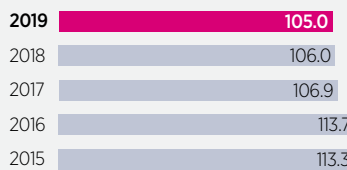
The client base increased to 217 as a result of seven net client wins. This includes seven FTSE 100 clients.

**Outlook**

We look forward to continuing to target interesting and ambitious companies of all sizes and continuing to grow the client base.

**Share count (m)**

4



**Why it's important**

Equity is an important element of our staff compensation arrangements. We intend to manage our share count through the share repurchase programme with the aim to offset the future dilutive impact of share awards.

**2019 performance**

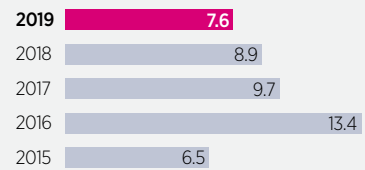
The issued share capital declined marginally in the year due to the share buyback more than offsetting the number of shares vesting in the year over the medium term.

**Outlook**

We regularly review the parameters of the share buyback and may vary the volume of repurchases at any stage during the year due to factors including market conditions, balance sheet position and vesting schedules.

**UK ECM market share (%)\***

1 2 £



**Why it's important**

ECM transaction related revenues are currently our leading source of transaction revenue. Maintaining a leading market share in UK ECM (inclusive of Investment Trusts) is important to sustaining strong deal related revenues.

**2019 performance**

For the financial year we were ranked fourth per Bloomberg with a market share of 7.6% in a year which featured materially fewer transactions, and a higher concentration of large cap transactions, compared to recent years.

**Outlook**

We believe our track record and experience in UK ECM leaves us well positioned to gain market share.

**Extel survey**

2

**No1**

the last seven years in the Extel ranking

**Why it's important**

Maintaining a market leading research product is vital in a post MiFID II market. The Extel survey provides an independent assessment of the relative quality of our offering as assessed by our clients.

**2019 performance**

We were ranked first in the UK Small & Mid Caps survey, for the seventh successive year.

**Outlook**

We have invested in many highly regarded analysts over a sustained period of time, which we believe positions us well for the future.

\* UK ECM market share sourced from Bloomberg. Market share accounts for all ECM transactions on the London markets, defined as any Initial Public Offering, Primary and/or Secondary Share Offering, Rights Offering or Additional Offering. Bloomberg apportions league table credit depending on the seniority of each adviser's role on a given transaction. The non-GAAP alternative performance measures shown here are described on page 126.



## Message from the Co-CEOs

Alex Ham and Ross Mitchinson share their views on the strengths, achievements and future of the firm.





There's a huge amount of ambition, energy and focus in the firm. People are excited about what we're trying to do – there's a real sense of purpose and drive throughout the business.

**Alex Ham**  
Co-Chief Executive Officer



We have the best corporate client list we've ever had. We have the best people we've ever had. We've got more strings to our bow than we've ever had and we continue to be energetically focused on what we do.

**Ross Mitchinson**  
Co-Chief Executive Officer

#### **Staying focused on our journey**

Given the underlying political uncertainties, macroeconomic factors and markets that have been subdued yet volatile – without doubt, it has been a tough year for everyone in the industry.

But it has also been a year of opportunity for us to continue on our journey to grow the size and quality of our business. Our ambition is to become the investment bank of a generation – a dynamic, client-focused investment bank. An investment bank for our exciting fast-changing times.

Focusing on the critical factors that are in our hands, we place enduring emphasis on achieving great growth and fostering outstanding talent. We have continued to add to our capabilities and services and to selectively hire brilliant people, taking full advantage of the opportunities that are presented during tough markets.

#### **Ongoing growth**

We are obsessive about making sure the business keeps growing – from gaining new clients to targeting increases in market share and building out our proposition.

We are very proud of the number and quality of our corporate and institutional clients, and of how many have been with us for a long time. Being a long-term trusted adviser is at the heart of our purpose and ambition, so to see our client list grow and clients stay with us is hugely satisfying and galvanising.

This year we have again focused on building our core UK listed market franchise. This continues to be a strategic priority for us and we now have 217 publicly listed clients including 47 FTSE 250 companies and seven FTSE 100 companies.

We have also made great progress this year in the unquoted market following the restructuring of our private markets business. This is an exciting area for us. We now have greater rigour and focus around later stage investment opportunities and this is paying dividends both in terms of transactions, fees and profile. Our fee income has gone from zero in 2018 to over £8m in 2019.

We were particularly pleased to be the sole strategic adviser on the \$460m Klarna transaction. Klarna is now the biggest private fintech company in Europe. This was a pivotal deal for us. It demonstrated that we can advise international businesses and introduce global investors to companies that are leading disruption in their own sector.

We have continued to invest in advancing our core services. We have for example built out our M&A capability both in terms of talent and deal flow. We are aiming to become a market leader in advising on UK mid-market public takeovers. Our market share has increased, and we have a huge opportunity to make further gains. A key advantage for us here is the quality of our capital markets insights and institutional relationships. This enables us to give a deeper and broader level of advice to the boards of our clients.

We have also added new services to broaden our offer to both corporate and institutional clients. Our debt advisory service was introduced at the beginning of the year. It ties in very neatly with our M&A service, enabling us to advise our corporate clients not just on equity but also debt. Our event driven service builds on our strengths in equity research and execution, opening up our Equities service to specialist funds focused on merger arbitrage.

Towards the end of this year we also commenced the build of an electronic trading offering to capitalise on the long-term structural trend in equities while complementing our core high touch trading offer. We are building out a high quality product suite which will facilitate best execution and efficient trading, particularly in larger, more liquid shares.

In addition, we added to our research capability, with the introduction of a team focused on the banking sector.

#### **Outstanding talent**

Our amazing people are the heart and soul of Numis. We are immensely proud of their non-stop commitment and contribution.

We are obsessive about the quality and cultural fit of the people we hire, whether that is the junior talent we take on through our rigorous internship and graduate recruitment programmes or our selective senior hires.

# Message from the Co-CEOs

continued

## Our markets

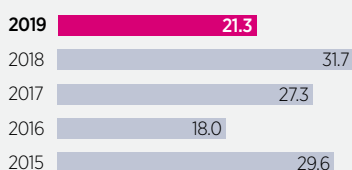
We are in exciting dynamic markets where we believe our distinctive drive and strengths enable us to continue to grow and excel for our clients long term.

### Public markets

Public markets have been extremely tough for everyone this year. It has for example been the worst year for IPOs in seven years. Despite the steep decline in transaction volumes in the UK, we have delivered a robust performance in terms of maintaining or taking share on both the Equities and Investment Banking sides of our business.

Despite the challenging market, we succeeded in increasing the number of IPOs this year. We brought a number of great companies to market, including AJ Bell and Trainline.

#### UK ECM (£bn)<sup>2</sup>



# 33%

Decline in UK ECM

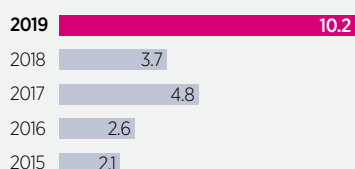
### Private markets

We continue to see a big structural shift where more and more of the best companies are either staying private for longer or executing public to private transactions in order to achieve greater value and growth.

These markets are home to many of the highly ambitious, driven disruptors we either currently work for, or aim to work with. The businesses are genuinely global, as are the investors who back them.

In this increasingly important area of our business we can see we are generating real momentum and are excited by the quality of companies that want to work with us.

#### Private funding (£bn)<sup>1</sup>



# £10bn

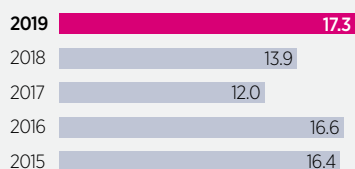
Private market size

### Equities markets

Market conditions were very challenging, with considerable downward pressure and high volatility being key features.

We succeeded in taking market share across our Equities business. Payments for our research, for example, stayed steady through the year, despite the market as a whole shrinking. This is a strong vindication of our continued focus and investment in giving clients highly valuable targeted research post MiFID II.

#### Market volatility<sup>3</sup>



Highest volatility for

# 7 years

We believe our high touch trading capability is becoming increasingly valued. In relatively illiquid and volatile markets such as UK small and mid caps, it is ever more important to have high quality experienced individuals who are able to source liquidity.

### Uncertain times

Amid the prolonged uncertainty, many companies are holding off major investment and other board decisions.

But on a brighter note, there is considerable capital waiting, indeed hungry, to be deployed once the mists lift. It is likely this capital will be deployed both in taking public companies private and in private transactions, given the enduring attraction of ambitious high growth companies deciding to stay private for longer and the prevailing valuation arbitrage between public and private markets.

1 Western Europe (including UK) private rounds >£50m, 2019 represents 9 months annualised, source Pitchbook.

2 Source from Bloomberg.

3 Average daily VIX.

We are constantly reinforcing the quality of the people in the business – from being very selective about who we hire through to our ongoing investment in the training, development and wellbeing of everyone in the firm. We invest a great deal in supporting our people, to help them grow in the business, improve and really push themselves.

We are also very conscious of the need to invest in and support personal resilience and wellbeing, diversity and inclusion and a good work-life balance. This is a core part of being a modern forward-thinking investment bank.



We're very proud to say that for the seventh year running we won the UK Small & Mid Caps Extel survey, as voted by institutions. It's a great quality stamp courtesy of our clients.

**Ross Mitchinson**  
Co-Chief Executive Officer



The culture here is one where people feel empowered, they take responsibility for their actions, they care deeply about the firm and the progress we make. And we absolutely work as one firm. There are no silos or internal bureaucracies. It's highly joined up and collaborative.

**Alex Ham**  
Co-Chief Executive Officer

### **Our high performance culture**

We spend a lot of time and energy on our high performance culture – enhancing it and making the most of it for our clients, our people, our firm.

Over and above the excellent skills and capabilities of our people – their raw talent – it is their shared attitude, energy and drive that makes all the difference. We are advisers in partnership with our clients. Therefore, we have to exhibit humility, we have to be constantly looking to improve. So, if you find brilliant talented people who are humble and incredibly hard working, who are constantly looking for new ways of doing things, who have high energy, are really ambitious – then you can establish valuable relationships with clients.

### **Defining our core values**

This year we involved the whole firm in defining our four core values: partnership, excellence, dynamism and creativity. These values distil our culture down to the four core beliefs that guide and inspire all of us in the firm to do our very best in achieving our ambition to be the investment bank of a generation. What is more, they resonate and create a stronger bond with the type of clients we love to work with, and the people we love to hire. In short, they guide and inspire us internally and attract externally.

### **Focusing on partnership**

Of course, we work extremely closely with our clients when there is a particular transaction, project or task to be done. But for us partnership goes way beyond this activity to encompass the non-stop focus we put on thinking about our clients' best interests and actively looking for ways to serve them, for example by helping them leverage our global network. We spend a lot of time with our clients understanding what makes them tick, what they are worried about and how we can mitigate it, what their ambitions are and how we can help realise them. It is about building genuinely strong relationships rooted in mutual trust, amicability and benefit – relationships that naturally deepen the more we get to know and help our clients.

### **Focusing on excellence**

We look to deliver excellence in everything we do. Crucially, it is about excellence for and in the eyes of our clients. We do absolutely everything we can to ensure we deliver the highest quality service and experience for each and every one of our clients. It is a highly tailored approach and commitment where we are looking at all the angles, opportunities and risks for clients – thinking ahead and acting fast in their best interests.

### **Focusing on dynamism**

For us, dynamism comes down to intensity. It is about being able to manoeuvre and deploy a team quickly for maximum effect. Coming up with ideas and acting on them. Getting on with stuff and getting it done. This high energy attitude strikes a chord with our similarly dynamic entrepreneurial clients.

### **Focusing on creativity**

We are not content with standardised, generalised approaches. We look for new and better ways of doing things. Bespoke ideas and solutions that fit a particular client at a particular point in time. This more creative way of doing things is a big attractor both for our clients, who appreciate getting a service that really delivers for them, and for our people, who enjoy having more freedom and encouragement to come up with ways to really have a positive impact.

### **Looking ahead**

This has been a tough year but we remain very excited about the opportunity ahead of us.

We continue to focus on building our client base, our talent, our offer – on having an ever greater impact as an outstanding investment bank for our exciting times.

We aim to advise more ambitious companies which themselves are disrupting their sectors for the better, to execute more deals that are particularly interesting, to back more fantastic management teams. In so doing we will attract and develop brilliant high energy talent, and create greater value for our clients, our colleagues, our shareholders – for everyone involved in our great firm.



# Business review

## In a challenging year for investment banking, we built on our strengths and made good progress in key areas.

### 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.

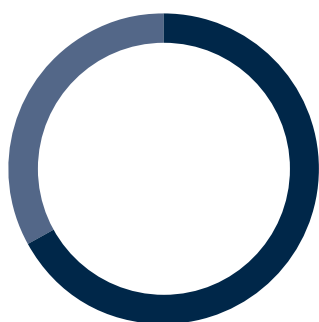
The persistent uncertainty facing the UK also impacted institutional investors as they typically adopted a more cautious approach toward investing in UK equities. Many overseas institutions maintained underweight positions limiting their exposure to the UK market, whilst many domestic long-only institutions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

In contrast, private markets continue to advance, benefiting 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.



We aim to provide the best possible advice and support for all our clients across the business, in all market environments.

Revenue share (%)



● Investment Banking	67
● Equities	33

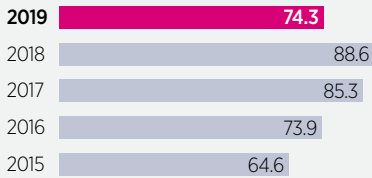
### Investment Banking – building the client base and diversifying

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 brokings and continue our strategic ambition to enhance the quality of our client base. We added a net seven brokings 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 FTSE 250 clients and seven FTSE 100 clients. Over the past year the average market cap of our client 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 (£m)**



**Average market cap of our client base**

**£888m**

(2018: £829m)

**Investment Banking**

- 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.
- Our stability and trusted advice has significantly contributed to our sustained track record of client growth.

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.

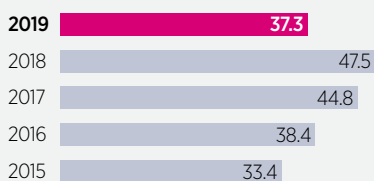
In June, we won the UK Small & Mid Cap Extel survey for the seventh consecutive year, as voted by institutions, confirming our market leading position in equity research. This sustained success reflects the quality of our research product and service to institutions, both of which underpin our deep, 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.

# Business review

continued

## Equities revenue (£m)



## Companies researched

350

## Institutional clients

600+



## Equities

- We strengthened our core product offering to institutional investors and gained market share.
- We continued to expand our capabilities in Equities as we seek to serve a wider investor base and establish Numis as the leading UK equities business.
- 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.

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 £4m 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.

### Attracting, supporting and developing great people

Without doubt, our people are our most important asset and we invest considerably in attracting, supporting and developing outstanding individuals, and providing a great place for them to work and succeed.

### Targeting learning and development for maximum effect

We continue to invest in the learning and development of our employees at all levels. The emphasis this year has been on targeting for maximum effect, for example by pinpointing and strengthening particular skills.

### Engaging closely with our people

Close engagement across the business is critical. This year we appointed Catherine James, Non-Executive Director, as the champion to lead formal employee engagement sessions with a selection of Numis staff from across the business to better understand and ensure staff views are aligned with the culture and strategy of the business.

We conducted internal staff surveys in 2017 and 2018 and are pleased to report that the new engagement initiative mostly reflects the analysis that resulted from those surveys and which was shared with the Board and staff. Staff overwhelmingly supported the initiatives that have been introduced to enhance their working environment, promote wellbeing and enhance opportunities to achieve and deliver improved performance and personal goals.

We are dedicated to supporting personal resilience, wellbeing, inclusion and diversity and staff have been vocal in requesting speakers on a series of topics that have instilled confidence and courage in tackling, at times, sensitive issues. Learning and sharing experiences on a number of key themes around these important factors and providing tangible tips and hints on a number of issues helps to reinforce an open culture of mutual respect.

Additionally, we recently announced that we have entered into a lease for new office space which we intend to relocate to during the second half of 2021. To understand employees' satisfaction with our current workplace and identify the key areas for us to address in our new office, we partnered with Gartner Real Estate in a survey initiative. The survey helped us understand how we can improve the workplace to better meet employee needs ahead of our proposed move. An Office Move Committee has been established where a selection of staff from all levels across the business have volunteered and provide valuable feedback. We are in the process of assessing the feedback and analysis, to ensure that the impact on our employees and on our new environment is suitable to sustain a high performance and happy work place.



Read more on page 25

People

277

Number of employees



Our people are our most important asset and we invest considerably in attracting, supporting and developing outstanding individuals, and providing a great place for them to work and succeed.

**Investing in diversity and inclusion**

Our focus on diversity and inclusion continues apace. From the vocal backing of senior leaders through to our diversity and inclusion-friendly graduate and intern recruitment processes, we are deeply committed to this aspect of the firm's character and strength. We value, encourage and support difference – it is core to our desire to achieve more and better things by being open to new and innovative approaches.

The success of the business, our ability to serve our clients and maximise return for our shareholders lies within the strength of our people who reflect the values and conduct we as business promote. We are committed to developing an environment which promotes equality of opportunity, values diversity, supports differences and encourages input from all perspectives. Operating effectively in a complex global economy, our clients rely on us to drive innovation and creative solutions. Our ability to deliver on these talents is strengthened by embracing the skills of different cultures, and the pursuit for excellence in our commitment to hiring the best people from a diverse talent pool, who collectively form our high-performance teams that are both cognitively and demographically diverse.

To stay true to this commitment, our recruitment strategy and efforts are purposefully designed to impede unconscious biases and ensure a fair selection process.

**Social responsibilities**

We recognise that Numis should take account of the needs of society, its community and the environment and maintain high ethical standards. The Board leads in this commitment. The extent to which these principles have been formalised is appropriate to the size of the organisation and these are documented in both the staff handbook and compliance manual. We are committed to staff welfare, respecting the environment and treating clients fairly. The Board meets with senior executives and heads of department on a regular basis and through the reporting structures receives information on clients, customers and supplier relationships.

**Anti-bribery Act and Modern Slavery Act**

Appropriate steps have been taken in relation to the Anti-bribery Act and Modern Slavery Act and a statement is available on Numis' website. Our zero tolerance approach to modern slavery is communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and reinforced as appropriate thereafter. We expect all our staff to have read and be aware of this statement. Numis also has a Whistleblowing Policy. A copy of Numis' Anti-bribery Act and Modern Slavery Act statements can be found on Numis' website [www.numis.com](http://www.numis.com).

**The environment and community**

We are proud to implement processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within our place of business. Additionally, through collective agreement with staff we have chosen to support the Charlie Waller Memorial Trust as our 2019 charitable cause. This charity was set up in 1997 in memory of Charlie Waller, a young man who took his own life whilst suffering from depression.

The Trust raises awareness of depression and provides training to schools, primary care staff and employers, encouraging those who may be depressed to seek help. We are passionate and proud to support this chosen charity dedicated to helping vulnerable people. We will continue to focus on these important areas of responsibility and seek to drive initiatives which have a beneficial impact on our communities and the environment.

**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 advisor 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.



# Engaging with our key stakeholders

We focus on building strong relationships with all our key stakeholders – from our clients to our shareholders to our employees.

We know how important this is in ensuring that everyone involved moves forward together and shares in the success of the firm.

### Deeply committed

As an entrepreneurial, forward-thinking investment bank committed to long-term growth and success, we place great emphasis on close stakeholder engagement. It is a natural extension of our highly collaborative way of working. Keeping people properly informed and involving them closely is at the core of our culture. It not only strengthens our relationships but also helps us make improved business decisions.

This level of engagement is further reinforced by the mutual interests and connections across our key stakeholders. A good number of our clients are shareholders, for example. Many of our employees are also shareholders and we are keen for this to grow. This makes for a closer alignment, with everyone involved working towards the same goals and sharing in the benefits.

### Engaging with our clients

Our close collaborative culture really comes through in the great degree of engagement that takes place with both our corporate and institutional clients. Contact is often daily, if not multiple times in one day. It is part and parcel of being a dynamic, truly client-focused investment bank.

With our corporate clients, we have regular independent meetings where companies are encouraged to give honest feedback on our performance so we can make sure our service aligns with their priorities, strategy and expectations. It is a good way also to flag up any potential issues before they become problems.



### Why our clients matter to us

We are here to give our clients the very best investment banking service – dynamic, client-focused investment banking that helps them achieve their ambitions.

### How we engage with clients

- Daily informal interactions – face-to-face, over the phone, online
- Regular independent meetings with corporate clients
- Regular one-to-ones with institutional investors

### Number of clients

**217**  
(2018: 210)

We regularly engage directly with our institutional clients to ensure we are not only providing the service they want but critically, delivering it in the way that is most efficient for them. With research for example, it is not just a matter of coming up with genuinely valuable insights into a company and/or a sector. We also deliver those insights in the right format and to the right people, depending on how each client likes to work with us. That way we make sure we tailor our service and deliver the best value to each and every client.

### Engaging with our shareholders

We have very close interactions with our shareholders, many of whom we are pleased to say are our clients. In addition, we happily have a growing number of employees who are also shareholders.

So there is a natural connection, where we are often in daily contact with many of our shareholders. We build on this through both formal and informal shareholder engagement – from the communication that surrounds the interim and full year results through to ad hoc investor days and ongoing contact.

Both Co-CEOs and the CFO meet with major shareholders at least twice a year at the time of announcing the Group's interim and full year results. During these meetings, shareholders' views on the performance of the Group are understood and acted on as appropriate, ensuring any such actions are in the interests of all shareholders. The Annual Report & Accounts, Interim Report and RNS announcements on key business developments are the main way the Board communicates with our investor base. As a direct result of shareholder engagement we have expanded the detail of the Remuneration Committee Report which we believe provides increased transparency on the Group's remuneration policy and philosophy around compensation.

Our website provides up-to-date information to help our investors keep in touch and understand our business. We hold investor roadshows to discuss our results and ensure we have a clear understanding of their expectations and an awareness of any concerns. We encourage two-way communication with both institutional and private investors and respond quickly to all queries received.

The AGM is a key opportunity for the Board to engage with shareholders to answer questions and is the main forum for dialogue with private shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 clear days before the meeting. The Chairman of the Board and all Committees, together with all Executive Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently released to the market and are published on the Company's corporate website.



**Why our shareholders matter to us**

Our shareholders put their faith and finance in us – they are backing our potential and ambition and we have a duty to do right by them.

**How we engage with shareholders**

- Formal investor relations programme
- Day-to-day calls
- One-to-one between the Chairman and key shareholders

**Number of shareholder meetings**

60+

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Co-CEOs and CFO. The Co-CEOs and CFO deliver presentations to institutional shareholders each year immediately following the release of the full year and half year results. The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Co-CEOs. The Non-Executive Chairman is available to meet with major shareholders.

Numis shareholders can contact our Investor Relations team who will respond on a timely manner to questions at [Investor\\_Relations@numis.com](mailto:Investor_Relations@numis.com)

**Engaging with our employees**  
**Creating our values together**

Our core values are a key example of how close employee engagement really helps to drive our firm forward. Our employees were heavily involved in defining our four values: partnership, excellence, dynamism, creativity. And it is our employees who are embedding and applying our values throughout the firm. This is a core part of ensuring we all share the same strong high performance culture and do everything we can to be the very best we can.

**Building stronger connections across the firm**

Our Co-CEOs run regular connect sessions with small groups of staff to share their latest thinking, discuss key issues and get direct feedback from employees. It is a valuable open forum that is very popular with our employees.

To make sure our Board stays in touch with the mood and concerns of the wider firm, we have introduced a formal engagement process. This initiative is led by Independent Non-Executive Director Catherine James, who is the Board lead in employee engagement. Through the year, Catherine has held a series of one-to-ones with a range of employees from different departments, levels of seniority and tenure. It is a highly effective way for employees to share insights and raise issues, and for the Board to gain a real sense of the current state of the firm. You can find more information in the Corporate Governance Report on page 44.

**Encouraging our employees to drive our community support**

Our community support is a great example of how we actively involve and engage with our employees. This year, they were in the driving seat in selecting our core charity.



**Why our employees matter to us**

Our employees are at the core of everything we do and achieve as a firm. They are our firm.

**How we engage with employees**

- High degree of informal day-to-day face-to-face contact
- Regular connect sessions with the Co-CEOs
- Biennial employee surveys

Our graduates and other staff put forward a number of worthy causes and a shortlist of charities were invited to present about what they do and how we could help. Our staff chose the Charlie Waller Memorial Trust (CWMT) and we have been partnering closely with this great charity through the year.

Founded by the family of Charlie Waller, who took his own life aged 28, the aim of the Trust is to increase awareness of the signs and the dangers of depression among young people and to encourage those who may be depressed to seek help. It also encourages those that are well to pick up the symptoms in others and persuade them to get help.

Our support for the Trust fits closely with our focus on personal resilience and wellbeing throughout the firm. To this end we have partnered with Wellness London to provide on-site clinics, mindfulness sessions and counselling for staff.

We have also trained 16 employees to become mindfulness champions who are on hand to help their colleagues.

# Financial review

We continue to make strategic progress and maintain a strong financial position.



“ We continue to operate significantly in excess of our regulatory capital requirements and believe this provides the Group stability, and strategic flexibility.

**Andrew Holloway**  
Chief Financial Officer

### Summary

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	<b>74.3</b>	88.6	(16.1%)
Equities	<b>37.3</b>	47.5	(21.4%)
<b>Revenue</b>	<b>111.6</b>	136.0	(18.0%)
Investment income	<b>(2.2)</b>	1.7	
<b>Total income</b>	<b>109.4</b>	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 25% to £404k reflecting the increase in average headcount compared to the prior year. Total income was down 21% 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	48.3	58.8	(17.7%)
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%)

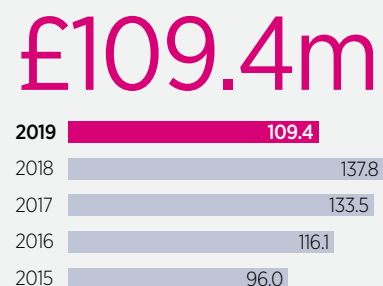
Equities delivered revenue of £37.3m (2018: £47.5m), which represented a decline of 21%. Institutional income declined 12% against the prior year which featured the introduction of MiFID II at the start of January 2018. Our institutional income performance reflects a significant decline in overall market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

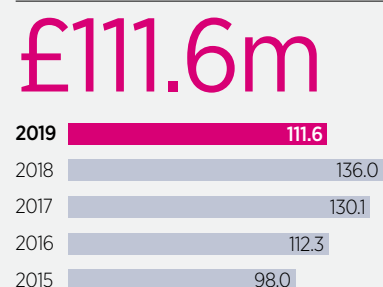
Trading reported gains for the year of £4.0m (2018: £9.6m). The decline in performance is attributable, in part, to the first half loss associated with the underwriting of the Kier rights issue. The challenges presented by increased volatility and varied market performance over the year resulted in a 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.

### Key statistics

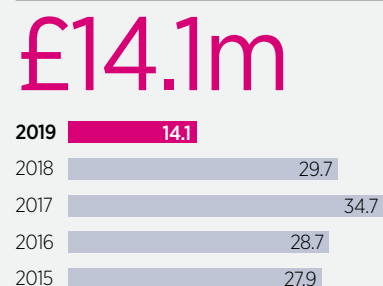
#### Total income (£m)



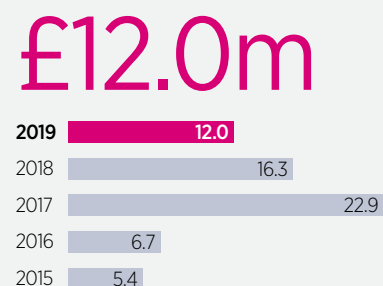
#### Revenue (£m)



#### Underlying operating profit (£m)\*



#### Spend on share repurchase (£m)



\* The non-GAAP alternative performance measures shown here are described on page 126.



# Financial review

## continued

### 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	<b>53.6</b>	64.7	(17.2%)
Share-based payment	<b>10.9</b>	10.6	3.1%
Non-staff costs	<b>33.0</b>	31.0	6.3%
Total administrative costs	<b>97.5</b>	106.3	(8.3%)
Year end headcount	<b>277</b>	273	1.5%
Average headcount	<b>276</b>	253	9.1%
Compensation ratio	<b>57.8%</b>	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 6.0% 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 agreed to enter into 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.



The strength of our balance sheet provides significant comfort to our clients and counterparties.



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.

**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 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. In addition the number of unvested shares has reduced over the year.

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 three 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.

**Andrew Holloway**  
 Chief Financial Officer  
 13 December 2019

# Principal risks

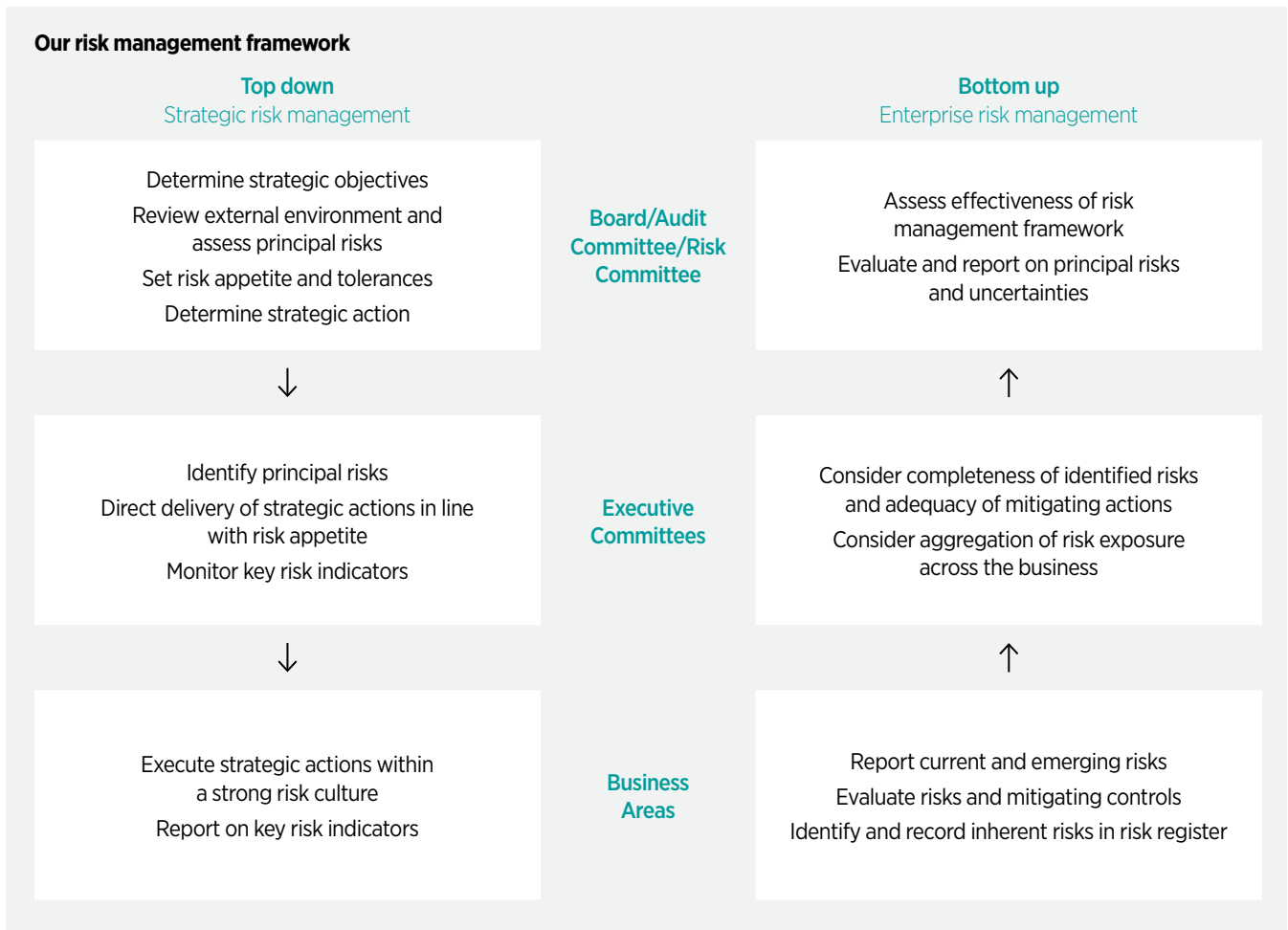
Effective risk management is integral to the delivery of our strategic objectives.

**Review of risk challenges, highlights and actions over the year and future outlook**

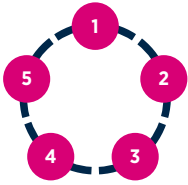
We carried out an extensive review of our risks over the year and further strengthened our risk management framework. We separated the responsibilities of the Audit & Risk Committee into two committees with the new Risk Committee dedicated to

assessing the effectiveness of our risk management framework and reporting on principal risks to the Board. We have also created a Client Assets Committee. We have strengthened our operational risk controls and reporting. We have added complementary product offerings which have been integrated in a controlled manner. We have implemented a

replacement settlement system. We have also made preliminary preparations for the Senior Managers Certification Regime and the Central Securities Depository Regulations and we have assessed the impact of a no-deal Brexit on the business.



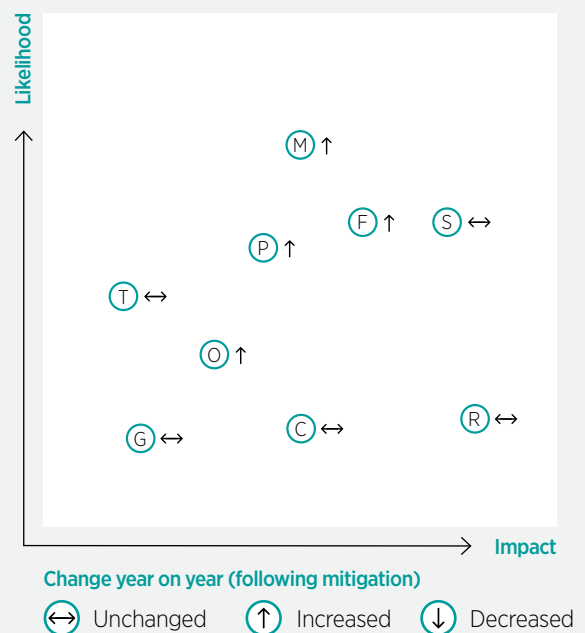
**A reminder of our strategy – read more on pages 10 to 13**



- 1 Build the corporate franchise focusing on high quality companies
- 2 Become the leading UK equities platform
- 3 Develop complementary products and services
- 4 Maintain operating and capital discipline
- 5 Deliver shareholder returns

**Our risk assessment**

Principal risks	Key strategic priorities affected	Change in risk assessment in year
S Strategic risk	1 2 3 4 5	↔
F Financial risk	4 5	↑
P People risk	1 2 3	↑
T Technology risk	2 4	↔
C Conduct, regulatory & legal risk	1 2 3 4 5	↔
O Operational risk	3 4	↑
G Governance risk	4	↔
M Macroeconomic risk	4 5	↑
R Reputational risk	1 2 4 5	↔



**Managing risks**

We identify and manage risks through our risk management framework, which supports effective risk management and a strong risk culture. The framework sets out our approach to risk management together with the key arrangements for managing the risks through internal controls. We see effective risk management as central to our corporate governance and achieving our strategic objectives while remaining within our risk appetite.

**Our risk appetite**

Our risk culture and appetite set the attitudes and values that inform risk-taking, management decisions and performance evaluation within the Group. Our risk appetite defines the level of risk we are willing to take across the different risk types. Risk appetite and supporting tolerances are defined for all risk types and sub risk categories. We set our risk appetite in either quantitative or qualitative terms, or both, across all

the risk classifications. Risk appetite is key for our decision-making process, including business planning, new product analysis and change initiatives.

We embed our risk management framework into each level of the business, with all staff being responsible for understanding and managing risks. To achieve this we utilise a “Three Lines of Defence” model.



# Principal risks

continued

### Three lines of defence

Our risk governance is based on the principle that risk management, risk oversight and assurance are distinct activities that should each be carried out by separate individuals, committees and departments for any particular risk, as follows:

- The first line of defence consists of the business front line staff who are charged with understanding their roles and responsibilities and carrying them out correctly and completely.
- The second line consists of the oversight functions made up of Compliance and Risk. These functions monitor performance against policies, define work practices and oversee the business front lines in relation to compliance and risk.
- The third line of defence consists of internal audit, who regularly review both the business front lines and the oversight functions to ensure that they are carrying out their tasks to the required level of competency.

Each line of defence is a means to ensure that risk management systems, processes and controls are operating effectively in line with our procedures, policies and decision-making governance. This approach is designed to guard us against the materialisation of unwanted risks beyond our risk appetite and ensure we remain in line with our strategic objectives.

### Our responsible risk culture

The management of risk is embedded in our culture. It is the responsibility of each employee to ensure that this culture is built into our working practices.

We promote a responsible risk culture in three main ways:

- **Effective senior management leadership**  
Senior management leads by example in the way in which they listen to concerns, react to issues, set staff objectives and evaluate performance. This includes emphasising the importance of balancing risk with profitability and growth while ensuring compliance with regulatory requirements and internal policies. Management thereby encourages and coaches employees to be risk-aware and to take personal responsibility for identifying and helping address risk issues and escalate concerns whenever necessary.
- **Tailored training and development**  
Educating and developing our staff in risk management skills is essential to maintain our distinctive strengths and for the long-term success of our business. We offer and provide ongoing training to all staff to build the skills, knowledge and understanding to manage the risks in our business.

### Reinforcing a strong risk culture and aligned incentivisation

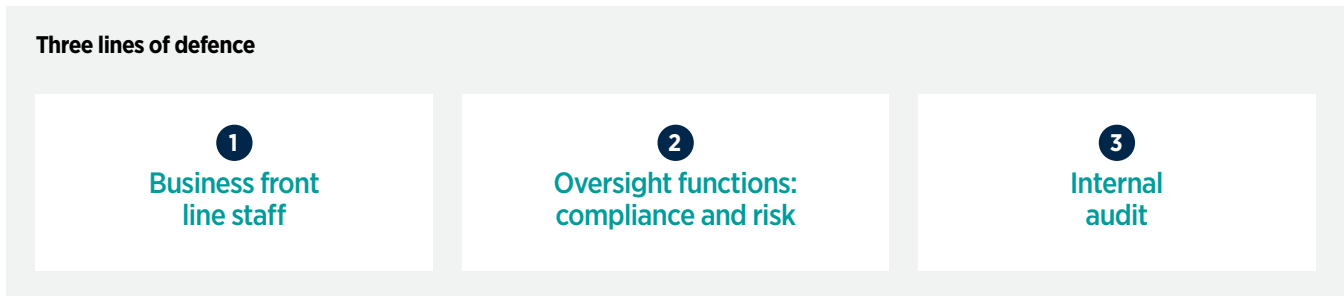
Risk management is integral in the performance evaluation of key individuals, including senior management and those responsible for risk oversight. The Board sets appropriate deferral periods on incentivisation rewards to align remuneration with the long-term success of the Group.

### Risk committees

Our risk management framework includes a number of executive operational committees that assess and manage risk matters. Details of the committees and their remit are set out on page 42.

### Climate change

The potential implications of climate change on our business are being evaluated as this emerging risk develops. The risk of damage caused by climate change and risks arising from a transition to a low-carbon economy affects not only our own operations but also those of our corporate and institutional clients. The emerging policies, markets and technologies associated with a low-carbon economy present opportunities, as well as challenges, for example in terms of building the corporate franchise and supporting clients who have relevant businesses. We recognise the importance of taking action as an organisation to mitigate climate change and to that end we are working hard to reduce the carbon footprint of our own business.



# Managing our principal risks.

A reminder of our strategy – read more on pages 10 to 13



Risk description	Mitigation	Change in the year and residual risk
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**Strategic risk** 1 2 3 4 5 ↔

<p>The risk that we are not able to carry out our strategy and achieve our strategic objectives.</p> <p>The Board recognises that continued focus on the way in which our strategy is executed is key to our long-term success and financial condition.</p>	<p>The Board is responsible for setting the strategy of the firm. The executive management team is subject to healthy and robust challenge from the Board and its committees on, execution of strategy and the implementation of agreed initiatives. This includes significant focus on the risks which threaten the achievement of our strategy as well as those that present the greatest opportunity. We have launched new products and services during the year, such as debt advisory and electronic trading, and therefore closely monitor our ability to achieve the related strategic objectives.</p>	<p>We consider that the financial performance of the Group demonstrates effective execution of the strategy.</p> <p>No material change in residual risk after mitigating actions.</p>
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[Read more on pages 16 to 19](#)


**Financial risk** 4 5 ↑


<p><b>Market risk</b> The risk of loss arising from potential adverse changes in the value of our assets and liabilities, including those arising from market making and underwriting activities, as a result of market price fluctuations.</p> <p><b>Liquidity risk</b> The risk that we are unable to meet our contractual, contingent or regulatory obligations or that we do not have sufficient liquidity to support our obligations, including in relation to trading counterparties, underwriting and margin calls.</p> <p><b>Credit risk</b> The risk of loss from the failure of clients or counterparties to fully honour their obligations to us.</p> <p><b>Capital risk</b> The risk that we have insufficient capital to support our business activities and to meet our regulatory capital requirements.</p>	<p>We mitigate our exposure to financial risk through a combination of:</p> <ul style="list-style-type: none"> <li>• Prudent risk appetite limits.</li> <li>• Monitoring and reporting of market, credit, liquidity and capital risk information to the Financial Risk Committee and other relevant staff (see note 26) and taking any necessary action.</li> <li>• Embedding liquidity and capital adequacy review processes in timely and thorough management information.</li> <li>• Forecast modelling and stress scenario testing.</li> </ul>	<p>Notwithstanding the arrangement of a revolving credit facility during the year to access short-term liquidity, we prudently note an increase in residual risk after mitigating actions.</p>
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[Read more on pages 26 to 29](#)


# Principal risks

continued


Risk description	Mitigation	Change in the year and residual risk
<p><b>People risk</b> <span style="color: red; font-weight: bold;">1</span> <span style="color: red; font-weight: bold;">2</span> <span style="color: red; font-weight: bold;">3</span></p> <p>The risk associated with staff behaviour, recruitment and retention.</p> <p>Our people are the key factor in determining the long-term success of our business. Attracting, engaging and motivating our staff is essential to maintain our competitive advantage.</p>	<p>The motivation, retention and growth of our people remain at the top of the Board's agenda.</p> <p>Our Co-CEOs hold regular connect sessions with small groups of staff to share thoughts, discuss issues and obtain direct feedback from employees. All senior managers engage employees with a high degree of informal day-to-day face-to-face contact.</p> <p>We maintain formal structured performance-based staff appraisals in which objectives are set and success is measured along with the identification of future development needs. These reviews include a robust 360 degree feedback review element.</p> <p>We perform biennial all staff surveys resulting in a number of initiatives.</p> <p>We have invested to ensure that our people feel engaged and recognise that they are valued and appreciated. We continue to roll out initiatives, including in relation to:</p> <ul style="list-style-type: none"> <li>• Learning and development with a focus on the role of the manager, given we recognise their importance in engagement and retention of staff.</li> <li>• Wellbeing and personal resilience in conjunction with partnering with the Charlie Waller Memorial Trust this year.</li> <li>• Diversity and inclusion.</li> <li>• Charity giving.</li> <li>• Sustainability.</li> <li>• Flexibility and remote working.</li> <li>• Enhanced benefits.</li> </ul> <p>The Board places particular focus on incentivising our employees through its remuneration policy and strategies, including considering the appropriate allocation and mix of cash and share-based schemes along with appropriate deferral periods in order to align remuneration with our long-term success. The nature of the share-based schemes and their deferral characteristics are described in note 22 to the Financial Statements.</p> <p>Senior management succession planning is run annually and overseen by the Nominations Committee.</p> <p>An all staff survey is carried out every two years with the results used to target employee engagement initiatives in those areas where they will have greatest impact. Score changes from survey to survey allow us to assess whether initiatives are fit for purpose and worth our investment.</p> <p>We continue to invest in a graduate recruitment and a summer intern programme and seek to be a favoured choice of employer for those embarking on their careers.</p>	<p style="text-align: right;"></p> <p>Staff retention has been high compared to the market and we have made a number of hires during the year which we believe will broaden our capabilities and enhance client service across the business. Integration of these new hires continues to be a focus for the Board and HR team.</p> <p>We have built stronger connections across the firm through the introduction of further engagement initiatives, including our Co-CEO connect sessions and one-to-one Non-Executive Director meetings with a range of employees.</p> <p>Notwithstanding our focus on our employee engagement and wellbeing, we face a challenging business environment and cautiously note a marginal increase in residual risk after mitigating actions.</p>


 **Read more on pages 20 to 25**

Risk description	Mitigation	Change in the year and residual risk
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<b>Technology risk</b> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">4</span>		
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<p>Technology risk can arise from the failure of core business processes undertaken within the Group or by one of our third-party service providers.</p> <p>Technology enables us to facilitate reliable business operations without disruption to client service, and deliver innovation and change that maintains us as a leader in our field.</p> <p>Specific areas of technology risk include:</p> <ul style="list-style-type: none"> <li>• Cyber security, data loss and vulnerability management.</li> <li>• Failure to innovate resulting in loss of competitive advantage.</li> <li>• Response to changes in regulation or legislation.</li> <li>• Third-party supplier selection and reliance.</li> <li>• System and infrastructure resilience, performance and redundancy.</li> </ul>	<p>Operational resilience is recognised as central to the Group's ongoing success. We aim to be able to sustain operations and client service with minimum disruption, through a combination of business continuity planning, duplicated infrastructure, strong supplier relations and remote alternative facilities.</p> <p>Evolving control standards and robust corporate governance are applied by suitably trained and supervised individuals. Senior management is actively involved in identifying and analysing operational risks to find the most effective and efficient means to mitigate and manage them. In addition to this top down approach, we also apply a bottom up approach with Risk and Control Self-Assessment workshops used to identify risk and test controls.</p> <p>Management make use of best-in-breed third-party service providers and best practice operating procedures to enhance the level of expertise applied.</p> <p>The use of a fully independent, outsourced Internal Audit function provides assurance over the adequacy and effectiveness of the systems throughout our business as well as helping to identify enhancements that provide further risk mitigation. We also engage other third-party advisers on a periodic basis to provide further independent assurance where considered appropriate.</p>	<p>We have continued to invest in our technology platform to address vulnerabilities and increase resilience. This included replacing our core post-trade processing platform as well as major upgrades to other key business systems.</p> <p>Whilst we have taken steps to reduce our exposure to technology risk, the evolving nature of systems, processes and external threats means we continue to invest in this area.</p> <p>No material change in residual risk after mitigating actions.</p>
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 [Read more on pages 58 and 59](#)

<b>Conduct, regulatory &amp; legal risk</b> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">1</span> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">3</span> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">4</span> <span style="background-color: #008080; color: white; border-radius: 50%; padding: 2px 5px;">5</span>		
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<p>The risk that inappropriate behaviour, conduct or practices result in detrimental impact to our clients' interests or outcomes or to market integrity.</p> <p>The risk of legal or regulatory action resulting in fines, penalties, censure or other sanctions or legal action arising from failure to identify or meet our regulatory and legislative requirements.</p> <p>The risk that new regulation or changes to the interpretation or implementation of existing regulation adversely affects our operations and financial condition.</p>	<p>The Board's policy is to encourage an intense focus by senior management on the long-term sustainable success of our business. This specifically includes robust corporate governance designed to reduce the likelihood of conduct risk crystallising in the business and minimising both the risk of regulatory sanction and litigation.</p> <p>Our conduct policy sets out the standard of behaviour expected from all of our staff and is supported by appropriate management information and reporting. Periodic conduct risk assessments are carried out by the first line of defence and reviewed/challenged by the second line of defence.</p> <p>Senior management, the Board and our Committees oversee compliance with the relevant regulatory and legal requirements. A strong culture of regulatory and legal compliance permeates the Group and there is a demonstrated track record of transparency and strong relations with the key regulatory bodies.</p> <p>Compliance procedures are maintained across the Group. Our Compliance department supports senior management in meeting its obligations as well as carrying out risk-based monitoring of our compliance with relevant regulation.</p> <p>Tailored training and updates on specific aspects of regulatory compliance are routinely delivered throughout the year by a combination of senior Compliance personnel and/or external subject matter experts.</p> <p>Our legal obligations are overseen by a well-qualified in-house legal team.</p>	<p>Regulatory obligations within the financial services sector are significant and the pace of change shows no signs of slowing down.</p> <p>Recent growth and our increase in profile has resulted in involvement in larger transactions and increasing frequency of senior roles, which has consequent effects on regulatory scrutiny.</p> <p>We continue to prioritise enhancements to our systems and platform in order to be appropriately resourced.</p> <p>No material change in residual risk after mitigating actions.</p>
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 [Read more on pages 58 and 59](#)



# Principal risks

continued

Risk description	Mitigation	Change in the year and residual risk
<p><b>Operational risk</b> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">3</span> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">4</span></p> <p>The risk of loss (or gain) resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>Operational risk is a broad term and covers a diverse range of risks that touch all aspects of our business.</p>	<p>This year we have focused on making advancements to how we manage and communicate our operational risk exposures to the business and to senior management, including in relation to:</p> <ul style="list-style-type: none"> <li>• Implementation of a new operational risk reporting process.</li> <li>• Continuation of our rolling programme of Risk &amp; Control Self Assessments.</li> <li>• Further training across the business.</li> <li>• Enhancement of our new product and change management procedures and processes.</li> <li>• Implementation of new policies to ensure we keep our employees and clients safe.</li> </ul> <p>This year we have invested in a new post-trade processing platform which facilitates trade capture, confirmations, settlements, accounting and reconciliations. The new platform enables Numis to enhance its operational functions, reduce manual effort and achieve operational efficiency whilst reducing the likelihood of crystallised risks in these areas.</p> <p>We will continue to invest in new technologies, adapting to best practices and changing processes and policies appropriately to ensure we mitigate operational risk.</p> <p> <b>Read more on pages 58 and 59</b></p>	<p style="text-align: right;"></p> <p>Notwithstanding controlled integration into the business, the addition of new products and the diversification of our business present greater scope for operational risk.</p> <p>Marginal increase in residual risk after mitigating actions.</p>
<p><b>Governance risk</b> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">4</span></p> <p>The risk of ineffective, inefficient and unethical management and oversight of the Group by its senior management and Board.</p>	<p>Our corporate governance structure ensures that the Board has sufficient, well-articulated, consistent and timely information to enable decisions to be made with the appropriate level of assurance. This year the Board established a separate Risk Committee dedicated to the evaluation of our risk management framework, and we have also established a CASS committee to supervise all aspects of client money and custody.</p> <p> <b>Read more on pages 42 to 51</b></p>	<p style="text-align: right;"></p> <p>No material change in residual risk after mitigating actions.</p>

Risk description	Mitigation	Change in the year and residual risk
<p><b>Macroeconomic risk</b> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">4</span> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">5</span></p> <p>The risk that deterioration in the business and economic environment, or an increase in political instability, could adversely affect the financial condition and prospects of our business.</p> <p>The uncertainty following the UK's decision to leave the EU is likely to continue until the exact nature of the future relationship with the EU becomes clear. Potential risks include:</p> <ul style="list-style-type: none"> <li>• Whilst a small percentage of our core business comes from EU clients, changes to current EU passporting rights will likely restrict our ability to carry out certain activities with EU clients. Our electronic trading and private markets business lines may also be impacted.</li> <li>• Sterling could be further devalued which in turn may lead to inflation and increasing interest rates. This in turn, creates an increased risk of a UK recession, which would likely negatively impact our investment banking transaction levels.</li> <li>• Increased market risk with the impact on the value of our trading book positions.</li> <li>• Changes in laws and regulations as the UK transitions away from the EU legal framework could result in uncertainty and costs to our business.</li> </ul>	<p>We have built a substantial corporate and institutional client base that positions us relatively well during periods of economic downturn. We generate significant retainer fees which would not be significantly impacted by reduced transaction levels.</p> <p>Whilst we carry out business for non-UK EU clients, this is a small overall percentage of our overall revenues. As a result, we do not envisage a material reduction in revenues as a result of the UK's withdrawal from the EU.</p> <p>We continue to seek to diversify business lines with a number of new senior hires into complementary product lines during the year.</p> <p> <b>Read more on pages 6 and 7, 16 to 19</b></p>	<p>Increase in residual risk after mitigating actions.</p> <p style="text-align: right;"></p>
<p><b>Reputational risk</b> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">1</span> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">4</span> <span style="background-color: #e91e63; color: white; border-radius: 50%; padding: 2px 5px;">5</span></p> <p>The risk of loss resulting from damage to our reputation due to, for example, a reduction of trust in our integrity or competence. This in turn could lead to loss of revenue, regulatory censure, litigation, negative publicity, loss of client business (current or potential), reduced staff morale and difficulty in attracting new talent to the business.</p>	<p>The Board sets the Group's cultural tone by demanding a strong ethical and professional culture as the only acceptable standard.</p> <p>We have rigorous policies, procedures and controls in place to ensure that our activities and behaviour are of a high standard.</p> <p>All new clients and transactions are subject to a rigorous appraisal process by the New Business Committee and, in respect of transactions, a further review by the Transaction Risk Committee immediately prior to launch or document publication.</p> <p>We place great emphasis on employing and adding highly experienced senior staff who are closely engaged with clients.</p> <p>We proactively engage with stakeholders and market practitioners as well as monitoring media coverage to understand how our reputation is perceived.</p> <p> <b>Read more on pages 16 to 19</b></p>	<p>Our continual client base growth provides evidence that our reputation remains strong, despite an increase in economic uncertainty.</p> <p>We were voted top-ranked UK Small and Mid Caps Brokerage Firm by institutions for the seventh year in a row in the 2019 Extel survey.</p> <p>We believe that our track record and reputation have been significant factors in our ability to attract highly respected individuals to the business.</p> <p>No material change in residual risk after mitigating actions.</p> <p style="text-align: right;"></p>

**Macroeconomic risk**

4 5



The risk that deterioration in the business and economic environment, or an increase in political instability, could adversely affect the financial condition and prospects of our business.

The uncertainty following the UK's decision to leave the EU is likely to continue until the exact nature of the future relationship with the EU becomes clear. Potential risks include:

- Whilst a small percentage of our core business comes from EU clients, changes to current EU passporting rights will likely restrict our ability to carry out certain activities with EU clients. Our electronic trading and private markets business lines may also be impacted.
- Sterling could be further devalued which in turn may lead to inflation and increasing interest rates. This in turn, creates an increased risk of a UK recession, which would likely negatively impact our investment banking transaction levels.
- Increased market risk with the impact on the value of our trading book positions.
- Changes in laws and regulations as the UK transitions away from the EU legal framework could result in uncertainty and costs to our business.

We have built a substantial corporate and institutional client base that positions us relatively well during periods of economic downturn. We generate significant retainer fees which would not be significantly impacted by reduced transaction levels.

Whilst we carry out business for non-UK EU clients, this is a small overall percentage of our overall revenues. As a result, we do not envisage a material reduction in revenues as a result of the UK's withdrawal from the EU.

We continue to seek to diversify business lines with a number of new senior hires into complementary product lines during the year.

 **Read more on pages 6 and 7, 16 to 19**

Increase in residual risk after mitigating actions.

**Reputational risk**

1 2 4 5



The risk of loss resulting from damage to our reputation due to, for example, a reduction of trust in our integrity or competence. This in turn could lead to loss of revenue, regulatory censure, litigation, negative publicity, loss of client business (current or potential), reduced staff morale and difficulty in attracting new talent to the business.


The Board sets the Group's cultural tone by demanding a strong ethical and professional culture as the only acceptable standard.

We have rigorous policies, procedures and controls in place to ensure that our activities and behaviour are of a high standard.

All new clients and transactions are subject to a rigorous appraisal process by the New Business Committee and, in respect of transactions, a further review by the Transaction Risk Committee immediately prior to launch or document publication.

We place great emphasis on employing and adding highly experienced senior staff who are closely engaged with clients.

We proactively engage with stakeholders and market practitioners as well as monitoring media coverage to understand how our reputation is perceived.

 **Read more on pages 16 to 19**

Our continual client base growth provides evidence that our reputation remains strong, despite an increase in economic uncertainty.

We were voted top-ranked UK Small and Mid Caps Brokerage Firm by institutions for the seventh year in a row in the 2019 Extel survey.

We believe that our track record and reputation have been significant factors in our ability to attract highly respected individuals to the business.

No material change in residual risk after mitigating actions.

We live our values day in, day out



# Creativity

We dare to challenge convention and are innovative in our origination and execution.

- We are nimble and entrepreneurial with none of the traditional cultural and structural constraints
- Our ability to overcome challenges allows us to evolve and we constantly strive to anticipate the rapidly changing needs of our industry
- We encourage and empower our people to challenge convention and value original thinking

## Creativity in action

It could be an innovative bespoke approach to a particular acquisition that secures a successful outcome for a corporate client. Or a highly tailored research report for an institutional investor that gets to the heart of a new and valuable insight into a particular sector. It is essentially about coming up with and delivering new and better ways of doing things for our clients. That for us is creativity.



- Strategic Report
- **Governance**
- Financial Statements
- Other Information



## Governance

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# Board of Directors

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.

**Q**

bb We asked our Board of Directors what striving to be the investment bank of a generation means to them.

**Committees key**

- (N) Nominations
- (A) Audit
- (R) Risk
- (Re) Remuneration
- Chairman
- Member

**Executive Directors**



bb The client experience is at the heart of our decisions

**Alex Ham**  
Co-Chief Executive Officer – appointed July 2016 (appointed Co-CEO Sept 2016)

Alex Ham is Co-CEO of Numis and Head of Investment Banking. Alex together with Ross Mitchinson is jointly responsible for Numis' strategic development as well as the executive management of the Group. Alex is responsible for overseeing the implementation and delivery of the business strategy and oversees management's delivery against it. Through effective leadership, combined with the support of a collaborative management team, Alex leads and motivates the Company to execute the business strategy.

**Key strengths:** Alex's ability to think outside the box has encouraged Numis and its staff to be more creative and innovative in its approach to achieving its business goals, especially in regard to Investment Banking. Experience gained over a 14 year period has provided Alex with a strong background in strategy, relationship building, communication skills and execution, attributes essential to the continued success in the role as Co-CEO. This collaborative management style which promotes creativity and new opportunities, whilst cognisant of the challenges and risks associated with new decisions, often leads to greater unforeseen opportunities. Numis is proud that its Co-CEOs have the ability to inspire and lead staff to make the most of their potential so that they have the tools to succeed and develop personally and professionally. Alex's confidence in embracing new methodologies to provide solutions to client business strategies encourages Numis to continue to think laterally as well as logically of its business model and how to execute it.

**Background and career:** Alex joined Numis' Corporate Broking team in August 2005 where he has played a critical role in building and developing Numis' retained corporate client base and equity capital markets capability. He was appointed Head of Investment Banking in May 2015.



bb Being agile and innovative in everything that we do

**Ross Mitchinson**  
Co-Chief Executive Officer – appointed July 2016 (appointed Co-CEO Sept 2016)

Ross Mitchinson is Co-CEO of Numis and Head of Equities. Ross together with Alex is jointly responsible for Numis' strategic development as well as the day to day management of the main trading entity, Numis Securities Limited. They undertake joint responsibility for overseeing the implementation and delivery of the business strategy. This is achieved through a combined collaborative and open management style for the shared purpose of promoting the business for the good of staff, shareholders and stakeholders.

**Key strengths:** As a former top-rated Equity Salesperson, Ross is an experienced stock market practitioner, and is very familiar with the needs and requirements of Numis' institutional client base. As Head of Equities, Ross has day-to-day oversight responsibility for the Research, Sales, Trading and Sales-Trading functions, as well as sitting on the Board of Numis Securities Inc. Ross' key skills include being highly numerate and analytical, holding senior-level relationships across our institutional client base, marketing our services to win and retain corporate business, overseeing trading and risk, and ensuring that the business is mindful of relevant regulation and works to the highest standards of integrity. Ross' management style and transparent open communication approach has contributed to building successful, loyal and enduring relationships with both clients and staff. Numis is proud to embrace and promote these qualities which create a healthy and collaborative work environment which inspires staff to succeed.

**Background and career:** Ross joined Numis in October 2008, was appointed Head of Equities in 2015 and appointed to the PLC Board July 2016. Ross graduated with a Law degree from Edinburgh University, before joining UBS as a Graduate in 2000. He was part of their No1 rated Pan-European Small and Mid-Cap Sales Team for six years, before spending two years helping to build a UK Institutional Broking business for Kaupthing Singer & Friedlander.



bb Financial strength to enable superior service

**Andrew Holloway**  
Chief Financial Officer and Company Secretary – appointed January 2018

Andrew Holloway is an Executive Director and Chief Financial Officer of Numis. Andrew is responsible for the preparation and integrity of the Group's financial information and effectiveness of its internal control framework. Andrew supports the Co-CEOs in the development, implementation and oversight of the Group's strategy.

**Key strengths:** Andrew has significant industry experience gained over the course of a 15 year investment banking career as well as a deep understanding of Numis, the business model and the culture of the organisation. Andrew has worked predominantly with financial services companies supporting them in achieving their growth ambitions by providing strategic and financial intelligence. Andrew has applied data-driven analytical focus to Numis' risk management and financial and corporate operations. By leveraging Numis' data and enhanced MIS, more accurate corporate information is assessed which helps the Board to make better and more informed strategic decisions.

**Background and career:** Andrew qualified as a chartered accountant having spent three years with Deloitte before moving into investment banking where he spent four years in the UK Corporate Finance team at Dresdner Kleinwort. Andrew joined the Corporate Broking & Advisory team at Numis in 2009 progressing to Managing Director and head of the FIG team in 2016.



## Non-Executive Directors



•• A strong decision-making process

**Alan Carruthers**  
Non-Executive Chairman –  
appointed March 2017

Alan Carruthers is the independent Non-Executive Chairman of Numis and chairs the Nominations Committee. Alan in his role as Chairman leads the Board and sets the agenda, ensuring the Board discharges its role effectively through effective constructive relationships with the Co-CEOs and Non-Executive Board members. In his role as Chairman, Alan is also responsible for ensuring that the Board's decision-making is balanced, effective and is composed of the right mix of skills and experience. This balance promotes a culture of transparency, challenge and scrutiny whilst maintaining effective communications with shareholders and stakeholders.

**Key strengths:** Alan is an experienced financial services practitioner, having had an established career in the Investment Banking sector. Since Alan's appointment in 2017, he has navigated the Board through significant change. Alan's track record of focusing on strategy has guided the Board to articulate a strategy that is embedded in the business and one which shareholders and stakeholders support and are engaged with.

**Background and career:** Alan has over 27 years equity markets experience working for leading financial services firms and held senior positions as Head of Global Sales Trading at Morgan Stanley (1996-2003), Global Head of Equities at Cazenove (2003-2010) and Head of Europe, Middle East and Africa (EMEA) Cash Equities at JP Morgan Cazenove (2010-2011).

Alan is the Non-Executive Chairman of Brooks Macdonald Group Plc and has served as a Non-Executive Director to Hydrodec Group Plc (2012-2016) and was a member of the Audit and Remuneration Committees. Alan also served as a Non-Executive Director to McLean Advisory Limited (2015-2017).

**Committee membership**

(N)



•• Ensuring we balance risks and opportunities

**Luke Savage**  
Non-Executive Director –  
appointed February 2019

Luke Savage is an independent Non-Executive Director of Numis and chairs both the Audit Committee and the Risk Committee. Luke is also a member of the Remuneration Committee and the Nominations Committee.

**Key strengths:** Luke is an experienced practitioner, having over 30 years of experience across the financial services industry including substantial financial management, risk management and regulatory expertise. Luke's focus on risk awareness, risk accountability, plus attention to detail, review and challenge of business risks and of Numis' risk appetite have contributed to Numis building a robust risk management framework. Luke's extensive experience of the financial services industry provides Numis with valuable independent challenge and oversight skills which complement the range of skills of the existing Board members.

**Background and career:** Luke's most recent position was as CFO of Standard Life Plc (2014-2017). In addition, he was CFO of Lloyd's of London Corporation (2004-2014) and held senior financial roles at Deutsche Bank (2000-2004) and Morgan Stanley (1990-1999). Luke is currently a director of Liverpool Victoria Friendly Society, Queen Mary, University of London Foundation, DWF Group PLC and Lutine Yachts Limited.

**Committee membership**

(N) (A) (R) (Re)



•• People who go the extra mile to deliver outstanding service

**Catherine James**  
Independent Non-Executive Director –  
appointed May 2014

Catherine James is an independent Non-Executive Director of Numis and a member of the Audit Committee, Risk Committee, Remuneration Committee and Nominations Committee. Catherine is the nominated director to champion and lead Numis' formal employee engagement initiative so that Numis better understands and ensures staff views are aligned with the culture and strategy of the business.

**Key strengths:** Catherine's broad range of experience and influence, across both external and internal communications coupled with her strategic thinking and financial expertise in the public markets combine to make her a highly regarded director and valued contributor to the Board. Catherine's excellent communication skills will be important as we embark on enhancing our employee engagement responsibilities. The engagement and feedback process will provide the Board with a unique perspective and insight on the issues under discussion and which are important to our employees.

**Background and career:** Catherine was the Head of Investor Relations of Diageo Plc where she worked for the business for ten years (1997-2017). Prior to that Catherine worked as Finance Director of Grand Metropolitan Estates and IR Director for Grand Metropolitan (prior to the merger with Diageo in 1997).

Catherine is a Trustee of the Diageo Pension Scheme and a director of Walhampton Limited and an adviser to Tulchan Communications LLP. Catherine has recently been appointed Treasurer to TRH The Prince of Wales and the Duchess of Cornwall.

**Committee membership**

(N) (A) (R) (Re)



•• Rewarding our people appropriately as they deliver against our strategy

**Robert Sutton**  
Independent Non-Executive Director –  
appointed May 2014

Robert Sutton is an independent Non-Executive Director of Numis and chairs the Remuneration Committee. Robert is also a member of the Audit Committee, Risk Committee and the Nominations Committee.

**Key strengths:** Robert has extensive management experience and expertise in company and commercial law, particularly in the area of corporate finance, securities law and practice, takeover bids and mergers and acquisitions. Robert's keen sense of challenge and his analytical understanding of the regulatory and corporate governance environment combined with his comprehensive knowledge of legal process, provides valuable guidance to the Board and its Committees.

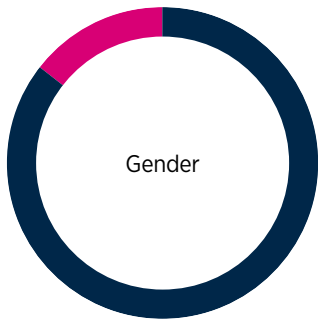
**Background and career:** Robert was a solicitor with the City Law firm Macfarlanes from 1979 to 2013, serving as senior partner from 1999 to 2008. Robert is Chairman of Tulchan Communications LLP.

**Committee membership**

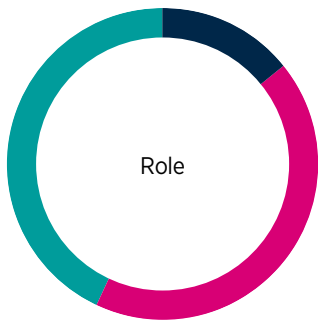
(N) (A) (R) (Re)

# Corporate Governance at a glance

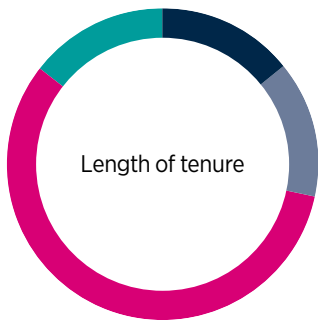
The Board supports the QCA Code's corporate governance principles.



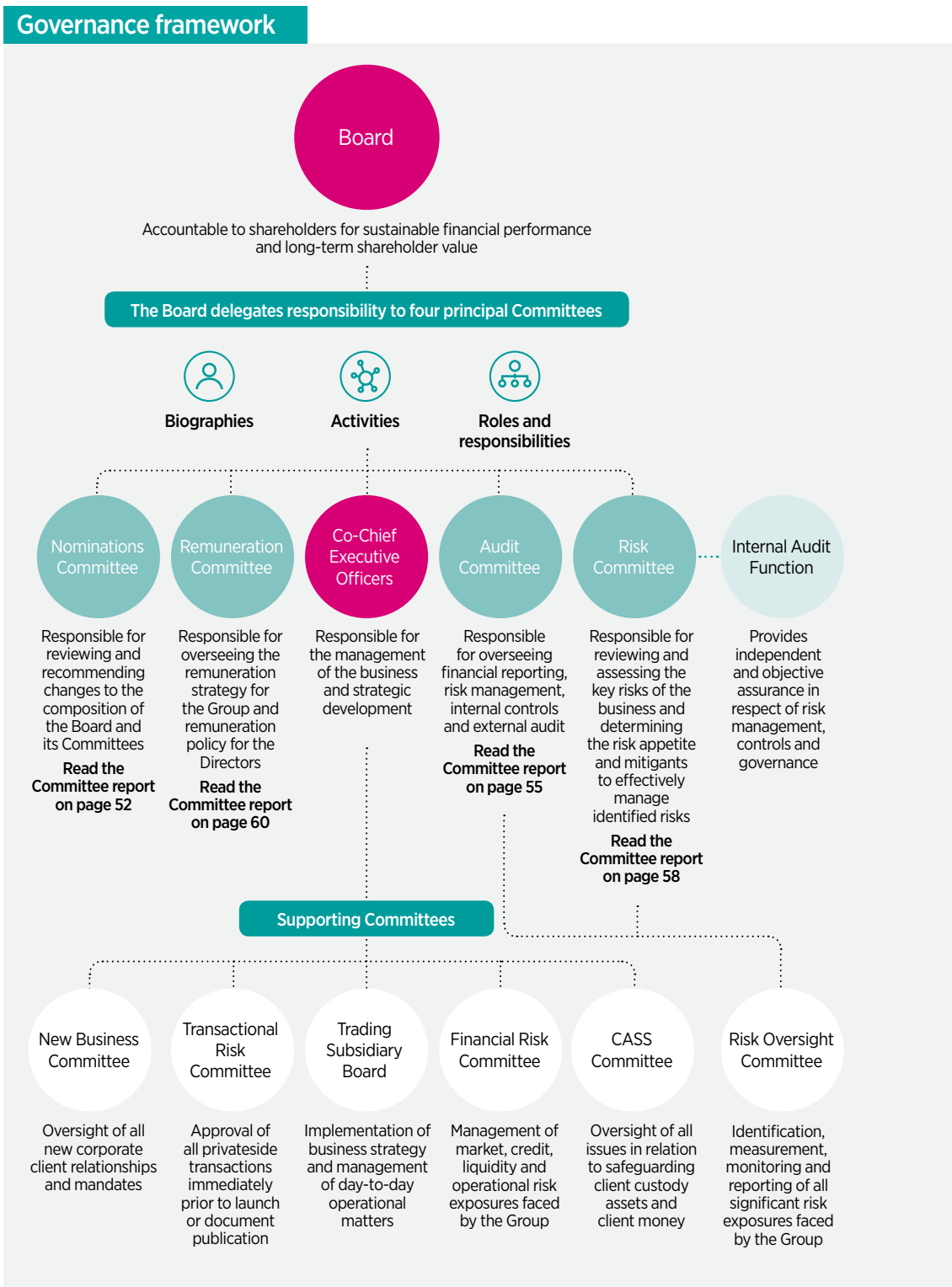
Male	6
Female	1



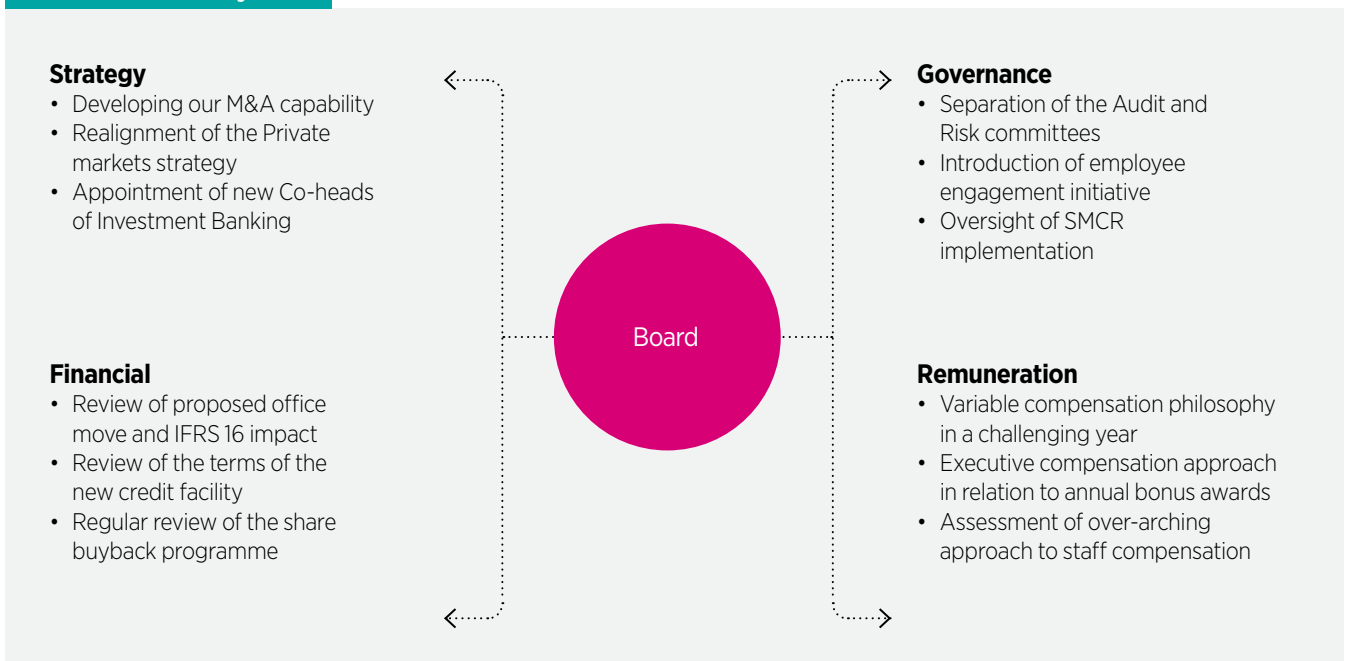
Chair	1
Executive Directors	3
Non-Executive Directors	3



0-1 Years	1
1-2 Years	1
2-5 Years	4
5-10 Years	0
10+ Years	1



## Focus areas this year



## Composition of the Board and Committees of the Board 2019

	Position	Board		Committee membership				
	At 30 September 2019 or retirement if earlier	Maximum possible attendance	Meetings attended	Nominations Committee	Audit Committee	Risk Committee	Remuneration Committee	Considered Independent
Alan Carruthers	Chairman (Non-Executive)	7	7	***✓				✓
Alex Ham	Co-Chief Executive Officer	7	7					
Ross Mitchinson	Co-Chief Executive Officer	7	7					
Andrew Holloway	Chief Financial Officer	7	7					
Luke Savage*	Non-Executive Director	5	5		***✓	***✓	✓	✓
Geoffrey Vero**	Non-Executive Director	2	2	✓	****✓		✓	✓
Robert Sutton	Non-Executive Director	7	7	✓	✓	✓	***✓	✓
Catherine James	Non-Executive Director	7	6	✓	✓	✓	✓	✓

\* Luke Savage (Non-Executive Director and Chairman of the Audit Committee and Risk Committee) appointed 5 February 2019.

\*\* Geoffrey Vero (Non-Executive Director and Chairman of the Audit & Risk Committee) retired 5 February 2019.

\*\*\* Chairman.

\*\*\*\* Chairman part of the year.

# Corporate Governance Report & Statement of Compliance 2019



Strong governance provides an essential foundation for Numis to achieve its ambitions and in so doing create sustainable growth and shareholder value.

**Compliance with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 (the “QCA Code”)**

The Board of Directors has applied the QCA Code since September 2018 having considered the principles of good governance and standards of good practice in relation to Board leadership and effectiveness, corporate culture based on ethical values and behaviours, remuneration, accountability and its relations and communication with shareholders/stakeholders. The Board continues to support the QCA Code’s corporate governance principles and believes they provide a mechanism that is both sufficiently robust to add real value for Numis as well as flexibility to reflect the different governance needs and abilities of a quoted business like Numis. The Board believes that it complies with all of the principles of the QCA Code.

The following report sets out how Numis has measured itself against these principles in terms of the rules and spirit of good corporate governance.

A copy of the QCA Code is available from [www.theqca.com](http://www.theqca.com)

**Dear Shareholder**

I am pleased to present the Boards Governance Report for the year ended 30 September 2019.

Numis seeks to deliver growth in the medium to long term to enhance shareholder value and this we believe is achieved through having an effective governance framework, an efficient and dynamic management organisation combined with good communication which helps to promote confidence and trust with shareholders, stakeholders and staff. Numis recognises its responsibility to create sustainable growth and shareholder value, whilst also reducing or mitigating risk. Our guiding principles of partnership, integrity, excellence in performance and conduct, quality and ethical behaviours to do the right thing are aligned with the risk profile of the business. Numis has developed a corporate governance policy with two perspectives in mind: (i) a rule-based approach and (ii) a spirit-based approach. The corporate governance framework which Numis operates is proportional to the size, risks, complexity and operations of the business and reflects the Group’s values of partnership, excellence, dynamism and creativity. To achieve the Group’s goals the Board remains committed to continue to develop best practices throughout the business, lead by example, and set standards for behaviours and conduct expected of all staff in their actions within the business and in dealings with clients and stakeholders.

**Strategy**

At Numis, we place the client and shareholders at the heart of our business to build long-term trusted relationships founded on integrity, trust and mutual ambitions. We execute our strategy through an integrated business model, where we harness the combined expertise of the firm to the benefit of our clients. Our first-class staff, who embody Numis’ values, culture and conduct, are focused on growing and developing the business. Through our operating model, we are open to diversification into new business lines that complement and/or are closely aligned to our core business, while remaining cognisant that robust risk management is embedded into our culture and conduct. Investment in high quality people is critical to sustaining success and achieving our medium and long-term ambitions. Through selective recruitment and internal development initiatives, we will continue to seek to advance the quality of service we provide to all our clients.

## Governance Structure & Strategy

### QCA 10 Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

#### Deliver growth

1. Establish a strategy and business model which promote long-term value for shareholders (disclosure: see pages 10 to 13 of the Annual Report 2019)
2. Seek to understand and meet shareholder needs and expectations (disclosure: see pages 16 to 37 of the Annual Report 2019)
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success (disclosure: see pages 24 to 26 of the Annual Report 2019)
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation (disclosure: see pages 30 to 37 and 44 to 51 of the Annual Report 2019)

#### Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chairman (disclosure: see pages 44 to 48 of the Annual Report 2019)
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (disclosure: see pages 40 and 41 of the Annual Report 2019)
7. Evaluate Board performance based on clear and relevant objectives, seek continuous improvement (disclosure: see pages 49 to 51 of the Annual Report 2019)
8. Promote a corporate culture that is based on ethical values and behaviours (disclosure: see pages 44 to 46 of the Annual Report 2019)
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (disclosure: see pages 44 to 51 of the Annual Report 2019)

#### Build trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (disclosure: see pages 24, 51 and 54 of the Annual Report 2019)

Our strategy is embedded in a focus to concentrate on markets where we have a competitive advantage and the opportunity to make a tangible difference. By placing our clients' interests first and delivering exceptional client service in the provision of high quality research combined with powerful international distribution, expert advisory and broking services delivered by highly talented and skilled professionals, we seek to deliver a strategy that benefits clients, shareholders and staff. Maintaining a rigorous and disciplined approach to our operational effectiveness and management of risk, through robust processes, systems and controls which are embedded in our culture and working practices, is key to achieving success in delivering shareholder value. We encourage an entrepreneurial, creative and dynamic commercial culture focused on generating value and the Board ensures that all relevant risk exposures are managed and mitigated.

Further information on our strategy and how we mitigate the key risks to which the business is exposed is set out on pages 10 to 13 and 30 to 37 of this Annual Report.

#### Leadership

Strong leadership is key to Numis' success. Our talented Executive Board has the ability to collaborate, delegate, inspire and communicate effectively combined with a passion for the business to be innovative and entrepreneurial.

#### Culture

The Board is dedicated to leading and promoting a corporate culture where staff and clients are proud. The Board recognises that the Group's employees are its greatest asset and, ultimately, are the key factor in determining the long-term success of the business. A healthy corporate culture both protects and generates value. The Board actively promotes a corporate culture that embodies trust, honesty and integrity and is cognisant of its responsibility to ensure this culture is embedded in the fabric of the business through the behaviours of staff and relations with stakeholders.



# Corporate Governance Report & Statement of Compliance 2019

continued

Building on this commitment, in 2019 the Board appointed Catherine James, Non-Executive Director, as the champion for employee engagement. More information can be found on page 54 of this Annual Report.

We have focused on articulating our core values and culture over the past year. In doing so we have redefined our core values as partnership, excellence, dynamism and creativity. These four values are at the heart of our culture. Our staff have contributed significantly to developing and articulating these values and understand the associated behaviours that are expected in order to act as culture carriers for the firm. The Board believes that the collaboration of staff in redefining our corporate values demonstrates Numis' ability to think creatively and innovatively and reflects how we consider, behave and approach all interactions, both internally and externally with clients, staff and stakeholders. This consensus of our values and culture provides a collaborative inclusive and supportive working environment which creates value for clients and stakeholders.

## Board meetings

The Board is responsible to the shareholders for the management of the Company and meets formally seven times a year and on an ad-hoc basis as required. The formal meetings are scheduled in advance at the start of the financial year and a formal agenda of matters for discussion is circulated in advance of each meeting. This agenda includes reviewing financial performance, assessing and reviewing the Group's strategy in the context of a broader market outlook, future forecasting, an update on investor relations and an update on any regulatory or compliance matters. All key operational and investment decisions are subject to Board approval. The Board provides overall strategic direction to the executive management by monitoring the operating and financial results against budgets and targets; reviewing the performance of management; assessing the adequacy of risk management systems; and monitoring their application.

## Composition of the Board

The Board comprises four independent Non-Executive Directors: Alan Carruthers (Non-Executive Chairman), Catherine James, Robert Sutton and Luke Savage. The Non-Executive Directors provide a minimum time commitment of between 15-20 days per annum to the business.

The Executive Directors of the Board (each a full-time employee) comprise Alex Ham and Ross Mitchinson, the Co-CEOs (sharing the role of Chief Executive Officer), and Andrew Holloway, the Chief Financial Officer (CFO). The Executive and Non-Executive Directors are collectively responsible for promoting the long-term success of the Group and setting and executing Numis' business strategy. The respective roles of Executive and Non-Executive Directors are strictly delineated.

The Company embraces diversity and is dedicated to encouraging inclusion. The Board membership comprises of individuals who have a wide range of diverse experience and skills and each bring a unique perspective to debate at Board level.

The Executive Directors have responsibility for the business operations of the Group and are responsible for implementing the strategy of the Board and managing the day-to-day business activities of the Company. The Non-Executive Directors are responsible for bringing independent judgement to Board decisions and add perspectives beyond the day-to-day operations.

The role of the Chairman is to lead and oversee the Board, ensuring that the Board's decision-making is balanced, effective and is composed of the right mix of skills and experience. The Chairman is also responsible for promoting a culture of constructive challenge, openness and scrutiny.

The Co-CEOs are responsible for the executive management of the Group and its business on a day-to-day basis. This includes making recommendations to the Board in respect of strategy.

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved through its own decision-making and by delegating responsibilities to the Board Committees and authority to manage the business to the Co-CEOs.

The Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. All Directors receive regular updates and training on legal, regulatory and governance issues. External advisers and legal counsel present to the Board regularly on thematic topics, providing training that is relevant to the business and to keep them abreast with developments of governance and AIM regulations. All Directors have access to the Company's NOMAD, Company Secretary, lawyers and auditors (internal and external) and are able to obtain independent advice from other external professionals as and when required. Internal and external training and development programmes have been designed and tailored to the specific requirements of the Directors to enhance their existing skills and are periodically revised to ensure training remains current and relevant. In addition, there are regular "deep dives" from across the business at Board and Committee level to ensure the Directors' understanding of the operational aspects and challenges faced by the business remains current.

Biographical details, skills and experience of each Director can be found on pages 40 and 41.

#### **Role of the Board**

All Directors of the Board are required to attend each of the scheduled Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their responsibilities and duties as statutory directors. All Directors are properly briefed to enable them to discharge their duties, via regular update calls, the provision of detailed management accounts, Board papers and Board packs which are distributed several days in advance of formal scheduled meetings. There were seven formal scheduled director meetings of the Board convened in 2019. Each meeting had a planned agenda of business for consideration/discussion.

Non-Executive Directors also attend, by invitation and on a rotational basis, the Board meetings of the main trading entity, Numis Securities Limited. There were nine formal director meetings of the trading entity, Numis Securities Limited, during the financial year and seven of those meetings had a Non-Executive Director in attendance. By attending these meetings, Non-Executives gain valuable insights into the workings of the subsidiary Board and an understanding of the day-day business and operational challenges faced by the Executives.

There are certain matters which are reserved for the Board as a whole to consider. A copy of the Matters Reserved for the Board is available on the Company's website [www.numis.com](http://www.numis.com). The Terms of Reference are reviewed and updated on a periodic basis.

#### **Matters routinely discussed at the PLC Board meetings include:**

- The Group's strategy and associated risks
- Acquisitions, disposals and other material transactions
- Financial performance of the business and approval of annual budgets, the half year results, Annual Report and Accounts and dividends
- Appointments to and removal from the Board and Committees of the Board
- Risk management strategy and risk appetite
- Remuneration policy
- Evaluation of its performance and that of its Committees
- Communication with shareholders
- Actual or potential conflicts of interest relating to any Director
- Changes relating to the Group's capital structure

#### **Board meetings and process**

##### **Start of the year**

- A yearly planner is prepared by the Company Secretary to map out the flow of key items of business to the Board
- Board venues are agreed and invitations to present at formal Board meetings by senior management and operational staff are circulated. External professionals are also invited to present on topical regulatory or thematic points of interest as and when required

##### **Agenda**

- The Chairman holds meetings to review the draft agenda and planner with the Company Secretary and CFO, as well as meeting with a wider group of senior management to identify emerging issues
- The draft Board agenda is discussed between the Chairman and Co-CEOs
- Additional items may be added to the agenda in response to external events, internal business driven operational events, Non-Executive Director requests and regulatory initiatives

##### **Board papers and distribution**

- Board papers presented to the Board for discussion adhere to an in-house format to ensure consistency and high quality information
- Board packs are uploaded and communicated to all Directors via a secure electronic portal typically four to five days in advance of each meeting, to ensure sufficient time to review the matters which are to be discussed and seek clarification or any additional information

# Corporate Governance Report & Statement of Compliance 2019

continued

## Before the meeting

- Executive meetings are held ahead of all Board and Committee meetings to ensure that the matters under discussion have been through an appropriate discussion and escalation process
- Committee meetings are mostly held prior to Board meetings. The Chairman of each Committee delivers a formal report on the matters discussed to the Board
- Board meetings have a number of standing business items which include a report from each of the Co-CEOs, CFO on Group performance, from the HR Director and Head of Legal, Risk & Compliance. Additionally, reports from the Chairman of Committees and principal subsidiaries are delivered
- Topics for deep dives or additional items are discussed when required and include business, governance and regulatory updates
- The Board makes use of technology with teleconferencing, a Board portal and tablets/devices at its meetings

## After the meeting

- Minutes and matters arising from the meeting are produced and circulated to the Chairman and Directors for review and feedback. An action list is created and those responsible for matters arising are asked to provide updates on a timely basis

## Board independence

Numis considers there to be sufficient independence of the Board and that all the Non-Executive Directors are of sufficient competence and calibre to add strength, objectivity and constructive challenge to the Board, bringing considerable experience in terms of their respective knowledge and expertise. Where necessary, the Company facilitates Non-Executive Directors obtaining specialist external advice from appropriate advisers.

## Committees of the Board

The Board has a broad range of skills and capabilities required to direct the Group and has delegated some of the responsibilities to its Audit Committee, Risk Committee, Remuneration Committee and Nominations Committee.

Each Committee has appropriate Terms of Reference which have been approved by the Board. These can be found on the Company's website [www.numis.com](http://www.numis.com).

## Audit Committee and Risk Committee

In 2019 the Board decided to split the function of its Audit & Risk Committee into separate independent committees of the Board. The main purpose is to enhance the focus of reporting and accountability around key risks of the business so that appropriate time, energy and resource is devoted to the business' key risk exposures, risk strategies and risk mitigants, as well as considering routine audit matters.

Luke Savage is the independent Chairman of each of those committees (the Audit Committee and the Risk Committee, appointed on 5 February 2019) and the members of each Committee comprise Catherine James and Robert Sutton, each of whom is an independent Non-Executive Director. Each Committee is scheduled to meet four times a year (more often as required) and is responsible for the relationship with the Group's external and internal auditors, the review of the Group's financial reporting, monitoring the quality of internal controls and risk management systems and processes and ensuring that the financial performance of the Group is properly measured and reported on. Both internal and external audit team representations are invited to attend every meeting of each separate committee. Other members of the Board including the Chairman, CFO and Co-CEOs, are invited to attend the meetings as well as the Head of Legal, Risk & Compliance, the Head of Compliance and the Head of Financial Risk. Additionally, representatives from other business sections are invited to the meetings to provide further insight on key areas of risk and risk mitigation, processes and controls to further develop the committees' understanding of the business risks framework.

## Audit Committee

The Audit Committee (the "Committee") is an independent Committee of the Board of Directors responsible for the overall financial reporting of the Company and the Group. It receives reports from the Group's management relating to the Group's risk exposures and mitigating controls as well as detailed findings arising from internal and external audit reviews. The Committee delivers a report on its activities to the Board at each formal Group meeting, appraising the Board on issues discussed with focus on the effectiveness of the internal controls and their operation, as well as issues of risk management and mitigating actions. Additionally, the Committee reports on the Group's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope of internal and external audit, their effectiveness, independence and objectivity taking into account relevant regulatory and professional requirements. The Committee has direct and unrestricted access to the internal audit function and external auditors.

### Risk Committee

The Risk Committee (the “Committee”) is an independent Committee of the Board of Directors that has responsibility for the risk framework, internal control environment and for assessing the appropriateness of the risks that the Group proposes to take in executing its strategy. The Committee makes recommendations to the Board as to risk appetite and tolerance, taking account of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments. Additionally, the Committee considers Numis’ risk management policies, operations and oversight of the business’ risk management framework and will assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the business, the risk management and compliance framework and the governance structure that supports it.

The Audit Committee Report and the Risk Committee Report can be found on pages 55 and 58 of this Annual Report.

A copy of the Terms of Reference of the Audit Committee is available on the Company’s website [www.numis.com](http://www.numis.com).

A copy of the Terms of Reference of the Risk Committee is available on the Company’s website [www.numis.com](http://www.numis.com).

A copy of the Internal Audit Charter of KPMG is available on the Company’s website [www.numis.com](http://www.numis.com).

### Remuneration Committee

The Remuneration Committee (“the Committee”) comprises three Non-Executive Directors: Robert Sutton (Chairman of the Committee), Catherine James and Luke Savage. The Remuneration Committee is scheduled to meet four times a year. Other members of the Board, in particular the Chairman, the Co-CEOs, CFO and the Head of Human Resources may attend by invitation. The Committee’s primary responsibility is to review salary levels, discretionary variable remuneration and the terms and conditions of service of the Executive Directors. The Remuneration Committee also reviews the compensation decisions made in respect of all other senior executives and those members of staff who are designated as Code Staff under the FCA’s Remuneration Code regulations.

The Committee is responsible for determining the overarching remuneration policy applied by the Group, including the quantum of variable remuneration and the method of delivery, taking into account relevant regulatory and corporate governance developments. The Remuneration Committee is authorised to seek any information it requires in order to perform its duties and obtain external legal or other professional advice that it considers necessary from time to time.

A copy of the Remuneration Committee’s Report can be found on pages 60 to 67 of this Annual Report.

A copy of the Terms of Reference of the Remuneration Committee is available on the Company’s website [www.numis.com](http://www.numis.com).

### Nominations Committee

The Nominations Committee (“the Committee”) comprises Alan Carruthers (Chairman), Luke Savage, Robert Sutton and Catherine James who are all independent Non-Executive Directors. Other members of the Board and the Head of Human Resources may attend by invitation. The Committee considers appointments to the Board and to the subsidiary Board and meets as necessary to consider wider succession initiatives and succession planning across the business. The Committee is responsible for identifying and nominating candidates, for making recommendations on Board composition and for considering succession planning requirements to ensure that the requisite skills and expertise are available to the Board to address future challenges, opportunities and strategy objectives of the business.

A copy of the Terms of Reference of the Nominations Committee is available on the Company’s website [www.numis.com](http://www.numis.com).

### Development and support

On joining the Board, new members receive a comprehensive induction, involving meetings with senior employees and the external advisers. Individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues. There is a regular flow of information to the Board to keep Directors up to date with the business. Both the Board and each Committee of the Board has access to independent advice at the Company’s expense.

### Board evaluation

Good governance is an essential factor in running a successful company. It builds upon strong foundations of legal and regulatory compliance by adding robust accountability, transparency and ethical behaviours. Numis takes governance seriously and supports the continuous improvement of its Board to lead the Company in delivering its objectives. Numis’ Board is committed to learning and improving and undertakes a regular Board evaluation process as part of its commitment to achieving these goals.

# Corporate Governance Report & Statement of Compliance 2019

continued

The Non-Executive Chairman of the Board undertakes the formal internal annual evaluation process of the Board and of its own performance and that of its Committees. The evaluation process includes a written questionnaire and confidential one-to-one interviews between the Chairman and each Director. The review assesses the effectiveness of all aspects of the Board and of its Committees and includes composition, experience, dynamics, the Chairman's leadership, and the Board's role and responsibilities in connection with strategy, oversight of risk and succession planning. Directors are encouraged to provide feedback on their individual performance as well as on the other members of the Board and on their individual effectiveness. The formal evaluation process takes place annually and is supported by regular contact between the Chairman and each Director to allow any matters to be addressed on a timely basis.

The Chairman is responsible for assessing the feedback and reporting his findings to the Board. The outcomes and principal findings are discussed with the Board at a formal meeting and where appropriate, an action list of objectives, targets and aspirations for the coming year is collated in order that the Board can measure its effectiveness in achieving those targets throughout the year. The performance of each Co-CEO is appraised annually by the Chairman and the performance of the Executive Director (CFO) is appraised annually by the Co-CEOs.

The Board went through a period of significant change during 2016/2017 following review and evaluation of its composition and structure. The Board is satisfied that the existing composition gives an appropriate balance of Executives and Non-Executive Directors. Each Director brings different skills, experience and knowledge to the Company, with Non-Executive Directors bringing additional independent thought, judgement and challenge. Succession planning to ensure the business has the appropriate balance of skill and expertise in order to carry out the strategy of the business will remain a focus during the evaluation process.

## Board effectiveness

Luke Savage was appointed to the Board as a Non-Executive Director as part of the succession planning and following the retirement of Geoffrey Vero, Non-Executive Director. Luke was appointed to the Board following a rigorous recruitment process and was appointed Chairman of the Audit Committee and of the Risk Committee. Luke's suitability, credentials and financial services experience for the role have enhanced the Board's overall skillset. Following Luke's appointment and a review and evaluation of the business' risk profile, the duties of the Audit & Risk Committee have been separated in order that each area of the business has a deeper level of focus. This focus has enabled each Committee to operate in a more constructive and risk based approach facilitating more challenge and differing viewpoints of the business of the Group to be considered.

Following the 2018 Board Evaluation, each Director's performance, including the Co-CEOs and Chairman, has, has been internally reviewed and evaluated. The results of this process were reported to the Board which concluded that the Board and its Committees continue to operate in a constructive and dynamic way, which is collaborative and effective, demonstrating a passion for the business which is innovative and entrepreneurial.

Some of the main themes and recommendations resulting from the 2018 Board Evaluation include:

- Continued focus on strategy delivery/plan target implementation Regular presentations by senior staff and heads of department to the PLC Board
- Greater focus on succession planning (for senior and mid-level employees)
- Employee engagement process/reporting

The Board has continued throughout the year to measure progress against the recommendations resulting from the 2018 Board evaluations and will continue to assess its effectiveness in implementing new processes to achieve the desired targets. In particular, during the recent Board evaluation process, feedback was expressed regarding increased employee engagement and the potential introduction of "skip-level" meetings. There was a collective view that a schedule of such meetings would facilitate greater depth of knowledge of the business and meetings with senior staff outside of the statutory Board members were organised. This initiative has provided opportunity for the PLC Board to challenge and understand culture throughout the business, promote possible succession planning discussions, and assess execution of strategic plans.

In parallel, corporate governance requirements relating to employee engagement are being introduced which Numis will be required to comply with in respect of our financial year ending September 2020, requiring disclosures on the matter to be included in the Annual Report.

In readiness for this additional disclosure, Numis is proud to have implemented this year a schedule of formal employee engagement meetings with Catherine James, Non-Executive Director. Employees from a variety of departments, seniority and tenure across the business have been identified. A wide range of topics have been discussed, ranging from culture, succession and wellbeing to Group strategy implementation. The range of different perspectives has provided the Board with additional valuable insight on Numis' culture and the challenges faced by the business.



External evaluation of the Board's performance has not been conducted to date, given the size and stage of development of the business, but is being considered as the business grows. However, the Chairman continues to assess the individual contribution of each of the members of the Board to ensure that their contribution is relevant and effective; that each Director remains committed and aligned to the business strategy and its corporate values and, where relevant, that they maintain their independence.

#### **Relations with shareholders and other stakeholders**

We recognise the importance of engaging closely and constructively with all our key stakeholders – from shareholders to clients to employees. We engage actively with each of our stakeholder groups in various ways. The common aim is to be open and collaborative so as to build strong long-term relationships where everyone involved can share in the Group's success. More information on our stakeholder engagement can be found on page 24 of this Annual Report.

#### **Whistleblowing**

Numis has a Whistleblowing Policy. Employees may report in confidence, and anonymously if preferred, any concerns they may have about suspected impropriety or wrongdoing in any matters affecting the business. No matters were reported in the year.

#### **Trading subsidiary Board**

The Board of the main trading subsidiary, Numis Securities Limited, chaired by Alex Ham and Ross Mitchinson, deals with the implementation of business strategy and day-to-day operational matters. It met nine times during the year and receives information with respect to the financial performance of the Group together with departmental reports, risk information and other relevant items.

#### **Internal control**

The Board is ultimately responsible for maintaining the Group's risk framework and system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, as such it can provide only reasonable but not absolute assurance against material misstatement or loss.

The Group's system of internal control has been actively managed throughout the year. The Group has a number of committees with formal Terms of Reference and a Compliance department responsible for the Group's adherence to the rules of the Financial Conduct Authority and other relevant regulators.

In addition, the Group has a fully independent, outsourced Internal Audit function reporting to the Audit and Risk Committees in order to provide further assurances over the adequacy and effectiveness of the systems of internal control throughout the business and ensure that the Group's approach to continuous improvement is maintained.

#### **Country-by-country reporting**

The Group's obligation to publish reportable information under Article 89 of the Capital Requirements Directive 4 is fulfilled by the Company through the publication of relevant information on a consolidated basis.

The relevant information can be found on the Group's website, [www.numis.com](http://www.numis.com), within the Legal and Regulatory section.

This report was approved by the Board on 13 December 2019 and signed on its behalf by:



**Alan Carruthers**  
Chairman  
13 December 2019

# Nominations Committee Report



Having the right balance on the Board and its Committees helps to ensure that those bodies discharge their respective duties and responsibilities effectively.

### Members of the Committee

- Alan Carruthers (Chairman)
- Catherine James
- Robert Sutton
- Luke Savage

For full biographies see pages 40 and 41.

### Key activities

- Succession planning for key senior staff
- Review of structure and composition of Committees – separation of Audit and Risk Committees
- Appointment of Catherine James as employee engagement Director

### Dear Shareholder

As Chairman of the Board and of the Nominations Committee I am pleased to present the Nominations Committee Report for the year ended 30 September 2019. The Committee's full Terms of Reference, which are reviewed periodically by the Committee and submitted to the Board for approval, are available on the Company's website [www.numis.com](http://www.numis.com).

The Committee's activities continued to focus on Directors' capabilities, appointments to the PLC Board and to the trading entity Numis Securities Limited, as well as more broad succession planning at senior level across the business. The balance of skills, experience, independence and knowledge on the Board is the responsibility of the Nominations Committee, and is reviewed annually or whenever appointments are considered. Having the right balance on the Board and its Committees helps to ensure that those bodies discharge their respective duties and responsibilities effectively. The Board believes diversity, together with the right blend of skills and experience, is an essential element of an effective Board and facilitates efficient and entrepreneurial management that can deliver shareholder value over the longer term.

The process adhered to when making Board appointments is led by the Nominations Committee, which then makes a recommendation to the Board. During this financial year the Committee recommended and managed the appointment of an additional Non-Executive Director, Luke Savage (appointed 5 February 2019). Luke has brought considerable financial services experience and a new perspective to the business. A robust detailed recruitment and selection process was undertaken by a third-party search firm regarding Luke's appointment. The Board appointments procedure is set out below.

### Board appointments procedure

- The Committee reflects on the Board's balance of skills and experiences and those that would be conducive to the delivery of the Company's strategy prior to commencing any search for prospective Board members
- A recommendation is then made to the Board in respect of the core attributes sought
- An appropriately qualified search firm is engaged and informed of, amongst other things, the experience, technical skills and other capabilities sought, of the time commitment required of any appointee and of Numis' commitment to diversity
- Short-listed candidates are interviewed by as many of the Committee members as is feasible, following which any preferred candidate meets with other Directors
- The Board determines whether to appoint a new Director
- The Committee recommends the appointment to the Board, which subsequently approves them, subject to regulatory approval
- A formal offer is made
- Regulatory applications are made to the FCA in respect of the relevant Director/s, and approval is obtained
- Formal appointment of the Director takes place

### Membership of the Nominations Committee

The Committee is comprised of myself as Chairman, and three independent Non-Executive Directors: Catherine James, Luke Savage and Robert Sutton. The Co-CEOs, CFO and the Head of Human Resources may attend Committee meetings as appropriate.

### Committee meetings

There have been three meetings of the Committee during the financial year with full attendance by committee members. A table of Board and Committee meetings scheduled and information on attendance is set out on page 43.

### Role of the Committee

The purpose of the Committee is to keep the Board's governance, composition, skills, experience, knowledge, independence and succession arrangements under review and to make appropriate recommendations to the Board to ensure the Company's arrangements are consistent with the highest corporate governance standards. The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board with a focus on its core objectives:

- To keep the Board's composition in terms of competency, skills, experience, background and diversity under regular review in response to changing business needs;
- To identify the particular competency and experience base required for a specific Board appointment and conduct the search and selection process adhering to the formal Board appointments procedure;

- To recommend the appointment of new candidates to the Board and the renewal, where appropriate, of existing Non-Executive Director appointments; and
- To review, support and challenge senior management development and succession plans to ensure the Executive team is equipped to oversee governance, financial controls and risk management which are aligned to the business strategy.

### Nominations Committee activity

The Committee reviewed the structure and composition of the Audit & Risk Committee and of the Numis Securities Limited Board. As a result of this review, the Committee in its commitment to support enhanced corporate governance process, approved to split the Audit & Risk Committee into two separate functioning committees of the Board, the Audit Committee and the Risk Committee, the main purpose being to enhance the focus of reporting and accountability around key risks of the business so that appropriate time, energy and resource is devoted to the business' key risk exposures, risk strategies and risk mitigants, as well as considering routine audit matters at a high level.

Luke Savage was recommended and appointed as the independent Non-Executive Chairman to each of those Committees. Luke's extensive experience in risk management was a key driver in the decision to separate the functions of the Audit & Risk Committee and I am pleased to report that the strong discipline in the management of both emerging and existing risks, plus risk culture and appetite, is supporting the Group is achieving the aim of operating as a low-risk business.

The Committee also reviewed the composition of the Numis Securities Limited Board of Directors, to ensure that the trading entity has the correct balance of skills, experience and knowledge relevant to Numis' business strategy and ambitions. Effective succession planning for key senior personnel is a vital role of the Committee which ensures that Numis has the resource and skillset of talent to drive the business. The development of a pipeline of high-calibre candidates from within the business has resulted from Numis mapping succession candidates and opportunities across all senior roles. Senior management mentoring and initiatives for high-potential talent to broaden their skills and experience to prepare them for future senior roles is a key focus of the Committee. Following a comprehensive review, undertaken in conjunction with a focus on the enhanced responsibilities of the new Senior Managers Certificate Regime (SMCR), a change in composition to the Board of the trading entity was recommended. This change ensures that Numis has the right calibre of talented and experienced management to drive our high performance organisation to execute and achieve our strategy, plus deliver sustainable long-term value for our shareholders and stakeholders.

## New appointment



“ I am pleased to be joining Numis at this exciting time. ”

### Luke Savage Independent Non-Executive Director

We are pleased to welcome Luke Savage to the Board. Luke joined the Board in February 2019 as an independent Non-Executive Director of Numis and chairs both the Audit Committee and the Risk Committee. Luke's extensive experience in financial and risk management and strong discipline in the management of both emerging and existing risks plus risk culture and appetite, complements the range of skills of the existing Board members. Luke's contribution to building on our robust risk management framework through his valuable independent challenge and oversight skills, supports the Group is achieving the aim of operating as a low-risk business.

Luke is also a member of the Remuneration Committee and Nominations Committee.

# Nominations Committee Report

continued

Additionally, the Committee also approved the appointment of Catherine James, independent Non-Executive Director, as the Board's employee engagement director. The Committee made a recommendation to the Board as to how the Board would engage with the employees as a key stakeholder following new guidelines. The Board and Committee discussed and agreed the approach to engagement, the methods of gathering and documenting employee views and considering how feedback provided will be presented to and considered by the Board.

Catherine's appointment was recommended to the Board based on her extensive experience and excellent communications talents gained as the Head of Investor Relations of Diageo Plc. Catherine's communication skills are important as we embark on enhancing our employee engagement responsibilities. This additional level of engagement with our employees and the feedback process provides the Board with a unique perspective and insight on the issues which are important to our employees.

Employees from a variety of departments, seniority and tenure across the business were identified and a wide range of topics have been discussed, ranging from culture, succession, wellbeing to Group strategy implementation. The range of different perspectives has provided the Board with additional valuable insight on Numis' culture and the challenges faced by the business.

I am happy to report that our employees are fully engaged with this additional initiative and feedback continues to be encouraging with themes and viewpoints stimulating discussion and debate to encourage a meaningful dialogue between the Board and our employees. Some of the recurring themes that continue to be of focus and importance include culture, support for diversity, inclusion, affirming commitment to increasing women's profile in the workplace and development of talent to lead the next generation of Numis employees.

## Board diversity policy

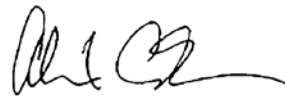
The Committee focused on senior management development/succession and held a number of unscheduled meetings in support of the search for senior appointments and continued to support the ongoing quality, development and capabilities of our senior talent.

The Nominations Committee only engages executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. The Committee has discussed Non-Executive Director appointment and succession and worked closely with executive search agencies in compiling long and short lists of candidates from various backgrounds and industries. Candidates were identified, interviewed and measured against pre-determined criteria. The Board seeks to ensure it remains an effective driver of diversity in its broadest sense, having regard to gender, ethnicity, background, skillset and breadth of experience.

The Committee's performance was reviewed within the framework of the 2019 Board Review and the findings of the evaluation confirmed that the Committee was operating effectively, with an appropriate level of constructive challenge provided by all members and responsive to the additional time requirements by its members for a number of unscheduled meetings to support key Board and senior management appointments during the year.

## Priorities for 2020

The Committee is dedicated to the development of talent and capabilities and will continue to review succession plans for the Board and more broadly in relation to key senior roles across the business. Numis' strategic ambitions to build the investment bank of a generation requires a highly talented pipeline and development initiatives for Directors. Numis' commitment to driving the benefits of a diverse Board, senior management team and wider workforce is underpinned in Numis' approach to diversity and inclusion. Involvement in promoting key campaigns including, International Women's Day, LGBT+ Pride celebrations and Mental Awareness Week has raised awareness and our profile as an inclusive place to work and thrive.



**Alan Carruthers**  
Chairman – Nominations Committee

# Audit Committee Report

- Strategic Report
- **Governance**
- Financial Statements
- Other Information



We have delivered enhanced focus and accountability in relation to both financial reporting and on the key risks which are current, and relevant to Numis as a fast-paced, high performance business.

## Members of the Committee

- Luke Savage (Chairman)
- Catherine James
- Robert Sutton

For full biographies see pages 40 and 41.

## Key activities

- Reviewing the impact of new accounting standards
- Ensuring the rotation of internal audit services
- Monitoring the integrity of financial information contained in the interim and annual Financial Statements

## Dear Shareholder

As Chairman of the Audit Committee I am pleased to present the Committee's report for the year ended 30 September 2019. I joined Numis in February this year, taking over as Chairman of the Committee from Geoffrey Vero who retired. The decision to separate the functions of the Audit & Risk Committee was made and, by separating the activities of the Committee, we have delivered enhanced focus and accountability in relation to both financial reporting and on the key risks which are current, and relevant to Numis as a fast-paced, high performance business. The focus on financial risk, risk exposures, risk management and strategic risk issues brings a renewed rigour to these areas at a time of uncertain markets and has afforded additional time by each Committee to opine on these important issues and agree risk mitigants and appropriate strategies.

The Audit Committee's primary function this year has been to focus on supporting the Board in assessing the integrity of the Group's financial reporting, monitoring the integrity of the Company's financial statements, reviewing the Company's internal financial controls and systems of internal control and managing the relationship with the internal and external auditors. In addition to these principal activities, the Committee continued to assess progress made in respect of internal audit recommendations in respect of internal controls and remediation, plus considered the impact of IFRS 16, the new accounting standard relating to the presentation of leases and their disclosure, particularly relevant to Numis' balance sheet at this time, as we plan to move our office to Gresham Street in 2021.

## Membership of the Audit Committee

I am supported in my role as Chairman of the Audit Committee by Catherine James and Robert Sutton, both of whom are independent Non-Executive Directors (refer to pages 40 and 41 to view their biographies). The Committee is comprised solely of independent Non-Executive Directors. In addition, the Committee meetings are attended by the Chief Financial Officer, Head of Legal, Risk & Compliance, the Head of Compliance, the Head of Financial Risk plus the lead partner and representatives from KPMG LLP (KPMG) our Internal Auditor and lead partner and representatives from PricewaterhouseCoopers LLP (PwC) our external auditors. Others who are invited and attend on a regular basis include Alan Carruthers (Chairman), the Co-CEOs and members of senior management. Members of senior management are invited to attend for those items that are relevant to them and where they provide additional insight on matters under discussion.

As Chairman of the Committee I (and members of the Committee) met with the representatives from both our internal and external audit firms without management present. This direct access allows a discussion forum where any concerns can be raised outside of the formal meetings of the Committee. In addition, I have met privately with the CFO, Head of Risk & Compliance and Head of IT & Operations to gain deeper understanding and insight of Numis' business in order to facilitate meaningful dialogue during Committee meetings. This comprehensive approach enhances the Committee's knowledge so that it can support the business in gaining an in-depth understanding of specific areas of the business.



# Audit Committee Report

## continued

The Committee undertakes an essential role in the Company's framework, providing valuable, independent challenge and oversight across the Company's financial reporting and internal control procedures. This oversight reassures shareholders and stakeholders that their interests are protected and the Company's long-term strategy is supported.

The Board is satisfied that the Committee as a whole has competence and sufficient recent and relevant experience and that the Committee members possess an appropriate level of independence and offer a depth of financial, risk systems and controls and commercial experience in which the Company operates, to discharge its function effectively. The Committee has continued to provide oversight and challenge in respect of the principal financial risks faced by the business in 2019.

### Audit Committee meetings

During the financial year the Committee held four scheduled meetings with full attendance by the members at each Committee meeting. A table of Board and Committee meetings scheduled and information on the attendance of those meetings is set out on page 43.

The Committee is integral to Numis' governance framework through its oversight of the Group's financial reporting, risk management and internal controls, and internal and external audit. The Committee has dedicated significant time during the year to consider regulatory developments and their impact on the Group, including: financial controls; reviewing Client Money and Custody Asset Rules (CASS); reviewing Recovery and Resolution Plans; reviewing the Operating Effectiveness of Enhanced Controls relating to continuing Sponsor Obligations; reviewing the impact and challenging the process supporting the Group's ICAAP submission; and the extensive programme of work towards Senior Managers Certificate Regime (SMCR) compliance and readiness for implementation in December 2019.

The Committee considers at each meeting an agenda that focuses on the quality of financial reporting and key risks impacting the business, plus receives updates on internal control matters. This regular monitoring of the internal control framework allows timely identification of issues and formal tracking of remediation plans. Instances where the effectiveness of internal controls was considered insufficient were discussed during the year, either by the Committee or the full Board.

Reports and dashboards which highlight and monitor changes in the key risks impacting the business including compliance matters, the financial controls framework and internal controls process and systems are considered and debated. The Committee receives detailed updates from one or more business areas at each of its meetings from both management and internal audit. These formal Committee reports and dashboards provide the Committee with analysis and indicators regarding the risk appetite of the business and presentations on key financial reporting, operational risks, legal, compliance and audit matters are delivered to the Committee by management. The Committee has the opportunity at these meetings to challenge management on the controls and process and determines their effectiveness and whether additional controls and mitigants in place are appropriate for the business.

The following is an overview of some of the updates presented during 2018-19 and areas of particular focus:

- Received updates are received from the Group Finance function on significant financial accounting, reporting and disclosure matters
- Reviewed the appropriateness of the Group's accounting and policies, including the going concern presumption
- Considered regular standing items of business for review and approval including clarity of the disclosures relating to accounting judgements and estimates
- Monitored the integrity of the financial information contained in the interim and annual financial statements with focus on key accounting policies, appropriateness and any changes to the accounting policies of the Group including any judgements and estimates and financial controls framework
- Advised the Board on whether the Committee believes the interim and Annual Reports to be fair, balanced and understandable and supported the Board in assessing the integrity of the Group's financial reporting
- Reviewed findings from Internal Audit reviews and how high priority findings are being addressed and followed up by management
- Received regular updates on the Company's extensive programme of work towards Senior Managers Certificate Regime (SMCR) compliance and readiness for implementation December 2019
- Considered the impact of Brexit and the key risks of a potential "no deal" Brexit. Challenged the steps being taken to mitigate the risk of a "no deal"
- Reviewed reports from management and the auditors on the effectiveness of the Group's system of internal financial control including the Risk Map and ICAAP requirements and challenged the Individual Liquidity Adequacy Assessment process
- Reported to the Remuneration Committee any findings in relation to risk matters which may impact its decision on discretionary remuneration payments
- Ensured the tendering, selection and rotation of the internal audit services contract are carried out in accordance with applicable law, regulation and best practice (Grant Thornton LLP rotating after eight years as internal auditor)

- Reviewed the Company's internal controls and risk management processes and their effectiveness
- Maintained the relationship with the external auditor, including monitoring their independence and effectiveness
- Monitored and reviewed the effectiveness and independence of the Company's Internal Audit
- Reviewed the scope of the annual audit and agreement with the external auditor of the key areas of focus
- Approved the annual Internal Audit Plan and Charter and Internal Audit activities
- Reviewed the effectiveness of the Internal Audit function and reviewed all significant Internal Audit recommendations and oversaw progress in addressing these

#### **Appointment of auditor and tenure**

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the external and internal auditor. PwC have provided external audit services to the Group since 2005. The Committee has considered the need for the rotation of the audit firm and is satisfied with the performance of the auditor and does not consider it necessary to put the external audit out to tender. The audit partner changes every five years in accordance with professional guidance. Mr Darren Meek is the current audit partner and he will rotate off from Numis' business following the completion of this year's audit. A new audit partner has been selected following engagement discussions with PwC. There are no contractual obligations restricting the choice of external auditors.

The Committee having considered the above factors considers it appropriate to recommend to the Board and shareholders that PwC be reappointed as auditors at the 2020 Annual General Meeting. PwC have agreed to offer themselves for reappointment as auditors of the Group in accordance with section 487(2) of the Companies Act 2006 and a resolution requesting approval of their appointment and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting, scheduled for 4 February 2020.

The Committee undertook a review of its Internal Audit function and following a recommendation to re-tender for the position, a robust selection process was implemented during 2018. KPMG LLP were selected and took up the position of internal auditor in October 2018.

#### **Committee effectiveness**

In January 2019, the Board conducted an evaluation of its effectiveness, which was facilitated internally. Questionnaires and face-to-face meetings which covered topics such as composition, meeting effectiveness and engagement with the Internal Audit function and with the external auditors PwC, were considered. The findings of the evaluation confirmed that the Committee was operating effectively, is comprised of skilled and experienced members and responses indicated that meetings were well structured with an appropriate level of constructive challenge provided by all members.

The evaluation process identified that the Committee wanted to devote more time to focus on assessing and monitoring the key risks of the business together with its risk framework and risk management strategies, to ensure that the key risks of the business are appropriately managed and understood within the business. As a result, the Risk Committee was established in February 2019 and has met on two occasions during this financial year.



**Luke Savage**  
Chairman – Audit Committee

# Risk Committee Report



The Committee’s role in assessing the key risks of the business and determining the risk appetite and mitigants to effectively manage identified risks is essential to Numis’ success and reputation.

**Members of the Committee**

- Luke Savage (Chairman)
- Catherine James
- Robert Sutton

For full biographies see pages 40 and 41.

**Key activities**

- Review and approve risk management framework
- Monitor and interrogate the Group’s risk management and internal controls
- Determine and assess the appropriateness of the risks of the Group as to risk appetite and tolerance
- Ensuring appropriate governance in relation to the implementation of SMCR

**Dear Shareholder**

I am pleased to present my report as Chairman of the Risk Committee for the year ended 30 September 2019. As previously reported the functions of the Audit & Risk Committee were separated and the Risk Committee was established in February this year to facilitate and enhance our focus of approach to risk management. We are committed to a strong and effective risk management framework. The implementation of robust internal and external governance controls combine to support our ambition to achieve sustainable long-term value for our clients, shareholders and stakeholders, and protects their interests.

The Committee’s role in assessing the key risks of the business and determining the risk appetite and mitigants to effectively manage identified risks is essential to Numis’ success and reputation. Our strong risk management framework ensures that risks are assessed, monitored, controlled and appropriately governed. This approach leads to clear and transparent decision-making, which is observant of both risk and reward.

**Membership of the Risk Committee**

I am supported in my role as Chairman of the Risk Committee by Catherine James and Robert Sutton, both of whom are independent Non-Executive Directors. The Committee is comprised solely of independent Non-Executive Directors. In addition, the Board Chairman, Co-CEOs and CFO are invited to attend Committee meetings along with the Head of Legal, Risk & Compliance, the Head of Compliance, the Head of Financial Risk plus representatives from KPMG LLP (KPMG) our internal auditor and representatives from PricewaterhouseCoopers LLP (PwC) our external auditors. Other members of the senior management team are also invited to attend and expand on those items that are relevant to them and where they provide additional insight on matters under discussion.

The Board is satisfied that the Committee as a whole has competence and sufficient recent and relevant risk management experience and that the Committee members possess an appropriate level of independence and commercial experience in which the Company operates, to discharge its function effectively. The Committee seeks to support the Board in assessing the appropriateness of the risks that the Group proposes to take in executing its strategy and make recommendations to the Board as to risk appetite and tolerance, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments. The Committee’s oversight and challenge of the risk management framework provides reassurance and safeguards that risk assessments are regularly analysed and reviewed, ensures they are relevant, robust and aligned to the risk strategy of the business and in the best interests of our shareholders and stakeholders.

### Risk Committee meetings

Since the establishment of the Committee, there have been two meetings of the Risk Committee during this financial year, with full attendance by all members of the Committee. There are five meetings of the Risk Committee scheduled for FY2020. A table of Board and Committee meetings scheduled and information on the attendance of those meetings is set out on page 43 of the Annual Report.

At Committee meetings held this year, we have enhanced our focus on our key responsibilities which are to review the environment in which the Group is operating and recommend for Board approval Numis' risk appetite. The Committee assures the Board that an effective, robust risk management framework is in place, and that it is reviewed regularly to ensure that the controls, processes and mitigants are appropriate for the business and that the risk conduct and culture of the business is delivered.

The three lines of defence in the management of risk so that there are clear defined roles and responsibilities within the risk framework to identify ongoing risk and effectively manage the key risks of the business is an essential role of the Committee. Rigorous oversight of principal risks, including conduct, regulatory and strategic risks and in the verification of the adequacy and effectiveness of the internal risk and control management systems, the Committee can be assured that the framework to support the management of risk is robust and embedded in the business and its culture. Numis' chosen business model drives many of the key and emerging risks and as a consequence of pursuing these business objectives, the Committee proactively identifies and understands the risks that the business is exposed to and manages those risks appropriately.

The Committee considers at each meeting an agenda that is risk based and focused on the key and emerging risks impacting our business. The Internal Audit function plays an essential role in supporting the Committee through assurances that, following deep dive reviews of business areas, material controls including financial, operational and compliance controls and risk management systems are appropriate and operate effectively. Where enhancements to improve existing controls are agreed, recommendations are communicated to the relevant business area for implementation, the necessary action is taken and progress monitored.

The Committee dedicated significant time during the year to considering regulatory developments and their impact on the Group. The following is an overview of some of the areas of particular focus:

- Received regular updates on the Company's extensive programme of work towards preparing for the introduction of Senior Managers Certificate Regime (SMCR)
- Reviewed operational resilience
- Reviewed change management
- Reviewed cyber security and its growing threat/challenging the impact and initiatives to drive data and cyber security awareness and cultural change across the business on cyber security
- Reviewing and challenging the process supporting the Group's ICAAP and ILAA submission, identifying the key issues impacting the business, and monitoring and challenging the key risks
- Regulatory Common Reporting (COREP)
- Reviewed conduct and culture
- Reviewed financial risk, operational risk, market risk and regulatory risk
- Brexit and a potential "no deal" and the resultant implications and impact on the business
- Reported to the Remuneration Committee any findings in relation to risk matters which may impact its decision on discretionary remuneration payments
- Ensured the selection and rotation of the external audit partner was carried out in accordance with applicable law, regulation and best practice. Mike Wallace takes over from Darren Meek, with effect from FY2020, as the external lead audit partner (PricewaterhouseCoopers LLP)

The Risk Committee's roles and responsibilities are set out in the Terms of Reference for the Committee and are reviewed on an annual basis and referred to the Board for approval. They are available on the Company's website [www.numis.com/corporategovernancearrangements](http://www.numis.com/corporategovernancearrangements).

I look forward to providing a more detailed report on the activity of the Committee in next year's Annual Report, following a full financial year of scheduled Risk Committee meetings.



**Luke Savage**  
Chairman – Risk Committee

# Remuneration Committee Report



Our approach to remuneration has been to ensure that the framework should be simple, transparent and fair for both participants and shareholders alike.

### Members of the Committee

- Robert Sutton (Chairman)
- Catherine James
- Luke Savage

For full biographies see pages 40 and 41.

### Key activities

- Reviewed the effectiveness of the Group’s remuneration strategy and policy
- Assessed performance against targets relating to incentive plans
- Reviewed the approach to distribution of variable compensation to staff

### Dear Shareholder

As Chairman of the Remuneration Committee I am pleased to present the Committee’s report for the year ended 30 September 2019. We welcomed Luke Savage to the Committee earlier this year. Luke brings substantial experience to the Committee and is an experienced practitioner, having over 30 years of experience across the financial services industry.

My report provides a comprehensive picture of the structure and scale of our remuneration framework and its alignment with the business strategy. Numis is passionate about its talented staff and adheres to a remuneration policy that encourages and rewards the right behaviours, values and culture, whilst also seeking to retain, motivate and incentivise our high performance culture. Our remuneration policy is aligned with the business performance to ensure the policy is in the best interests of the Company, its shareholders and stakeholders.

The Committee is responsible for setting the remuneration policy for Executive Directors and other senior executives in the business and for determining the overall remuneration policy applied to the Group, including the quantum of variable remuneration and the method of delivery. In carrying out its delegated responsibilities the Committee receives advice, when it considers it to be appropriate, on remuneration, tax, accounting and regulatory issues from external advisers. The Co-CEOs, Human Resources, Compliance, Risk and Finance departments may also be invited to the Committee meetings but are not present for any discussions that relate directly to their own remuneration.

As set out in the Chairman’s Statement, it has been a challenging year for our industry and markets more generally. Achieving the right balance of risk and reward in these difficult circumstances has required a significant amount of work by management to ensure Numis has a policy that is designed to clearly align the remuneration for Executive Directors with Company performance taking into account an assessment of financial, non-financial and personal performance that supports our objective of having a simple structure for executive remuneration with a focus on sustainable long-term performance. Our approach to remuneration has been to ensure that the framework should be fair for both participants and shareholders alike. The framework is designed to reward the achievement of long-term sustained business results which support our strategy, culture and values. Conduct and how performance has been achieved will form a key part of how remuneration levels are determined.

### Membership and key responsibilities

I am supported in my role as Chairman of the Committee by Catherine James and Luke Savage, both of whom are independent Non-Executive Directors. The Committee is comprised solely of independent Non-Executive Directors. The experience and areas of expertise of the Committee members can be viewed in the Directors’ biographies set out on pages 40 and 41 and the Terms of Reference for the Committee, which are reviewed annually and referred to the Board for approval, are available on the Company’s website [www.numis.com/corporategovernancearrangements](http://www.numis.com/corporategovernancearrangements).

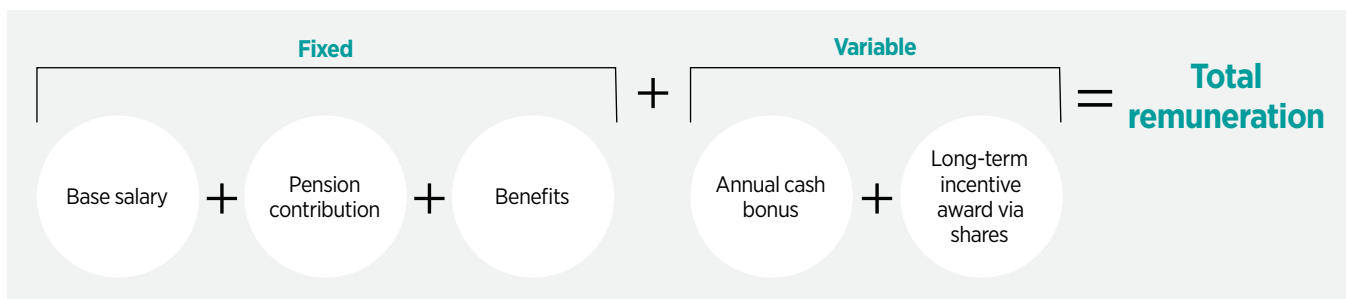


The Committee's key responsibilities include, but are not limited to:

- The annual review of the Group's overarching remuneration policy and principles applied to the Group and approving revisions/updates to the policy and incentive arrangements across the Group
- Setting a strategy that ensures the most talented leaders are recruited, retained and motivated to deliver results
- Considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation
- Reviewing the effectiveness of the Group remuneration framework
- Determining the terms of employment and remuneration for the Senior Executive Group including recruitment and termination arrangements
- Approving the design, targets and total payments/awards for performance related pay schemes operated by the Group
- Assessing the appropriateness and subsequent achievement of performance targets relating to the incentive plans for senior staff of the Group
- Reviewing external survey and bespoke benchmarking data in respect of salary and total compensation
- Recommending salary levels for 2020 and bonus payments for 2019 across the Group

### Remuneration policy

The Remuneration Committee believes strongly that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. The Group compensates employees through both fixed and variable compensation.



Fixed compensation comprises principally base salaries and the Committee reviews these as part of its overall annual review taking into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and their level of responsibility. Information on market conditions and competitive rates of pay is provided by independent external advisers in order to aid the Committee's determination of compensation levels. Other elements related to base salary include an employer contribution to a defined contribution pension saving scheme of 7% of base salary and an entitlement to insured death in service benefits of four times base salary.

The policy for variable compensation is to recognise corporate performance and individual achievement of objectives through a discretionary bonus. The discretionary bonus pool is determined by the Committee each financial year with specific reference to the Group's profit before variable pay and tax, typically by capping the aggregate pool to an agreed percentage of this profit measure and also reviewing the resulting compensation ratio of the Group to ensure this is acceptable with reference to the Board's parameters, historic ratios and market benchmarking. The Committee is able to establish clear targets when setting the aggregate pool available for variable compensation at the Group level, rather than at individual level, acknowledging that a certain degree of flexibility is required at different stages of the business cycle.

Discretionary variable compensation can be delivered in two main forms:

- An annual cash bonus; and
- An equity incentive award which is typically delivered by the RSU plan.

The Committee has the authority to apply deferrals to the annual cash bonus. Such deferrals usually take the form of a share award which requires three further years of service in order that the award vests in full. Clawback provisions are applied in accordance with regulatory guidelines and best practice.

The Executive Directors and other senior executives assess individual performance through clearly defined objectives and a structured process of review and feedback. In particular, the aggregate fixed and variable remuneration by individual is determined with regard to the performance of the individual, performance of the area, sector or function of the business in which the individual works or for which the individual is responsible, the profitability of the Group and levels of reward for comparable roles in the external market.

# Remuneration Committee Report

continued

Executive Directors and members of the senior management team do not participate in decisions concerning their own remuneration. The remuneration structure for Executive Directors is aligned to the delivery of the Group's key strategic priorities and is based on our strategy.

## Director remuneration for the year (audited)

The single total remuneration for each of the Directors who held office during the year ended 30 September 2019 was as follows:

	Salary & fees		Cash bonus		Long-term incentive		Taxable benefits		Pension payment		Total remuneration	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Executive Directors</b>												
Alex Ham <sup>1</sup>	400	388	1,000	1,400	-	-	1	-	28	27	1,429	1,815
Ross Mitchinson <sup>1</sup>	400	388	500	900	-	-	1	1	28	27	929	1,316
Andrew Holloway <sup>1,2</sup>	225	164	200	182	722	-	1	1	16	11	1,164	358
Simon Denyer <sup>3</sup>	-	54	-	-	-	-	-	4	-	-	-	58
<b>Non-Executive Directors</b>												
Alan Carruthers	175	156	-	-	-	-	-	-	-	-	175	156
Catherine James	57	50	-	-	-	-	-	-	-	-	57	50
Luke Savage <sup>4</sup>	50	-	-	-	-	-	-	-	-	-	50	-
Robert Sutton	68	60	-	-	-	-	-	-	-	-	68	60
Geoffrey Vero <sup>5</sup>	20	60	-	-	-	-	-	-	-	-	20	60
<b>Total</b>	<b>1,395</b>	<b>1,320</b>	<b>1,700</b>	<b>2,482</b>	<b>722</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>72</b>	<b>65</b>	<b>3,892</b>	<b>3,873</b>

Notes:

1 Annual cash bonuses and incentive awards are awarded in accordance with Numis' remuneration policy.

2 Andrew Holloway joined the Board on 8 January 2018.

3 Simon Denyer stepped down from the Board on 8 January 2018.

4 Luke Savage joined the Board on 5 February 2019.

5 Geoffrey Vero stepped down from the Board on 5 February 2019.

The Committee undertook an assessment of the Executive Directors' remuneration with a focus on ensuring an appropriate alignment between performance and being strategically aligned with the business. Additionally, the Committee also reviews external survey and bespoke benchmarking data when determining remuneration for Executive Directors.

### Salaries and pension

The Committee considered the basic salary paid to the Executive Directors and took into account the levels of remuneration agreed for other key senior executive positions. The Committee concluded that there should be no change for 2020 in respect of the Co-CEOs and a 4% increase for the CFO. The average increase in basic salary for all staff excluding Directors is 4%. In line with best practice, the Executive Directors' pension contribution rate is the same as the percentage contribution provided to all staff.

### Variable remuneration awards

The Committee allocated a proportion of the Group's discretionary bonus pool to the Executive Directors which was in line with the prior year. For the year ended 30 September 2019 75% of the bonus for each of the Executive Directors was based on performance against KPIs and strategic objectives, and 25% was based on personal objectives underpinned by the values of Numis.

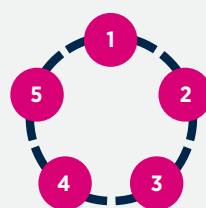
#### KPIs linked to remuneration

- Revenue per head
- Equities revenue
- Advisory revenue
- Earnings per share
- Corporate client base



Read more on page 14

#### Aligning remuneration to our strategy



Read more on page 10

The Remuneration Committee concluded performance against personal objectives and the values of the firm had been strong but performance against many of the KPIs had clearly been impacted by the prevailing market environment across the year. The relevant KPIs are indicated on pages 14 and 15. The resulting cash bonus awards determined by the analysis performed by the Committee resulted in an award down 29% relative to the prior year for Alex Ham, down 44% for Ross Mitchinson, and 20% down for Andrew Holloway.

#### **Long-term incentive awards granted in the year**

During the year Andrew Holloway was awarded RSUs with a face value of £722k. This award will vest in equal tranches after one, two and three years. In line with good practice, each tranche shall be subject to a holding period of two years post vesting. There are certain qualitative performance conditions related to the strategic progression of the business which the Committee will assess in advance of each vesting date including:

- Assisting the Co-CEOs in developing, monitoring and evaluating overall corporate strategy;
- Supporting the Co-CEOs with key financial information and operational analysis, and driving a culture of accountability in managing the business;
- Contributing to the development, communication and implementation of effective growth strategies and processes; and
- Defining the corporate financial strategy and managing capital & liquidity

#### **Non-Executive Directors' remuneration**

Remuneration of Non-Executive Directors is set by the Board on the recommendation of the Executive Directors taking into account comparisons with peer group companies within the industry, and reflects the time commitment, experience of the individual and the level of responsibility of the role. Remuneration comprises an annual fee only. Non-Executive Directors are not eligible to participate in any form of variable compensation, be that discretionary cash bonuses or discretionary awards under the Group's share incentive schemes and are not eligible for pension benefits.

During the year these fees were reviewed by the Board taking into account relevant market data and the increased time commitment devoted to the business in the year. In addition, fees were determined for each Non-Executive Director in accordance with the number of Committees chaired. Following completion of this review the fees paid to Non-Executive Directors were increased with effect from 1 January 2019 and are outlined on page 62.

Non-Executive Directors do not participate in decisions concerning their individual fees and are not permitted to participate in any of the Company's incentive arrangements. Non-Executive Directors are permitted to maintain a shareholding in the business if they so wish and subject to Numis' personal dealing policy and PDMR rules. Table 7 details the shareholding of the Non-Executive Directors who served on the Board during the year.

Non-Executive Directors' appointments are subject to the re-election requirements of the Company's Articles of Association and are without a fixed term but are subject to one month's notice to terminate from either party. There are no contractual provisions for Non-Executive Directors to receive compensation upon termination.

Table 2 shows the date of appointment of the Non-Executive Directors who served during the year ended 30 September 2019 together with their next re-election date.

Letters of appointment and service contracts are available for shareholders to view at the Company's registered office and will be available at the Annual General Meeting.

#### **Remuneration principles used in recruitment**

We may compensate employees for remuneration forfeited as part of the recruitment process (where the amounts in discussion are reasonable and where written proof is provided in support of forfeiture). The preferred delivery vehicle for such awards is the Group's Restricted Stock Unit share plan (RSU) on the basis that we view the awards as an investment in the individual's future with us. In the minority of cases where cash amounts may be issued as part of the award, the cash component is subject to a 2 year gross clawback in the event the employee leaves our employment. We take reasonable steps to ensure remuneration commitments are not more generous in either amounts or terms than variable remuneration offered by the existing employer.

# Remuneration Committee Report

## continued

### Directors' service contracts

#### Executive Directors

The general policy is that Executive Directors should have a rolling contract of employment with mutual notice periods of at least six months. Service contracts do not contain any provision for compensation upon early termination as the parties are expected to rely on employment rights conferred by law.

Table 1 below provides details of service contracts of the Executive Directors who served during the year ended 30 September 2019.

#### Settlement agreements

The Committee may agree additional exit payments where such payments are made in good faith to discharge an existing legal obligation, or as damages for breach of such obligation, or in settlement or compromise of any claim arising on termination of a Directors' office or employment. This may include the provision of outplacement support.

#### Amounts relating to share awards (audited)

The aggregate value of shares received or receivable by Directors under share plans other than those involving the granting of share options totalled £141,000 (2018: £193,000).

#### Directors' interests under employee share plans

The Company has share incentive plans through which discretionary share-based awards may be made. The plans fall into three categories: Long Term Incentive Plans (LTIP), Restricted Stock Units (RSU) and Option Awards the nature of which are described fully in note 22 to the Financial Statements.

The number of shares to which Directors are prospectively entitled under awards granted, but not yet vested are detailed in Tables 3 and 4 on pages 65 and 66 together with the movement during the year. Share awards yet to be granted are not included in these tables.

#### Awards made to A Ham and R Mitchinson (Co-CEOs) under the LTIP 2016 Plan

Awards shown in Table 4 made under the LTIP 2016 Plan were granted in 2016 as two separate awards with differing performance conditions attached.

#### Basic award

The basic award is subject to continued service throughout as well as the achievement of a number of subjective performance conditions set out in Table 5 on page 66.

The satisfaction of these performance conditions is judged solely by the Group's Remuneration Committee and is subject to the requirement that vesting shall not occur at all unless the grantee has displayed no material failings during the vesting period.

That is to say that, in the opinion of the Remuneration Committee, the grantee has displayed no material failings in control process or transgressions of risk tolerance and no material shortcomings in conduct or behaviour.

**Table 1**

#### Directors' service contracts – Executive Directors

	Date of appointment	Date of retirement	Nature of contract	Notice period from Company	Notice period from Director	Notice re-election
Alex Ham	1 July 2016		Rolling	6 months	6 months	2020
Ross Mitchinson	1 July 2016		Rolling	6 months	6 months	2021
Andrew Holloway	8 January 2018		Rolling	6 months	6 months	2020

**Table 2**

#### Directors' service contracts – Non-Executive Directors

	Date of appointment	Next re-election/election	Notice period
Alan Carruthers	21 March 2017	2020	1 month by either party
Geoffrey Vero	28 April 2003	N/A	1 month by either party
Robert Sutton	7 May 2014	2021	1 month by either party
Catherine James	20 May 2014	2021	1 month by either party
Luke Savage	5 February 2019	2021	1 month by either party

### Performance award

The performance award is subject to continued service throughout as well as the achievement of specific performance targets relating to the Company's share price. The award is split into four tranches with each tranche requiring the average share price of the Company to reach or exceed a separate target level over a consecutive 90 day period within the five years following grant date in order for that tranche of the award to become eligible to vest. If the average share price of the Company does not reach or exceed the target level for a particular tranche then that tranche of the award shall lapse. The price target required for each tranche of the award to become eligible to vest along with the relevant number of shares under option is as follows:

Price target	Number of shares under option
209p	592,193
309p	888,289
409p	888,289
509p	592,192
	<b>2,960,963</b>

Should a tranche become eligible to vest by virtue of achieving the share price target condition, two further tests are applied:

1. The same subjective performance conditions as shown in Table 5 in respect of the basic award; and
2. A comparative performance underpin test to ensure that Numis has not obviously underperformed when compared to a relevant group of comparator companies.

These two conditions are tested at the time that the average share price target has been achieved.

The satisfaction of the above performance conditions is judged solely by the Group's Remuneration Committee. If all conditions are judged to have been satisfied for a tranche then there remains a service condition only through to the fifth anniversary of the date of grant in order for that particular tranche to vest in full.

**Table 3**  
**Share awards under the RSU Plan**

Director	Normal vesting profile from grant date	Outstanding as at 1 October 2018 <sup>1</sup>	Granted during the year	Vested during the year	Forfeited during the year	Outstanding as at 30 September 2019 <sup>2</sup>
Date of grant	Anniversary	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
<b>Alex Ham</b>						
19 January 2016	1st, 2nd and 3rd anniversary	26,252	-	(26,252)	-	-
<b>Ross Mitchinson</b>						
19 January 2016	1st, 2nd and 3rd anniversary	10,143	-	(10,143)	-	-
<b>Andrew Holloway<sup>3</sup></b>						
19 January 2016	1st, 2nd and 3rd anniversary	2,387	-	(2,387)	-	-
19 January 2016	2nd, 3rd and 4th anniversary	15,911	-	(7,955)	-	7,956
15 December 2017	1st, 2nd and 3rd anniversary	31,746	-	(10,582)	-	21,164
21 January 2019	1st, 2nd and 3rd anniversary	-	300,000	-	-	300,000
						<b>329,120</b>

Notes:

1 Or at date of appointment if later.

2 Or at date of resignation if earlier.

3 Appointed with effect from 8 January 2018.



# Remuneration Committee Report

continued

A holding period is applied in the event that the performance condition of a particular tranche is achieved after the 3rd anniversary of the date of grant. This ensures that vested awards cannot be sold within less than two years of the date on which the performance condition was achieved, notwithstanding the fact any vesting will always be subject to the service condition being met through to the 5th anniversary of the date of grant. Furthermore, malus and clawback provisions apply to both basic and performance awards made under this Plan.

**Table 4**  
Option awards under the LTIP 2016 Plan (audited)

Director		Outstanding as at 1 October 2018	Granted during the year	Transfer	Outstanding as at 30 September 2019
Date of grant		No. shares under option	No. shares under option	No. shares under option	No. shares under option
<b>Alex Ham</b>					
5 September 2016	Basic award	592,193	-	-	592,193
5 September 2016	Performance award				
	Performance conditions not yet achieved	592,192	-	-	592,192
	Performance conditions achieved, service condition remains	2,368,771	-	-	2,368,771
		<b>3,553,156</b>	<b>-</b>	<b>-</b>	<b>3,553,156</b>
<b>Ross Mitchinson</b>					
5 September 2016	Basic award	592,193	-	-	592,193
5 September 2016	Performance award				
	Performance conditions not yet achieved	592,192	-	-	592,192
	Performance conditions achieved, service condition remains	2,368,771	-	-	2,368,771
		<b>3,553,156</b>	<b>-</b>	<b>-</b>	<b>3,553,156</b>

Note

The options awarded under the LTIP 2016 Plan shown in Table 5 have an exercise price of nil, a vesting date of 5 September 2021, an expiry date of 5 September 2026 and a performance period of five years.

**Table 5**  
Subjective performance conditions

Criterion	Evaluation basis
<b>“Good citizen”</b>	<ul style="list-style-type: none"> <li>• An engaged relationship with the Board, balancing robust and appropriate challenge with a collaborative and effective style</li> <li>• Sound and functional relationship with other senior leadership</li> <li>• Effective relationship with reports</li> <li>• Strong external relationship (clients, regulator, industry)</li> </ul>
<b>Sound decision-making and judgement in all material matters</b>	<ul style="list-style-type: none"> <li>• Effective and clear decision-making, which takes a balanced view of varying perspectives and full account of risk issues</li> </ul>
<b>Sound approach to risk</b>	<ul style="list-style-type: none"> <li>• Adheres to Group policies and sound practices, including operating within risk tolerances agreed by the Board</li> <li>• Applies risk criteria effectively in decision-making</li> <li>• Propagates understanding of risk in other senior leaders and staff in general</li> </ul>
<b>Competent steering and oversight</b>	<ul style="list-style-type: none"> <li>• Leads effectively at all levels of the organisation</li> <li>• Maintains effective controls throughout the organisation</li> <li>• Ensures behaviours are aligned with established good practice, and takes action to deal with issues arising</li> </ul>

### Considerations applied to the design of the LTIP 2016 Plan

In developing the LTIP 2016 Plan the Committee had two key requirements in mind:

1. To ensure that the succession plans surrounding the change in Chief Executive Officer which took place in September 2016 were supported by an appropriate share incentivisation plan; and
2. To promote stewardship of the business that encouraged strong share price growth over the medium to long term (i.e. 3-5 years).

The Plan comprises two parts. The smaller part of the award focuses on retention, but is underpinned with performance criteria around good stewardship and effective leadership of the business which was considered vital in the context of the CEO succession planning. The larger part of the award is based on growth in share price thereby aligning it with shareholder value.

With regard to the testing of the share price performance condition, the Committee structured this as a requirement to maintain an average daily share price over any consecutive 90 business day period falling within the five year performance period.

In making this decision the Committee considered the alternative of achieving the share price target on a "point-to-point" measurement, thereby requiring the target to be achieved, say, on the third (or fourth or fifth) anniversary of the award being made. Given the historic volatility of Numis' share price, the Committee came to the view that picking a particular point in time to achieve the target carried a significant risk and might result in the value of the award being heavily discounted in the eyes of the grantee. In order to ensure the award was sufficiently motivating and stretching, the Committee adopted the average price approach.

This approach ensures that the price has to be maintained once it reaches the hurdle and cannot simply reach the hurdle through a short-term spike. Secondly, once the hurdle is reached, the award does not automatically vest as it is subject to additional non-financial performance conditions and the grantee has to remain employed through to the end of the full vesting performance period (five years) to receive the award.

Finally, the target prices for each tranche cannot be reset.

The Committee deliberated long and hard over the design of the awards and took independent advice from professional share plan consultants. Key shareholders were engaged prior to the awards being granted and the main features of the award structure discussed. The Committee firmly believes the Plan structure is right for the Company and its shareholders.

### Regulatory considerations applying to the Group's remuneration approach

The Group's approach to remuneration takes account of relevant legislation, regulation, corporate governance standards and guidance issued by regulators and shareholder representative bodies. Remuneration policies comply with the relevant provisions of the Financial Conduct Authority's (FCA) Remuneration Code.

FCA guidelines state that firms must be compliant with all aspects of the European Banking Authority (EBA) Guidelines with the exception of the application of proportionality in respect of the bonus cap – the limit on awarding variable remuneration of one times fixed remuneration (or two times with shareholder approval). Numis continues to disapply the bonus cap provision on the basis of proportionality.

Guidance on the identification of material risk takers came into force during 2017 and resulted in an increase in the number of staff classified as such and therefore the number of staff to which the relevant remuneration code applies.

The Committee continues to monitor the regulatory environment and consider its impact on the Group's remuneration policies.

### Committee effectiveness

In January 2019, the Board conducted an evaluation of its effectiveness, which was facilitated internally. Questionnaires and face to face meetings which covered topics such as composition, meeting effectiveness and engagement with the Executive Board and each of the Committees of the Board were considered. The findings of the evaluation confirmed that the Remuneration Committee continued to operate effectively, that the Non-Executive Directors remain independent and objectively and constructively challenge management. Furthermore, the overall themes arising from the review helped to shape and drive the Remuneration Committee's agenda for 2019, with increased focus on issues such as succession to meet the stated strategy and its implementation; enhancing the articulation of Numis' core values and how they apply and are embedded into the business; and with a spotlight on conduct and conduct risk to ensure Numis' behaviours and reputation continue to be highly regarded by clients, shareholders, stakeholders and its talented staff.

The Committee is committed to an open and transparent dialogue with its shareholders and I will be available to answer questions at the Annual General Meeting in regard to our remuneration policy.



**Robert Sutton**  
Chairman – Remuneration Committee

# Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and IFRSs as adopted by the European Union have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Corporate Governance Report confirm that, to the best of their knowledge:

- the Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

## Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 40 and 41. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

# Directors' Report

- Strategic Report
- **Governance**
- Financial Statements
- Other Information

The Directors serving during the year ended 30 September 2019 and up to the date of signing the Financial Statements present their report on the affairs of the Company (Numis Corporation Plc) is a UK AIM-listed public limited company incorporated and domiciled in the United Kingdom and its subsidiaries (collectively the Group), together with the Company Financial Statements and audited consolidated Financial Statements of the Group and the associated independent auditors' report thereon, for the year ended 30 September 2019.

The Board of Directors has agreed to apply the QCA Corporate Governance Code and further information is available online regarding Numis' corporate governance arrangements at [www.numis.com](http://www.numis.com).

## Parent company

The Company acts as a holding company and details of its subsidiary undertakings are shown in note 14 of the consolidated Financial Statements. The Company's standalone Financial Statements have been prepared in accordance with IFRS as adopted by the EU and form the basis of any future distribution.

## Dividends

The Directors are recommending a final dividend of 6.5p per share (2018: 6.5p) which, together with the interim dividend of 5.5p per share already declared and paid, makes a total for the year ended 30 September 2019 of 12.0p per share (2018: 12.0p). Subject to approval at the Annual General Meeting, the final dividend will be paid on 7 February 2020 to shareholders on the register of members at the close of business on 13 December 2019.

## Going concern

The Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements presented in this Annual Report and Accounts.

## Post balance sheet events

Details of post balance sheet events are set out in note 29 to the consolidated Financial Statements.

## Relations with shareholders

The Co-Chief Executive Officers communicate the Group's strategy and results to shareholders and analysts through meetings following the announcement of the Group's preliminary results and the announcement of the Group's half year results.

Shareholders may also attend the Annual General Meeting at which all members of the Board are available to answer questions.

The Group's website contains electronic versions of the latest and prior years' Annual Report and Accounts, half year reports along with share price and other relevant information.

## Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP will be placed before the Annual General Meeting of the Company on 4 February 2020.

## Employment policy

The Group's employment policies are based on a commitment to equal opportunities from the selection and recruitment process through to training, development, appraisal and promotion.

The Group provides employees with information on matters of concern to them so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its competitive and entrepreneurial edge.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular skills and experience. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the Group to ensure their continued employment and engagement with the business.

The Group encourages the involvement of employees in its performance through the use of employee share plans.

## Change of control

Directors' and employees' employment contracts do not normally provide for compensation for loss of office or employment as a result of a change of control. The provisions of the Company's share plans may cause options and awards granted to employees under such plans to vest on a change of control.

## Political donations

During the year the Group made no political donations (2018: nil).

## Indemnities and insurance

Directors' and Officers' liability insurance is maintained by the Group for all Directors and officers of the Company and the Group. To the extent permitted by law, and in accordance with its Articles of Association, the Company indemnifies its Directors in respect of any loss, liability or expense they incur in relation to the Company or any associated company of the Company.

The indemnity was in force during the year and up to the date of approval of the Financial Statements.

## Share capital and share premium

There were no changes in authorised or issued share capital of the Company during the year. Further detail of the Company's share capital is set out in note 21 to the consolidated Financial Statements.

# Directors' Report

continued

## Financial instruments

Details of the financial risk management objectives and policies of the Group and risk exposures of the Group are included on pages 30 to 37 of the Financial Statements.

## Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any other of their connected parties, have an interest in an existing or proposed transaction with Numis, they should notify the Board in writing. Internal controls are in place to ensure that any related party transaction involving Directors, or their connected parties are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

## Directors and their interests

The Directors serving during the year ended 30 September 2019 together with their interests in the ordinary shares of 5p each (ordinary shares) of the Company, excluding share incentive plan awards granted but not yet vested are detailed in Table 7 on page 71.

There have been no changes in the interests of the serving Directors in ordinary shares or options over ordinary shares during the period 30 September 2019 to 13 December 2019.

## Substantial shareholders

Except for the Directors' interests previously noted, the Directors have been notified of substantial shareholders, detailed in Table 8 on page 71, who are interested in 3% or more of the Company as at 30 September 2019.

## Purchase of shares

The Company has an established Employee Benefit Trust (the Trust) in respect of the Group's share plans which is funded by the Group and has the power to acquire ordinary shares from the Company or in the open market to meet the Group's future obligations under these schemes. During the year ended 30 September 2019 the Trust purchased an aggregate of 1,665,071 (2018: 1,702,096) ordinary shares of the Company having a nominal value of £83,254 (2018: £85,105). The shares were purchased to satisfy outstanding awards under the Group's share plan arrangements.

The number of shares purchased representing 1.59% of the Company's issued share capital as at 30 September 2019 (2018: 1.61%) was for an aggregate consideration of £4,227,000 (2018: £5,860,000).

In accordance with shareholder authority, during the year 3,000,000 (2018: 2,875,000) ordinary shares with an aggregate nominal value of £150,000 (2018: £143,750) were purchased into Treasury. The aggregate consideration paid was £7,774,000 (2018: £10,675,000). During the year 2,000,000 shares (2018: 2,000,000) were transferred out of Treasury to the Trust. The number of shares held in Treasury, as at 30 September 2019, totals 13,436,088 (2018: 12,436,088).

This report was approved by the Board on 13 December 2019 and signed on its behalf by:

**Andrew Holloway**  
Company Secretary & Chief Financial Officer  
13 December 2019

**Numis Corporation Plc**  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT



**Table 7**  
**Directors and their interests**

	30 September 2019 ordinary shares <sup>1</sup>	30 September 2018 ordinary shares <sup>2</sup>
<b>Executive Directors</b>		
Alex Ham	<b>608,741</b>	594,828
Ross Mitchinson	<b>298,790</b>	293,415
Andrew Holloway	<b>60,828</b>	49,739
<b>Non-Executive Directors</b>		
Alan Carruthers	<b>25,000</b>	25,000
Catherine James	<b>12,000</b>	12,000
Luke Savage (appointed 5 February 2019)	<b>10,000</b>	Nil
Robert Sutton	<b>12,500</b>	12,500
Geoffrey Vero (stood down 5 February 2019)	<b>Nil</b>	20,000

Notes

- 1 Or at date of retirement if earlier.
- 2 Or at date of appointment if later.

**Table 8**  
**Substantial shareholders as at 30 September 2019**

	Registered holding number of ordinary shares	% of remaining ordinary shares in issue <sup>1</sup>
Anders Holch Povlsen	<b>24,433,528</b>	23.23
Aviva Investors	<b>6,743,378</b>	6.422
Marcus J Chorley	<b>3,722,245</b>	3.54
Kayne Anderson Rudnick Investment LLC	<b>4,408,343</b>	4.20
IPGL Limited	<b>6,420,318</b>	6.11
Cambridge Global Asset Management	<b>3,199,714</b>	3.05
GVQ Investment Management	<b>4,606,424</b>	4.38
Unicorn Asset Management	<b>5,241,000</b>	4.99

Note

- 1 Excludes ordinary shares held in Treasury.

We live our values day in, day out



# Dynamism

We operate with passion and intensity to match the aspirations of our clients.

- We are resolutely focused on solving our clients' needs, drawing upon our unique level of hustle
- We have real impact when we combine total conviction in our abilities and a relentless ambition whilst always acting with humility
- Our hard work, hunger and determination are what set us apart

## Dynamism in action

This year, we met with a great company that was on the verge of appointing a global investment bank. We explained what we do, how we go about it and how we could help them. Within a few hours we had given them a detailed proposal including key connections and committed to put a team in place for them. Twenty four hours later, they appointed us. That for us is dynamism.

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## Financial Statements

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# Independent Auditors' Report to the members of Numis Corporation Plc

## Report on the audit of the Financial Statements

### Opinion

In our opinion, Numis Corporation Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2019 and of the Group's profit and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 30 September 2019; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which include the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Our audit approach

### Overview

#### Materiality

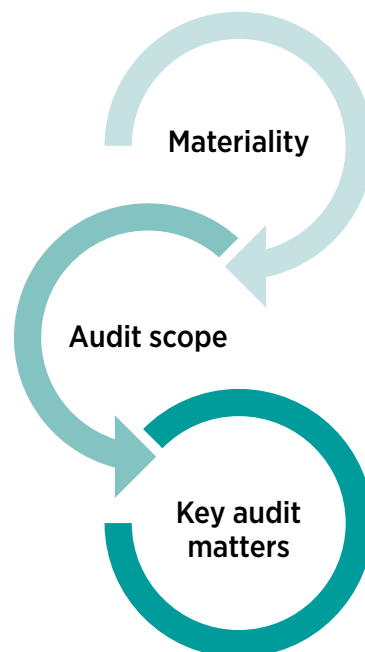
- Overall Group materiality: £1,387,000 (2018: £1,568,800), based on 5% of average three year profit before tax (2018: based on 5% of profit before tax).
- Overall Company materiality: £792,633 (2018: £2,189,000), based on 1% of total assets (2018: based on 1% of adjusted total assets).

#### Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors (including evaluation of history of misstatement through fraud or error).
- The Group is composed of three operating entities: Numis Corporation plc (UK) ("NCP"), Numis Securities Limited (UK) ("NSL") and Numis Securities Inc (US) ("NSI").
- We performed audit procedures over reporting entities considered financially significant in the context of the Group (full scope audit) or in the context of individual primary statement account balances (audit of specific account balances), using the materiality levels set out above.

#### Key audit matters

- Timing of revenue recognition in relation to corporate finance fees and placing commissions.
- Valuation of unlisted trading investments.
- Share-based compensation charges.





### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

### Key audit matter

#### Timing of revenue recognition in relation to corporate finance fees and placing commissions

Revenue relating to corporate finance fees and placing commissions is recognised once the relevant contractual terms have been achieved, and other recognition criteria have been met.

We focused on this area as there is a risk of corporate finance fees and placing commissions being recognised in an inappropriate period.

Refer to note 4 to the financial statements for the relevant disclosures.

### How our audit addressed the key audit matter

- Updated our understanding of the design and implementation of controls over corporate finance and placing income recognition.
- Tested a sample of contracts to determine whether fees and commissions were recognised in accordance with contractual terms, and those arising or recorded either side of the balance sheet date were properly recognised in the appropriate period.

We found no material exceptions in performing these tests.

#### Valuation of unlisted trading investments

We focused on this area because management makes significant judgements over the valuation of unlisted trading investments since there is often no available observable data upon which to base valuation estimates.

This impacts both the financial position as at the reporting date and the resulting unrealised gains/losses reported in the income statement.

Refer to note 18 to the financial statements for the relevant disclosures.

- Updated our understanding of the design and implementation of controls over the valuation of strategic unlisted investments.
- Assessed the appropriateness of the valuation techniques, and the assumptions and inputs to methods utilised.
- Tested a sample of valuation inputs to supporting evidence.
- Involved our auditors' expert to help us evaluate the valuation techniques used by management for a sample of unquoted investments, and to independently determine whether those valuations are within a reasonable range.
- Evaluated the approach taken by management for consistency, both across investments and year on year.
- Performed our own searches for relevant news flows or valuation trigger events (such as new rounds of financing).

We concluded that management's estimates in respect of the valuation of unlisted trading investments are reasonable in the context of the information available.

#### Share-based compensation charges

We focused on this area because there is judgement involved in determining the share based compensation charges in the consolidated income statement.

The Group has share incentive schemes providing equity shares and options to its UK and US based employees. The value attributable to the awards (and therefore also the related charges to the income statement) involves assumptions related to future revenue and share price performance, as well as discretionary adjustments to awards related to non-market conditions, which are subject to determination by the Remuneration Committee.

Refer to note 22 to the financial statements for the relevant disclosures.

- Updated our understanding of the design and implementation of controls over scheme charges computation.
- Tested the share-based compensation charges to the related award contractual terms.
- Tested that charges have been accurately accounted for and that the corresponding balance sheet impact has been captured correctly.
- Reviewed areas of management judgement for example assumptions made around revenue and share price performance, and leavers assumptions, and considered whether these are reasonable and supported by the evidence presented.

We found no material exceptions in performing these tests.

We determined that there were no key audit matters applicable to the Company to communicate in our report.



# Independent Auditors' Report to the members of Numis Corporation Plc

continued

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we obtained sufficient and appropriate audit evidence to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls over financial reporting, and the industry in which they operate.

The Group operates in the UK and the US, with the UK being the most significant territory and is composed of three operating entities. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed over the significant individual operating entities, as well as any material items within entities that were not considered significant. We also considered the presence of any significant audit risks and other qualitative factors (including evaluating history of misstatements through fraud or error).

This approach gave us coverage of over 95% of total assets and profit before tax in the Group financial statements.

The Group's US subsidiary, NSI, is audited by a non-PwC firm. The Group audit team instructed work to be performed on our behalf, performed a review of the auditors' working papers and evaluated the results of their audit procedures.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£1,387,000 (2018: £1,568,800).	£792,633 (2018: £2,189,000).
<b>How we determined it</b>	5% of average three year profit before tax (2018: 5% of profit before tax).	1% of total assets (2018: 1% of adjusted total assets).
<b>Rationale for benchmark applied</b>	We believe profit before tax is a primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. The benchmark applied is different from the prior year, to better reflect the variable nature of this year's results, which have been impacted by the unusual market conditions experienced during the year.	We have used total assets as the benchmark this year, which is different from the benchmark applied in the prior year, as we believe that this better reflects the information most relevant to the users of the financial statements for a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £240,000 and £1,317,000. Certain components were audited to a local statutory audit materiality that was less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £69,350 (Group audit) (2018: £78,000) and £39,632 (Company audit) (2018: £109,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 68, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Other voluntary reporting

#### Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Darren Meek**  
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
London  
13 December 2019

# Consolidated Income Statement

For the year ended 30 September 2019

	Notes	2019 £'000	2018 £'000
Revenue	4	<b>111,610</b>	136,047
Other operating (expense)/income	5	<b>(2,210)</b>	1,733
<b>Total income</b>		<b>109,400</b>	137,780
Administrative expenses	6	<b>(97,514)</b>	(106,348)
<b>Operating profit</b>		<b>11,886</b>	31,432
Finance income	8	<b>684</b>	393
Finance costs	9	<b>(134)</b>	(181)
<b>Profit before tax</b>		<b>12,436</b>	31,644
Taxation	10	<b>(3,110)</b>	(4,967)
<b>Profit for the year</b>		<b>9,326</b>	26,677
<b>Attributable to:</b>			
Owners of the parent		<b>9,326</b>	26,677
<b>Earnings per share</b>			
Basic	23	<b>8.8p</b>	25.1p
Diluted	23	<b>8.1p</b>	23.0p

The notes on pages 85 to 117 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

- Strategic Report
- Governance
- **Financial Statements**
- Other Information

	2019 £'000	2018 £'000
Profit for the year	<b>9,326</b>	26,677
Items that may be reclassified to the Income Statement on fulfilment of specific conditions:		
Exchange differences on translation of foreign operations	<b>(96)</b>	115
<b>Other comprehensive income for the year, net of tax</b>	<b>(96)</b>	115
<b>Total comprehensive income for the year, net of tax, attributable to owners of the parent</b>	<b>9,230</b>	26,792

The notes on pages 85 to 117 form an integral part of these financial statements.

# Consolidated Balance Sheet

As at 30 September 2019

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>2,790</b>	3,200
Intangible assets	13	<b>80</b>	77
Deferred tax	16	<b>3,962</b>	4,938
		<b>6,832</b>	8,215
<b>Current assets</b>			
Trade and other receivables	17, 28	<b>187,258</b>	369,304
Trading investments	18	<b>38,463</b>	43,800
Stock borrowing collateral	1(j)	<b>14,640</b>	7,906
Derivative financial instruments	15	<b>1,103</b>	350
Cash and cash equivalents	19	<b>84,202</b>	111,673
		<b>325,666</b>	533,033
<b>Current liabilities</b>			
Trade and other payables	20, 28	<b>(178,613)</b>	(381,607)
Financial liabilities	1(h)	<b>(14,153)</b>	(14,632)
Current income tax		<b>(1,578)</b>	(1,873)
		<b>(194,344)</b>	(398,112)
<b>Net current assets</b>		<b>131,322</b>	134,921
<b>Net assets</b>		<b>138,154</b>	143,136
<b>Equity</b>			
Share capital	21	<b>5,922</b>	5,922
Other reserves	21	<b>20,639</b>	17,537
Retained earnings		<b>111,593</b>	119,677
<b>Total equity</b>		<b>138,154</b>	143,136

The notes on pages 85 to 117 form an integral part of these financial statements.

The Financial Statements on pages 78 to 117 were approved and authorised for issue by the Board on 13 December 2019 and signed on its behalf by:



**Alex Ham and Ross Mitchinson**  
Co-Chief Executive Officers

Numis Corporation Plc  
Registration No.2375296



# Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

- Strategic Report
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	Notes	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)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(96)</b>	<b>9,326</b>	<b>9,230</b>
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	16			(578)	(578)
<b>Transactions with shareholders</b>		<b>-</b>	<b>3,198</b>	<b>(17,410)</b>	<b>(14,212)</b>
<b>Balance at 30 September 2019</b>		<b>5,922</b>	<b>20,639</b>	<b>111,593</b>	<b>138,154</b>
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	16			1,004	1,004
Transactions with shareholders		-	4,006	(21,288)	(17,282)
Balance at 30 September 2018		5,922	17,537	119,677	143,136

The notes on pages 85 to 117 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 September 2019

	Notes	2019 £'000	2018 £'000
<b>Operating activities</b>			
Cash flows generated from operating activities	24	<b>391</b>	55,661
Interest paid	9	<b>(134)</b>	(222)
Taxation paid		<b>(3,005)</b>	(9,609)
<b>Net cash (used in)/generated from operating activities</b>		<b>(2,748)</b>	45,830
<b>Investing activities</b>			
Purchase of property, plant and equipment	12	<b>(714)</b>	(1,314)
Purchase of intangible assets	13	<b>(47)</b>	(93)
Interest received	8	<b>684</b>	393
<b>Net cash used in investing activities</b>		<b>(77)</b>	(1,014)
<b>Financing activities</b>			
Purchases of own shares – Treasury		<b>(7,774)</b>	(10,675)
Purchases of own shares – Employee Benefit Trust		<b>(4,222)</b>	(5,597)
Dividends paid	11	<b>(12,650)</b>	(12,763)
<b>Net cash used in financing activities</b>		<b>(24,646)</b>	(29,035)
<b>Net movement in cash and cash equivalents</b>		<b>(27,471)</b>	15,781
Opening cash and cash equivalents		<b>111,673</b>	95,852
Net movement in cash and cash equivalents		<b>(27,471)</b>	15,781
Exchange movements		<b>-</b>	40
<b>Closing cash and cash equivalents</b>	19	<b>84,202</b>	111,673

The notes on pages 85 to 117 form an integral part of these financial statements.

# Company Balance Sheet

As at 30 September 2019

- Strategic Report
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- **Financial Statements**
- Other Information

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Investment in subsidiary undertakings	14	<b>79,256</b>	68,246
		<b>79,256</b>	68,246
<b>Current assets</b>			
Trade and other receivables	17	<b>7</b>	18,850
		<b>7</b>	18,850
<b>Current liabilities</b>			
Trade and other payables	20	<b>(1,572)</b>	(1)
Current income tax		<b>-</b>	(9)
		<b>(1,572)</b>	(10)
<b>Net current (liabilities)/assets</b>		<b>(1,565)</b>	18,840
<b>Net assets</b>			
		<b>77,691</b>	87,086
<b>Equity</b>			
Share capital	21	<b>5,922</b>	5,922
Other reserves	21	<b>19,501</b>	16,303
Retained earnings		<b>52,268</b>	64,861
<b>Total equity</b>		<b>77,691</b>	87,086

The notes on pages 85 to 117 form an integral part of these financial statements.

As provided by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year amounted to £19,000 (2018: £90,000).

The Financial Statements on pages 78 to 117 were approved and authorised for issue by the Board on 13 December 2019 and signed on its behalf by:



**Alex Ham and Ross Mitchinson**  
Co-Chief Executive Officers

# Company 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	16,303	64,861	87,086
Profit for the year			19	19
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>19</b>
Dividends paid			(12,650)	(12,650)
Net movement in treasury shares			(2,303)	(2,303)
Movement in respect of employee share plans		3,198	2,341	5,539
Transactions with shareholders	-	3,198	(12,612)	(9,414)
<b>Balance at 30 September 2019</b>	<b>5,922</b>	<b>19,501</b>	<b>52,268</b>	<b>77,691</b>
Balance at 1 October 2017	5,922	12,297	81,465	99,684
Profit for the year			90	90
Total comprehensive income for the year	-	-	90	90
Dividends paid			(12,763)	(12,763)
Net movement in treasury shares			(5,750)	(5,750)
Movement in respect of employee share plans		4,006	1,819	5,825
Transactions with shareholders	-	4,006	(16,694)	(12,688)
Balance at 30 September 2018	5,922	16,303	64,861	87,086

The notes on pages 85 to 117 form an integral part of these financial statements.

The Company had no cash or cash equivalent balances as at 30 September 2017, 30 September 2018 or 30 September 2019. Similarly, there were no movements in cash or cash equivalents during the year ended 30 September 2018 or the year ended 30 September 2019. Therefore no cash flow statement is presented for the Company.

# Notes to the Financial Statements

- Strategic Report
- Governance
- **Financial Statements**
- Other Information

## 1 Accounting policies

Numis Corporation Plc is a UK AIM-listed public company incorporated and domiciled in the United Kingdom. The address of its registered office is 10 Paternoster Square, London EC4M 7LT.

The principal accounting policies applied in the preparation of the Annual Report and Financial Statements of the Group and the Company are described below. These policies have been consistently applied to the years presented, unless otherwise stated.

### (a) Basis of preparation

The Group and the Company Financial Statements have 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 the Companies Act 2006 applicable to companies reporting under IFRS. These Financial Statements have been prepared under the historical cost convention as modified by revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

In publishing the Company Financial Statements together with those of the Group, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

The Financial Statements of the Group and the Company have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the Financial Statements and having taken into consideration the strength of the Group and Company Balance Sheet and the Group's cash balances, the Group and Company have adequate resources to continue in operational existence for at least the next 12 months.

No new standards or amendments to existing standards have been early adopted by the Group or the Company during the accounting 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 "Financial Instruments" introduces new requirements for classifying and measuring financial assets. The Group has implemented this standard and has adopted the simplified approach for trade receivables. The standard 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. The assets classified as fair value through profit and loss are trading investments and derivative financial instruments. The Group has no debt instruments in issue.

IFRS 15 "Revenue from Contracts with Customers" 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 has not had a material impact on 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.

### (b) Basis of consolidation

The Group's Financial Statements consolidate the Financial Statements of the Company and all its subsidiary undertakings. Subsidiaries are all entities (including special purpose vehicles) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All intra-Group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of consolidation.

The purchase method of accounting is used to account for the acquisition of businesses and subsidiaries.

### (c) Revenue from contracts with customers

In accordance with IFRS 15, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group. Revenue comprises institutional income from net trading gains or losses, institutional commissions and research fees, corporate retainers, advisory fees and capital markets deal fees.



# Notes to the Financial Statements

## continued

### 1. Accounting policies continued

- Net trading gains or losses are the realised and unrealised profits and losses from market-making long and short positions on a trade date basis and comprise all gains and losses from changes in the fair value of financial assets and liabilities held for trading, together with any related dividend on positions held. Net trading gains or losses also include gains and losses arising on equity options and warrants received in lieu of corporate finance fees.
- Institutional commissions due are recognised on trade dates and are calculated as a percentage of the trade. The commission percentage is contractually determined in advance with the respective client and only recognised when the trade completes.
- Research fees are recorded in the period to which they relate and the contract price can be variable from period to period based on the level or standard of research provided. Contracts are in place between the Group and each of its research clients and amounts recorded are either over a period for which the service is provided, or where discretionary based on variable considerations derived from the most recent level of research provided in the previous period updated for recent events or communications with the client.
- Corporate retainers are accrued over the period for which the service is provided and are based on a contract between the Group and the client, which is typically renewed annually with a notice period. The negotiated contract price varies by contract and is documented in the contract.
- Advisory fees and capital markets deal fees are only recognised once all performance obligations have been met and there is a contractual entitlement for the Group to receive them. For deal fees this is typically only when a deal completes, and the obligations and related deal fee is documented in the contract.

### (d) Segment reporting

The Group is managed as an integrated investment banking business and although there are different revenue types the nature of the Group's material 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 chief operating decision-makers, who are responsible for allocating resources and assessing performance, have been identified as the co-Chief Executive Officers.

### (e) Property, plant and equipment

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

Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is provided for on a straight-line basis at the following rates:

Office and computer equipment	3 years
Furniture and fittings	5 years

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

### (f) Intangible assets

Acquired computer software licences are capitalised where it is probable that future economic benefits that are attributable to the asset will flow to the Company or Group and the cost of the assets can be reliably measured. Software is stated at cost, including those costs incurred to bring to use the specific software, less amortisation and provisions for impairment, if any. Costs are amortised on a straight-line basis over the estimated useful life of the software, which is typically 3 years. Costs associated with maintaining or developing the software are recognised as an expense when incurred.

### (g) Impairment of assets

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

### (h) Financial assets and liabilities

The Group's financial assets and liabilities comprise trading investments, financial liabilities, derivative financial instruments, trade and other receivables, stock borrowing and lending collateral, cash and cash equivalents, trade and other payables and provisions. The Group classifies its financial assets and liabilities depending on the purpose for which the assets and liabilities were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets are carried at fair value through profit or loss and are initially recognised at fair value on the trade date and transaction costs are expensed in the income statement. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are recognised on the trade date and are derecognised when they are extinguished.

Trading investments and financial liabilities represent market-making positions and other investments held for resale in the near term and are classified as held for trading. Purchases and sales of investments are recognised on the trade date. Gains and losses arising from changes in fair value are taken to the income statement. Financial liabilities comprise short market-making positions and include securities listed on the LSE Main and AIM markets as well as overseas exchanges.

For trading investments and financial liabilities which are quoted in active markets, fair values are determined by reference to the current quoted price. Where independent prices are not available, fair values are determined using valuation techniques with reference to observable market data. These may include comparison to similar instruments where observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

## 1. Accounting policies continued

Financial assets included within trade and other receivables are classified as held at amortised cost. Assets and liabilities held at amortised cost are non-derivative financial instruments which have a fixed or easily determinable value. The Group makes an assessment at each balance sheet date as to whether there is any objective evidence of impairment, being any circumstance where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated.

### (i) Trade and other receivables and expected credit losses

Trade and other receivables comprise of receivables from clients, brokers and other counterparties, loans to employees, other receivables including corporate finance receivables, and prepayments. In accordance with IFRS 9, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For clients, brokers and other counterparties and loans to employees, the expected credit loss is usually immaterial due to the nature of the counterparties and short term nature of the receivables. For corporate finance receivables, the group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses for corporate finance receivables, trades have been grouped based on days past due. The corporate finance receivables share similar credit risk characteristics across the groups. The corporate finance receivables by payment profile, have then been adjusted based on corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the corporate finance receivables. The Group considers the general economic outlook of the countries in which it operates and is owed monies, and accordingly determines whether an adjustment is required to the historical loss rates. The Group believes that there are no current or future macroeconomic factors that would materially change this assessment.

As the overwhelming majority of the Group's corporate finance receivables are due from existing customers with ongoing contracts with the Group, expected credit losses remain very low and immaterial to the Group as a whole. The Group continually monitors its corporate finance receivables balances and liaises with client directors within the business to ascertain recoverability of overdue receivables and to assess any risk of default. Any changes to the amount of the expected credit losses are recognised in the income statement within administrative expenses. Due to the immaterial nature of the Group's provision for expected credit losses, trade and other receivables are shown net of this provision on the balance sheet.

Prepayments arise where the Group pays cash in advance of services. As the service is provided, the prepayment is reduced and the expense recognised in the income statement. Accrued income includes fees or other amounts due and payable to the Group but yet to be either invoiced or received as at the reporting date.

### Accounting policies applied until 30 September 2018

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information as the impact of applying this was immaterial. As a result, the comparative information provided continues to be accounted for in accordance with the group's

previous accounting policy. Under this policy, the company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

### (j) 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 three months or less, which are reported within cash and cash equivalents with the value of security pledged disclosed separately.

### (k) Derivative financial instruments

The Group occasionally utilises forward foreign exchange contracts to manage the exchange risk on actual transactions related to amounts receivable, denominated in a currency other than the functional currency of the business. The Group has not sought to apply hedge accounting.

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

All gains and losses resulting from the settlement of the contracts are recorded within finance income/costs in the income statement.

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

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

# Notes to the Financial Statements

continued

## 1. Accounting policies continued

### (l) Deferred tax

Deferred tax assets and liabilities mainly represent amounts of tax that will become recoverable and payable in future accounting periods. Generally, they arise as a result of temporary differences where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the Financial Statements. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction.

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

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

### (m) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### (n) Trade and other payables

Trade and other payables (excluding deferred income) are recognised initially at fair value, which is the agreed market price at the time goods or services are provided and are subsequently recorded at amortised cost using the effective interest method. The Group accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value. Client, broker and other counterparty balances represent unsettled purchased securities transactions and are recognised on a trade date basis.

Deferred income represents fees received in advance of services being performed.

### (o) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated. Provisions believed to relate to periods greater than 12 months are discounted to the net present value using an effective discount rate that reliably calculates the present value of the future obligation.

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

### (p) Clients' deposits

All money held on behalf of clients has been excluded from the balances of cash and cash equivalents and amounts due to clients, brokers and other counterparties. Client money is not held directly, but is placed on deposit in segregated bank accounts with a financial institution.

The amounts held on behalf of clients at the balance sheet date are included in note 19.

### (q) Pension costs

The Group has a Group Personal Pension Plan and death in service benefits that are available to eligible employees of the Group. The plan is a defined contribution scheme and costs of the scheme are charged to the income statement in the year in which they arise.

### (r) Operating leases

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

### (s) Foreign currency translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements of the Group are presented in Sterling which is the Group's and Company's functional currency and the Group's presentation currency.

In individual entities, transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates prevailing on the balance sheet date. Exchange differences are taken to the income statement, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken to other comprehensive income. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

On consolidation, the results of overseas businesses are translated into the presentation currency of the Group at the average exchange rates for the period where these approximate to the rate at the date of transaction. If the average exchange rates for the period do not approximate to the rate at the date of transaction, income and expenses are translated at the rate on the dates of the transactions. Assets and liabilities of overseas businesses are translated into the presentation currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are taken to other comprehensive income and then classified as other reserves. Cumulative translation differences arising after the transition to IFRS are taken to the income statement on disposal of the net investment.

## 1. Accounting policies continued

### (t) Taxation

Taxation on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantially enacted by the balance sheet date.

### (u) Employee share ownership plans

The Group has a number of Employee Share Ownership Plans (ESOP), as set out in note 22, which provide a mechanism for the Board to reward employees of the Group share-based payments on a discretionary basis. An Employee Benefit Trust established by the Company acquires ordinary shares in the Company to be held on trust for the benefit of, and ultimately distributed to, employees either on the exercise of share options or other remuneration arrangements.

The ESOP arrangements currently in place are all equity-settled plans. In the case of equity-settled awards, the cost of share awards made under employee share ownership plans, as measured by the fair value of awards at the date of granting, are taken to the income statement over the vesting period (if any), and disclosed under staff costs with a corresponding increase in equity. Fair value is based on the market value of the shares on the grant date. Where awards provide no entitlement to dividends over the vesting period, the market value of the shares on grant date is discounted by the dividend yield over the expected life of the award.

On consolidation, the cost of shares held by the Employee Benefit Trust is deducted as an adjustment to equity. Gains and losses arising on Employee Benefit Trust related transactions are taken directly to equity. No expense is recognised in respect of option awards granted before 7 November 2002 or which vested before 1 October 2005.

### (v) Dividends

Dividend distribution is recognised in equity in the Financial Statements in the period in which dividends are approved. Final dividends are recognised at the date they are approved by shareholders at the Annual General Meeting.

### (w) Critical judgements and estimates

There are no critical judgements applied by the Group. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates. The estimates which might have a significant effect on the carrying amounts of assets and liabilities over the next 12 months are set out below:

### Valuation of financial assets and liabilities held at fair value where there is no quoted price

Such assets principally comprise minority holdings in unlisted investments and are valued with reference to financial information and non-financial information available at the time of original investment updated to reflect all relevant changes to that information as at the reporting date. This determination may require significant judgement in determining changes in fair value since the last valuation date. In making this judgement the Group evaluates among other factors recent offerings or transaction prices, changes in the business outlook affecting a particular investment since purchase, performance of the underlying business against original projections, valuations of similar quoted companies and relevant industry valuation techniques, for example, discounted cash flow or market approach. A sensitivity analysis has been prepared and disclosed in note 26.

### Share-based payments

In determining the fair value of equity-settled share-based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, an estimate must be formed as to the likely number of shares that will vest along with the fair value of each award granted. Where relevant, the fair value is determined by using the Black-Scholes valuation model or, for certain awards, a stochastic valuation model, both of which are dependent on estimates relating to the Group's future dividend policy, the timing of prospective option exercises and the future volatility in the price of the Company's shares. Certain awards contain non-market conditions such as personal and share price performance measures. In the event that the assumptions made for these non-market conditions were increased or decreased by 10%, the impact on the associated compensation cost for the financial year would have been an increase of £280,000 or a decrease of £361,000, respectively.

### (x) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their amount and incidence to enable a full understanding of the Company's and/or Group's financial performance. Currently neither the Group nor the Company has any such exceptional items.

### (y) Treasury shares

Treasury shares are recorded by the Group when ordinary shares are acquired by the Company. The main reason for acquiring shares in this way is to meet share-based remuneration awards to employees in the form of shares in a way that does not dilute the percentage holdings of existing shareholders. Treasury shares are held at cost and reduce the Group's net assets by the amount spent.

In addition to the above accounting policies the following relates specifically to the Company.

### (z) Investment in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. Where the Company makes equity-settled awards for the benefit of its subsidiaries, the value of such awards is treated as an additional cost of investment in these subsidiaries.

# Notes to the Financial Statements

continued

## 2. Profit of the parent company

As provided by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these Financial Statements. The parent company's profit after tax for the financial year amounted to £19,000 (2018: £90,000).

## 3. 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 4) the nature of the Group's material 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	<b>106,077</b>	124,990
United States of America	<b>5,533</b>	11,057
	<b>111,610</b>	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.

	2019 £'000	2018 £'000
United Kingdom	<b>2,394</b>	2,713
United States of America	<b>476</b>	564
	<b>2,870</b>	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	<b>37,325</b>	47,460
Corporate retainers	<b>13,357</b>	12,430
Advisory and capital markets deal fees	<b>60,928</b>	76,157
Revenue (see note 4)	<b>111,610</b>	136,047
Investment activity net (losses)/gains	<b>(2,210)</b>	1,733
Contribution from investment portfolio	<b>(2,210)</b>	1,733
Total	<b>109,400</b>	137,780
Net assets		
Investment banking activities	<b>39,105</b>	15,121
Investing activities	<b>14,847</b>	16,342
Cash and cash equivalents	<b>84,202</b>	111,673
Total net assets	<b>138,154</b>	143,136



#### 4. Revenue

	2019 £'000	2018 £'000
Net trading gains	4,008	9,594
Institutional income	33,317	37,866
Equities income	37,325	47,460
Corporate retainers	13,357	12,430
Advisory fees	12,576	14,335
Capital markets fees	48,352	58,822
Investment banking income	74,285	88,587
	<b>111,610</b>	136,047

#### 5. Other operating (expense)/income

	2019 £'000	2018 £'000
Investment activity net (losses)/gains	<b>(2,210)</b>	1,733

Other operating income represents net (losses)/gains made on investments which are held in the investment portfolio.

#### 6. Administrative expenses

Administrative expenses comprise the following:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	1,124	1,113
Amortisation of intangible assets	44	49
Operating lease costs	1,871	2,149
Staff costs (see note 7)	64,543	75,326
Other non-staff costs	29,607	27,334
Auditor's remuneration		
<i>Audit services</i>		
Audit fee for the Company's Financial Statements and Annual Report	33	31
Statutory audit services to subsidiaries of the Company	149	140
Audit services provided to a US subsidiary	55	66
<i>Other services</i>		
Tax, regulatory assurance and other services	88	140
	<b>97,514</b>	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 have 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 continues to impact such costs.

# Notes to the Financial Statements

continued

## 7. Staff costs

Particulars of employees (including Executive Directors) are as shown below.

Employee costs during the year amounted to:

	2019 £'000	2018 £'000
Wages and salaries	45,181	53,292
Social security costs	6,301	9,477
Severance payments	302	223
Other pension costs (see note 25d)	1,845	1,751
Share-based payments	10,914	10,583
	<b>64,543</b>	75,326

The share-based payment award costs shown above are in respect of share-based payment transactions which are accounted for as equity-settled awards. The share-based payment charge arises from the combined impact of all historic unvested awards.

Number of staff employed:

	2019 Number	2018 Number
Monthly average for the year		
Front office	208	193
Support functions	68	60
	<b>276</b>	253
At the year end	<b>277</b>	273

Details of Directors' emoluments are presented in the Remuneration Report on page 60.

## 8. Finance income

	2019 £'000	2018 £'000
Interest income	581	393
Net foreign exchange gains	74	-
Other income	29	-
	<b>684</b>	393

Interest income comprises interest on surplus cash balances placed on call deposit and interest receivable on certain staff loans.

## 9. Finance costs

	2019 £'000	2018 £'000
Interest expense	134	14
Net foreign exchange losses	-	167
	<b>134</b>	181

Interest expense comprises amounts paid on overdrawn balances with clearing institutions.

## 10. Taxation

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

	2019 £'000	2018 £'000
<b>Current tax</b>		
Corporation tax at 19.0% (2018: 19.0%)	2,693	5,741
Adjustments in respect of prior years	73	44
<b>Total current tax</b>	<b>2,766</b>	5,785
<b>Deferred tax</b>		
Origination and reversal of timing differences	349	(739)
Changes in tax rate	(5)	(79)
<b>Total tax charge</b>	<b>3,110</b>	4,967

	2019 £'000	2018 £'000
Profit before tax	12,436	31,644
Profit before tax multiplied by the standard rate of UK corporation tax	2,363	6,012
Effects of:		
Non-deductible expenses and non-taxable income	(457)	350
Profits taxed at rates other than 19%, principally banking surcharge tax impact	-	287
Losses available for utilisation	80	(348)
Permanent differences in respect of share-based payments	651	(1,264)
Corporation tax under provided in previous year	73	44
Changes in tax rate and other temporary differences	400	(114)
<b>Total tax charge</b>	<b>3,110</b>	4,967

The standard rate of corporation tax in the UK was 19% throughout the reporting period. Future UK corporation tax rate reductions to 17% by April 2020 have been enacted and are reflected in the valuation of the deferred tax asset.

## 11. 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	-
<b>Distribution to equity holders of Numis Corporation Plc</b>	<b>12,650</b>	12,763

Dividends declared on shares held by the Employee Benefit Trust that have not been purchased by or vested in employees are waived under the terms of the employee share ownership plan arrangements.

On 3 December 2019 the Board 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. Based on the number of shares in issue at the year end the total amount payable would be £7,699,000.

# Notes to the Financial Statements

continued

## 12. Property, plant and equipment

### Group

The movement during the year and the prior year was as follows:

	Furniture and fittings £'000	Leasehold improvements £'000	Office and computer equipment £'000	Total £'000
<b>Cost</b>				
At 30 September 2018	803	5,262	3,626	9,691
Additions	50	111	553	714
<b>At 30 September 2019</b>	<b>853</b>	<b>5,373</b>	<b>4,179</b>	<b>10,405</b>

### Accumulated depreciation

At 30 September 2018	378	3,230	2,883	6,491
Charge for the year	105	590	429	1,124
<b>At 30 September 2019</b>	<b>483</b>	<b>3,820</b>	<b>3,312</b>	<b>7,615</b>

### Net book value

At 30 September 2018	425	2,032	743	3,200
<b>At 30 September 2019</b>	<b>370</b>	<b>1,553</b>	<b>867</b>	<b>2,790</b>

	Furniture and fittings £'000	Leasehold improvements £'000	Office and computer equipment £'000	Total £'000
<b>Cost</b>				
At 30 September 2017	417	5,435	2,978	8,830
Additions	398	240	676	1,314
Disposals	(12)	(413)	(28)	(453)
At 30 September 2018	803	5,262	3,626	9,691

### Accumulated depreciation

At 30 September 2017	339	3,055	2,438	5,832
Charge for the year	51	589	473	1,113
Disposals	(12)	(413)	(28)	(453)
Exchange adjustment	-	(1)	-	(1)
At 30 September 2018	378	3,230	2,883	6,491

### Net book value

At 30 September 2017	78	2,380	540	2,998
At 30 September 2018	425	2,032	743	3,200

### 13. Intangible assets

#### Group

The movement during the year and the prior year was as follows:

	2019 Purchased software £'000	2018 Purchased software £'000
<b>Cost</b>		
At 1 October	1,104	1,011
Additions	47	93
<b>At 30 September</b>	<b>1,151</b>	1,104
<b>Accumulated amortisation</b>		
At 1 October	1,027	978
Charge for the year	44	49
<b>At 30 September</b>	<b>1,071</b>	1,027
<b>Net book value</b>		
At 1 October	77	33
<b>At 30 September</b>	<b>80</b>	77

### 14. Investment in subsidiary undertakings

#### Company

##### a) Company investment in subsidiaries

	2019 £'000	2018 £'000
As at 1 October	68,246	57,496
Additions	11,010	10,750
<b>As at 30 September</b>	<b>79,256</b>	68,246

Additions reflect the accounting treatment required by IFRS 2 in relation to awards made under the Group's share plans which are accounted for as equity-settled share transactions and relate to employees in subsidiaries.

##### b) Subsidiaries

The Company beneficially owns the entire issued ordinary share capital of the companies listed below, there being no other class of share. All shares have identical voting rights. All companies listed operate in their country of incorporation and have financial year ends that are coterminous with the Company:

Subsidiary	Country of incorporation	Principal activity	Proportion of shareholding
Numis Securities Limited	United Kingdom	Financial services	100%
Numis Securities Inc.*	United States of America	Financial services	100%
Numis Asset Management Limited	United Kingdom	Dormant	100%
Numis Nominees (Client) Limited	United Kingdom	Dormant	100%
Numis Nominees (NSI) Limited*	United Kingdom	Dormant	100%
Numis Nominees Limited*	United Kingdom	Dormant	100%

\* Held through a subsidiary of the Group

The Company and all subsidiaries, with the exception of Numis Securities Inc., have their registered office at 10 Paternoster Square, London, EC4M 7LT, England. Numis Securities Inc. has its registered office at 25th Floor, 575 Fifth Avenue, New York, NY 10017, USA.

# Notes to the Financial Statements

continued

## 15. Derivative financial instruments

Group	2019 £'000	2018 £'000
At 1 October	350	35
Additions	–	219
Revaluation to fair value in the year recognised in the income statement	753	96
<b>At 30 September</b>	<b>1,103</b>	350
	2019 £'000	2018 £'000
Included in current assets – listed	1,103	350

The Group holds equity options and warrants over certain securities. Although the options and warrants themselves are not listed the underlying securities may be listed or otherwise. In the information presented above the listed and unlisted distinction relates to the underlying security. As at 30 September 2019 the fair value of outstanding foreign exchange contracts was £nil (2018: £nil).

## 16. Deferred tax

### Group

The movement in the deferred tax balance is as follows:

	2019 £'000	2018 £'000
At 1 October	4,938	3,116
Amounts credited to the income statement	(398)	818
Amounts recognised on share-based payments – equity	(578)	1,004
<b>At 30 September</b>	<b>3,962</b>	4,938

	Capital allowances £'000	Share plan arrangements £'000	Other £'000	Total £'000
1 October 2018	23	4,880	35	4,938
(Charged)/credited to income statement	30	(419)	(9)	(398)
Recognised in equity	–	(578)	–	(578)
<b>30 September 2019</b>	<b>53</b>	<b>3,883</b>	<b>26</b>	<b>3,962</b>

The above deferred tax assets have been recognised reflecting management's confidence that there will be sufficient levels of future taxable gains arising from the Group's normal course of business against which the deferred tax asset can be utilised. Of this balance £1,028,000 (2018: £1,610,000) is expected to be recovered within 12 months.

A deferred tax asset of £1,806,000 (2018: £503,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence that there will be taxable gains in the relevant legal entity in the future against which the deferred tax asset could be utilised.



## 17. Trade and other receivables

The following amounts are included within trade and other receivables:

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Due from clients, brokers and other counterparties (excluding corporate finance receivables)	<b>162,137</b>	354,404
Loans to employees	<b>191</b>	180
Other receivables, including corporate finance receivables	<b>20,724</b>	11,815
Prepayments and accrued income	<b>4,206</b>	2,905
	<b>187,258</b>	369,304

Trade and other receivables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold securities transactions and are stated gross. The magnitude of such balances varies with the level of business being transacted around the reporting date.

Trade and other receivables are stated net of expected credit losses totalling £348,000 (2018: £409,000). The movement in expected credit losses during the year comprised £nil for utilisation (2018: £nil) and £61,000 net decrease in the level of the provision (2018: £303,000 net increase) booked to the income statement through administrative expenses. The impact on the opening provision balance on transition to IFRS 9 was immaterial, and has therefore not been disclosed.

Loans to employees principally arise from arrangements under the Group's share plans.

As a result of their short-term nature, the fair value of trade and other receivables held at amortised cost approximates to their carrying value.

The Group and the Company have a legally enforceable right and intention to set-off with a clearing house. The offsetting rules have been applied to both the current year and prior year. For further details please see note 28.

<b>Company</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Amounts due from subsidiaries	-	18,843
Other receivables	<b>7</b>	7
	<b>7</b>	18,850

## 18. Trading investments

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Listed on the LSE main market	<b>13,626</b>	18,134
Listed on AIM	<b>4,746</b>	8,821
Listed overseas	<b>5,597</b>	1,234
Unlisted UK investments	<b>13,434</b>	15,306
Unlisted overseas investments	<b>1,060</b>	305
	<b>38,463</b>	43,800

# Notes to the Financial Statements

continued

## 19. Cash and cash equivalents

Group	2019 £'000	2018 £'000
Cash and cash equivalents included in current assets	<b>84,202</b>	111,673

Cash and cash equivalents comprise cash in hand and deposits held at call with banks and other institutions.

The balances exclude interest-bearing deposits of clients' monies placed by the Group with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the Group may have with them at that time. The balance at 30 September 2019 held in segregated bank accounts in respect of client monies amounted to £1,148,564 (2018: £1,045,508).

## 20. Trade and other payables

Group	2019 £'000	2018 £'000
Amounts due to clients, brokers and other counterparties	<b>151,493</b>	342,705
VAT payable	<b>415</b>	415
Social security and PAYE	<b>1,514</b>	1,354
Other payables	<b>2,575</b>	1,668
Accruals and deferred income	<b>22,616</b>	35,465
	<b>178,613</b>	381,607

As a result of their short-term nature, the fair value of trade and other payables held at amortised cost approximates to their carrying value.

The Group and the Company have a legally enforceable right and intention to set-off with a clearing house. We have applied the off-setting rules to the current year and the prior year. For further details please see note 28.

Company	2019 £'000	2018 £'000
Amounts due to subsidiaries	<b>1,572</b>	1

## 21. Share capital and other reserves

### Share capital

#### Group and Company

	2019 £'000	2018 £'000
Authorised		
140,000,000 (2018: 140,000,000) 5p ordinary shares	<b>7,000</b>	7,000
Allotted, issued and fully paid		
118,438,536 (2018: 118,438,536) 5p ordinary shares	<b>5,922</b>	5,922

During the year there were no ordinary shares issued (2018: nil).

During the year 3,000,000 (2018: 2,875,000) ordinary shares of 5p with an aggregate nominal value of £150,000 (2018: £143,750) were purchased by the Company into Treasury shares. Retained earnings have been reduced by £7,774,000 (2018: £10,675,000) being the consideration paid for these shares. Also during the year, 2,000,000 (2018: 2,000,000) ordinary shares of 5p were transferred from Treasury shares to the Group's Employee Benefit Trust at a weighted average value of £2.74 per share (2018: £2.46 per share).

The number of shares held in Treasury as at 30 September 2019 totals 13,436,088 (2018: 12,436,088).

## 21. Share capital and other reserves continued

### Other reserves

#### Group

	Foreign exchange translation £'000	Equity-settled share plans £'000	Total other reserves £'000
Balance at 1 October 2018	1,233	16,304	17,537
Exchange difference on translation of foreign operations	(96)	-	(96)
Employee share plans: value of employee service	-	11,010	11,010
Employee share plans: transfer to retained profit on vesting of awards	-	(7,812)	(7,812)
<b>Balance at 30 September 2019</b>	<b>1,137</b>	<b>19,502</b>	<b>20,639</b>

	Foreign exchange translation £'000	Equity settled share plans £'000	Total other reserves £'000
Balance at 1 October 2017	1,118	12,298	13,416
Exchange difference on translation of foreign operations	115	-	115
Employee share plans: value of employee service	-	10,750	10,750
Employee share plans: transfer to retained profit on vesting of awards	-	(6,744)	(6,744)
Balance at 30 September 2018	1,233	16,304	17,537

### Other reserves

#### Company

	Equity-settled share plans £'000
Balance at 1 October 2018	16,303
Employee share plans: value of employee service	11,010
Employee share plans: transfer to retained profit on vesting of awards	(7,812)
<b>Balance at 30 September 2019</b>	<b>19,501</b>

	Equity-settled share plans £'000
Balance at 1 October 2017	12,297
Employee share plans: value of employee service	10,750
Employee share plans: transfer to retained profit on vesting of awards	(6,744)
Balance at 30 September 2018	16,303

# Notes to the Financial Statements

continued

## 22. Employee share plans

The Company has established an Employee Benefit Trust in respect of the Group share plans which is funded by the Group and has the authority to acquire shares from the Company or in the open market to meet the Group's future obligations under these plans. As at 30 September 2019 the Trust owned 438,469 ordinary 5p shares in the Company (2018: 327,409) with a market value of £1.0m as at 30 September 2019 (2018: £1.1m).

	2019 Number of shares	2018 Number of shares
At 1 October	<b>327,409</b>	197,793
Acquired during the year	<b>1,665,071</b>	1,757,180
Transferred from treasury	<b>2,000,000</b>	2,000,000
Shares vested in employees	<b>(3,554,011)</b>	(3,350,153)
Shares used to satisfy option exercises	-	(277,411)
<b>At 30 September</b>	<b>438,469</b>	327,409

The figures in the above table are presented on a trade date basis.

At 30 September 2019 the number of shares held by the Trust in respect of awards made to, but not yet vested in, employees was nil (2018: nil shares).

A description of the Group's active share plans and their operation is set out below:

### Restricted Stock Unit (RSU) 2008 Plan

The Board approved this plan on 4 December 2007 and it was approved by shareholders on 29 January 2008.

#### Eligibility

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### Nature of plan

This plan is open to both UK and US Directors and employees and operates as a deferred bonus payment in the form of shares. Awards vest in the hands of the participant in three equal tranches no earlier than at the end of the first, second and third anniversaries following the award date if they continue to be employed by the Group on those dates. Awards granted under this plan are equity settled.

### Long Term Incentive Plan 2016

The Board approved this plan on 5 September 2016.

#### Eligibility

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### Nature of plan

The plan is designed to increase the interest of participant(s) in the Company's long-term business goals and performance. The vesting conditions require not only a five year service condition to be fulfilled but also the achievement of performance conditions as specified by the Group's Remuneration Committee. Vesting can occur no earlier than the fifth anniversary of grant but, in certain circumstances, a holding period extending beyond the fifth anniversary of grant may also be applied.

Awards under this plan have been made through the granting of options which lapse on the tenth anniversary of the grant date.

Awards granted under this plan are equity settled.

## **22. Employee share plans** continued

### **Long Term Incentive Plan (US) 2017**

The Board approved this plan on 6 January 2017.

#### **Eligibility**

Any Director or employee of Numis Securities Inc. (NSI), the wholly owned subsidiary of Numis Securities Limited (NSL), itself a wholly owned subsidiary of Numis Corporation Plc, may be invited to participate in the plan.

#### **Nature of plan**

The plan operates in the same way as the LTIP 2016 Plan other than differences which arise in the treatment of awards under differing tax jurisdictions and in that vesting can occur no earlier than the fourth anniversary of grant but, in certain circumstances, a holding period extending beyond the fourth anniversary of grant may also be applied.

Awards under this plan have been made through the granting of options which lapse on the tenth anniversary of the grant date. Non-market conditions are disclosed in the Remuneration Report on page 60.

Awards granted under this plan are equity settled.

### **Restricted Stock Unit (RSU) 2017 Plan**

The Board approved this plan on 7 November 2017.

#### **Eligibility**

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### **Nature of plan**

The plan was devised broadly to follow the terms of the Restricted Stock Unit (RSU) 2008 Plan, and was put in place as no awards could be made under the earlier plan after the tenth anniversary of the adoption on 29 January 2008.

The plan is open to both UK and US Directors and employees as a deferred bonus payment in the form of shares. Awards vest in the hands of the participant in three equal tranches no earlier than at the end of the first, second and third anniversaries following the award date if they continue to be employed by the Group on those dates.

Awards granted under this plan are equity settled.

# Notes to the Financial Statements

continued

## 22. Employee share plans continued

The movement in award shares for each share incentive award plan, other than awards made by way of options, together with the number of granted but unvested share awards outstanding at 30 September 2019 is detailed in the tables below:

	RSU 2008 Number of shares	RSU 2017 Number of shares	Total Number of shares
Award shares at 1 October 2018	4,401,515	2,623,267	7,024,782
New awards	-	2,521,815	2,521,815
Vesting of awards	(2,711,657)	(842,354)	(3,554,011)
Forfeiture of awards	(85,929)	(95,401)	(181,330)
<b>Award shares at 30 September 2019</b>	<b>1,603,929</b>	<b>4,207,327</b>	<b>5,811,256</b>

	RSU 2008 Number of shares	RSU 2017 Number of shares	Total Number of shares
Award shares at 1 October 2017	7,791,363	-	7,791,363
New awards	-	2,723,266	2,723,266
Vesting of awards	(3,310,471)	(39,682)	(3,350,153)
Forfeiture of awards	(79,377)	(60,317)	(139,694)
Award shares at 30 September 2018	4,401,515	2,623,267	7,024,782

Under the share plans shown above, awards of 2,521,815 shares (2018: 2,723,266 shares) were granted during the year at a weighted average fair value of 240.8p (2018: 323.6p). The weighted average market place on grant date for all awards made during the year was 265.6p (2018: 348.3p).

### Option plans

The Group may grant options under three different plans – the Long Term Incentive Plan 2016 described above, the Long Term Incentive Plan (US) 2017 described above and an employee option plan which was originally formulated and approved in 2001.

As at 30 September 2019 there were 11,314,778 unexercised options outstanding (2018: 11,314,778).

Movements in the number of outstanding share options during the year and their weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price (pence per share)	Outstanding options	Average exercise price (pence per share)	Outstanding options
At 1 October	4.42	11,314,778	8.58	11,592,189
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	178.43	(277,411)
<b>At 30 September</b>	<b>4.42</b>	<b>11,314,778</b>	4.42	11,314,778



## 22. Employee share plans continued

The date range over which the above options may be exercised is set out in the table below. The overall weighted average life of the remaining options is 6.86 years (2018: 7.85 years).

No options were exercised during the year. The weighted average share price, at the exercise date of options exercised during the previous year, was 350.38p. There were no new options granted in 2019 (2018: nil).

At 30 September 2019 the following options granted to Directors and employees to acquire ordinary shares in the Company were outstanding:

Grant date	Number of options outstanding	Exercise price	Earliest exercise date	Latest exercise date
16 December 2013	39,524	253.0p	16 December 2016	16 December 2023
16 December 2013	158,101	253.0p	16 December 2016	16 December 2023
2 February 2016	677,507	0.0p	2 February 2021	2 February 2026
2 February 2016	1,333,334	0.0p	2 February 2021	2 February 2026
5 September 2016	7,106,312	0.0p	5 September 2021	5 September 2026
9 January 2017	1,500,000	0.0p	9 January 2021	9 January 2027
24 January 2017	500,000	0.0p	24 January 2021	24 January 2027

Options granted after 7 November 2002 are measured at fair value at the date of grant. The fair value determined is expensed on a staged basis over the vesting period, based on the Group's estimate of options that will eventually vest. Fair value is measured by use of a Black-Scholes valuation model or a stochastic valuation model dependent on the type of performance conditions applied to the award. The expected life used in the Black-Scholes model is adjusted, based on management's best estimate and behavioural considerations. Expected volatility is estimated with reference to the share price of the Company over a period commensurate with the expected life of the option.

## 23. 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 plan 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.

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

# Notes to the Financial Statements

continued

## 24. Cash flows generated from operating activities

### Group

Reconciliation of profit before tax to cash 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 plan charges	10,914	10,583
Decrease in current asset trading investments	5,337	3,624
Decrease/(increase) in trade and other receivables	182,046	(122,100)
(Increase)/decrease in stock borrowing collateral	(6,734)	700
(Decrease)/increase in trade and other payables	(203,473)	130,580
(Increase)/decrease in derivatives	(753)	(320)
Cash flows generated from operating activities	391	55,661

### Company

The Company does not hold any cash balances, and cash-based transactions are effected on its behalf by Numis Securities Limited, a wholly owned subsidiary. The operating profit of the Company includes fair value gains on investments of £nil (2018: £120,000) and investing activity related dividend income of £19,000 (2018: £39,000) that passed through intercompany accounts.

## 25. Guarantees and other financial commitments

### a) Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £nil for the Group as at 30 September 2019 (2018: £nil).

### b) Contingent liabilities

In the ordinary course of business, the Group holds a £4m indemnity with Barclays in respect of lost certified stock transfers and share certificates. No claims have been received in relation to the year ended 30 September 2019 (2018: nil). The contingent liability arising thereon cannot be quantified, although the Directors do not believe that any material liability will arise under these indemnities.

The Company currently has in place unlimited guarantees to the Company's bankers, Barclays Bank plc for the debts of Numis Securities Limited and Numis Securities Inc., an indirect wholly owned subsidiary of the Company. As at 30 September 2019 the Group did not have any indebtedness to Barclays Bank plc (2018: nil).

The Company has given a guarantee to Pershing LLC for any indebtedness of Numis Securities Inc. Pershing LLC provides securities clearing and settlement services to Numis Securities Inc. for some of its broker activities. As at 30 September 2019 that company did not have any indebtedness to Pershing LLC (2018: nil).

### c) Investment commitments

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 US 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 (2018: \$400k) had been called up and paid. This is classified within trading investments. The remaining \$110k (2018: \$600k) 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 until the fifth anniversary of the agreement, which is June 2023.

## 25. Guarantees and other financial commitments continued

### d) Operating leases

At 30 September 2019 the Group had annual commitments under non-cancellable operating leases in respect of land and buildings of £1,871,000 (2018: £2,149,000). The total future aggregate minimum lease payments are as follows:

Property	2019 £'000	2018 £'000
Within one year	2,004	2,081
In two to five years	11,027	4,953
After five years	40,196	1,945
	<b>53,227</b>	8,979

The annual property rental on the principal property in London leased by the Group was subject to review in September 2016. There is no further rent review for the duration of the lease period which ends in September 2021. A new principal property lease in London has been signed, which is a 15-year lease due to commence on 31 August 2020. An additional property in New York has a lease term of 10 years, which ends in February 2028.

### e) Pension arrangements

The pension cost charge for the year was £1,845,000 (2018: £1,751,000).

A defined contribution Group Personal Pension Plan has been in operation since 6 April 1997 for all eligible employees of the Group. The Group Personal Pension Plan is funded through monthly contributions. The Group contributes 7% of members' salaries with members separately contributing at least 2.5% of their salary. Employees are also eligible for death-in-service benefits.

### f) Revolving credit facility (RCF)

A revolving credit facility of £35m is in place with the Group's banks, should the Group be required to temporarily fund any short-term settlement obligations. The facility is committed until May 2022 with an option to extend by one year and has not been required to be used since its inception.

### g) Employment arrangements

In the ordinary course of business, as at the period end, the Group entered into employment arrangements that are conditional upon the employee starting in the subsequent period.

## 26. Financial instrument risk management

### Group

#### Risk management

Effective risk management is key to the successful achievement of the Group's strategic objectives. The risk management framework sets out the approach of strong risk governance, clear articulation of risk appetite, effective internal controls, allocation of roles and responsibilities, and ongoing assessment of risk. The framework is documented and designed so that risk exposures are understood, limited, monitored, reported and escalated appropriately. In setting and defining a realistic risk appetite and tolerance towards those exposures, responsibilities are allocated and a control culture is embedded to mitigate risks with respect to our strategic objectives. The effective control of risk depends upon all employees being conscientious, taking responsibility and being accountable for their actions.

#### Risk governance

Our risk governance is based on the principle that risk management, risk oversight and assurance are distinct activities that should each be carried out by separate individuals, committees and departments for any particular risk. Risk exposures are monitored, controlled and overseen using the three lines of defence model. The first line of defence consists of the business front line employees that understand their roles and responsibilities and carry them out correctly and completely. The second line is the independent oversight of the Risk and Compliance functions, who set and monitor policies, define work practices and oversee the business front line. The third line of defence is both internal and external auditors who regularly review both the business front line and the oversight functions to ensure that they are carrying out their tasks to the required level of competency. All risk management functions ultimately report to the Board.

# Notes to the Financial Statements

continued

## 26. Financial instrument risk management continued

The Risk Committee is responsible for the evaluation and maintenance of the Group's control framework and ensuring that policies are in place and operating effectively to identify, assess, monitor and control risk throughout the Group. The Risk Committee receives risk updates which detail the Group's exposure to market, credit, liquidity, and operational risks. Independent assurance of the suitability and effectiveness of the Group's risk management framework and controls is provided to the Risk Committee by the utilisation of an outsourced, independent Internal Audit function.

The Risk Oversight Committee is responsible for exercising senior level oversight of all risk-related issues (both financial and non-financial). It has specific responsibility for the in-depth assessment and reporting of all material risks faced by the Group.

The Financial Risk Committee is responsible for confirming that the day-to-day operating activities are managed within the financial risk appetite and controls framework. It reviews the detailed components of market, credit and liquidity risk exposures of the business to ensure that such risks are monitored and assessed appropriately. As a minimum, the Financial Risk Committee reviews market risk of the trading book, credit risk to trading and deposit taking counterparties, liquidity risk of the cash and cash equivalents, capital resources and requirements and operational incidents.

The Risk function has day-to-day responsibility for monitoring and reporting financial risk exposures within the Group and escalation of issues to senior management.

### Accounting treatment

The categorisation of the Group's assets and liabilities analysed by accounting treatment is summarised below:

As at 30 September 2019:

	Assets and liabilities held at amortised cost £'000	Fair value through profit or loss/held for trading £'000	Non-financial instruments and other £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	2,790	2,790
Intangible assets	-	-	80	80
Deferred tax	-	-	3,962	3,962
Trade and other receivables	187,258	-	-	187,258
Trading investments	-	38,463	-	38,463
Stock borrowing collateral	14,640	-	-	14,640
Derivative financial instruments	-	1,103	-	1,103
Cash and cash equivalents	84,202	-	-	84,202
<b>Total assets</b>	<b>286,100</b>	<b>39,566</b>	<b>6,832</b>	<b>332,498</b>
<b>Liabilities</b>				
Trade and other payables	(178,613)	-	-	(178,613)
Financial liabilities	-	(14,153)	-	(14,153)
Current income tax	-	-	(1,578)	(1,578)
<b>Total liabilities</b>	<b>(178,613)</b>	<b>(14,153)</b>	<b>(1,578)</b>	<b>(194,344)</b>
<b>Total equity</b>	<b>107,487</b>	<b>25,413</b>	<b>5,254</b>	<b>138,154</b>

## 26. Financial instrument risk management continued

As at 30 September 2018:

	Assets and liabilities held at amortised cost £'000	Fair value through profit or loss/held for trading £'000	Non-financial instruments and other £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	3,200	3,200
Intangible assets	-	-	77	77
Deferred tax	-	-	4,938	4,938
Trade and other receivables	366,219	-	3,085	369,304
Trading investments	-	43,800	-	43,800
Stock borrowing collateral	7,906	-	-	7,906
Derivative financial instruments	-	350	-	350
Cash and cash equivalents	111,673	-	-	111,673
<b>Total assets</b>	<b>485,946</b>	<b>44,150</b>	<b>11,300</b>	<b>541,248</b>
<b>Liabilities</b>				
Trade and other payables	(378,171)	-	(3,436)	(381,607)
Financial liabilities	-	(14,632)	-	(14,632)
Current income tax	-	-	(1,873)	(1,873)
<b>Total liabilities</b>	<b>(378,171)</b>	<b>(14,632)</b>	<b>(5,309)</b>	<b>(398,112)</b>
<b>Total equity</b>	<b>107,627</b>	<b>29,518</b>	<b>5,991</b>	<b>143,136</b>

### Market risk-equity risk

The Group is affected by conditions in the financial markets and the wider economy through its holdings of equity investments arising through the normal course of its market-making, trading and investing activities. Equity risk arises from the exposures of these holdings to changes in prices and volatilities of equity prices. An adverse movement in the fair value of our holdings has consequences for the capital resources of the Group and therefore it is important for management to understand the potential impact of such movements.

The Group utilises a VaR model to measure market risk. The model uses a "Historical Simulation" approach which shocks market risk positions by the actual daily market moves observed during a rolling 256 business day window. The sum of the simulated returns for each of the 256 days is calculated and the VaR is defined as being the third worst loss during this year. This approach is an accepted industry standard and gives the Group an understanding of the market risks being taken.

VaR limits are set at both individual stock level and portfolio level and are approved by the Board. Such limits are incorporated into the Group's front office trading system so that real time monitoring of VaR exposures is available to both front office staff and the Risk function. On a daily basis the Risk function computes the Historical Simulation VaR risk measure based on the end of day portfolio of holdings. The results are reported to senior management at the end of each day against limits with all resulting excesses highlighted. Similarly the risk measures are also compared to the daily revenue performance. Alongside the use of VaR limits, there are absolute monetary trading book limits at gross and net position level.

# Notes to the Financial Statements

continued

## 26. Financial instrument risk management continued

The following table shows the highest lowest, and average total long, short, gross and net position in listed securities during the year, together with positions at year end.

	Long £'000	Short £'000	Gross £'000	2019 Net £'000
Highest position	33,316	(31,134)	57,096	23,317
Lowest position	14,404	(7,478)	23,846	8,700
Average position	26,425	(21,165)	47,590	5,260
<b>As at 30 September 2019</b>	<b>22,974</b>	<b>(13,648)</b>	<b>36,622</b>	<b>9,326</b>

	Long £'000	Short £'000	Gross £'000	2018 Net £'000
Highest position	48,669	(25,363)	71,303	30,555
Lowest position	25,333	(7,277)	43,172	5,403
Average position	35,067	(18,647)	53,714	16,420
As at 30 September 2018	28,540	(14,632)	43,172	13,907

The table below shows the highest, lowest, average and year end equity VaR.

	2019 £'000	2018 £'000
Highest VaR	<b>391</b>	915
Lowest VaR	<b>193</b>	140
Average VaR	<b>276</b>	271
As at 30 September	<b>224</b>	253

The table above is unaudited.

In addition the Group holds positions totalling £14,494,000 (2018: £14,672,000) in unlisted securities. These are reported to senior management together with positions in listed securities on a daily basis.

### Trading investments

Equity risk on the trading investments held within the market-making book is the day-to-day responsibility of the Head of Trading, whose decision-making is independently monitored. Trading investments held outside the market-making activities are monitored by the Co-CEOs, CFO and senior management.

Equity risk is managed through a combination of cash investment limits applied to the entire trading book coupled with VaR limits set at individual stock level and portfolio level. These limits are approved by the Board, the Risk Committee, and the Financial Risk Committee, and monitored and reported by the Risk function daily. Excess levels over the stock and portfolio limits are initially flagged in real time on the trading platform and monitored by the traders and the Risk function. Excesses are either addressed by the traders or, if they are unable to take corrective action, will be discussed with the Risk function and reported to senior management as part of the routine end of day reporting mechanism. Excesses are also summarised and presented to the Financial Risk Committee along with reasons and corrective action required to bring them within limits.

A sensitivity analysis based on a 10% increase/decrease in underlying equity prices on the trading investments held at the year end indicates that the impact of such a movement would be to increase/decrease respectively profit in the income statement by £2,397,000 (2018: £2,819,000).



## 26. Financial instrument risk management continued

### Financial liabilities

Financial liabilities comprise short positions in quoted stocks arising through the normal course of business in facilitating client order flow. Equity risk on financial liabilities is the day-to-day responsibility of the Head of Trading. Exposures of this nature are monitored in exactly the same way as trading investments above as these positions form part of the trading book.

A sensitivity analysis based on a 10% increase/decrease in underlying equity prices on the financial liabilities held at the year end indicates that the impact of such a movement would be to decrease/increase respectively profit in the income statement by £1,415,000 (2018: £1,463,000).

### Derivative financial instruments

Derivative financial instruments primarily comprise equity options and warrants over listed equity securities and are predominantly received by the Group as non-cash consideration for advisory and other services. This category may also include foreign exchange contracts used to hedge transactional exposures arising from normal operational activities.

Equity risk arising on derivatives is the day-to-day responsibility of the Head of Trading. A detailed inventory of options and warrant holdings is reported to senior management daily and risk is measured and reported using the Group's VaR methodology.

A 10% increase/decrease in the relevant underlying equity price relating to the derivative financial instruments held at the year end indicates that the impact of such a movement on the profit in the income statement would be an increase of £233,000 (2018: £369,000) and a decrease of £233,000 (2018: £227,000) respectively.

### Market risk-currency risk

Currency risk arises from the exposure to changes in foreign exchange spot and forward prices and volatilities of foreign exchange rates. The Group is exposed to the risk that the Sterling value of the assets, liabilities or profit and loss could change as a result of foreign exchange rate movements.

There are three sources of currency risk to which the Group may be exposed: foreign currency denominated financial assets and liabilities arising as a result of trading in foreign securities; foreign currency financial assets and liabilities as a result of either foreign currency denominated corporate finance fees, supplier payments or Treasury activities; and foreign currency denominated investments in subsidiaries of the Group. The Risk function is responsible for monitoring the Group's currency exposures which are reported to senior management daily.

Currency risk is measured using a similar VaR methodology as that used for the Group's measurement of equity risk. The table below shows the highest, lowest and average foreign currency VaR.

	2019 £'000	2018 £'000
Highest VaR	145	151
Lowest VaR	82	78
Average VaR	108	113
<b>As at 30 September</b>	<b>97</b>	<b>127</b>

The table above is unaudited.

The Group's net assets by currency as at 30 September were as follows:

	Sterling £'000	Euro £'000	Canadian \$ £'000	US \$ £'000	Other £'000	Total £'000
<b>2019</b>						
Sterling equivalent	119,521	109	370	17,808	346	138,154
2018						
Sterling equivalent	120,777	6,549	887	13,388	1,535	143,136

# Notes to the Financial Statements

continued

## 26. Financial instrument risk management continued

The Group hedges all significant transactional currency exposures arising from trading activities using spot or forward foreign exchange contracts. The fair value of derivative financial instruments held to manage such currency exposure as at 30 September 2019 was immaterial (2018: immaterial). The Group does not hedge future anticipated transactions. Currency exposure to foreign currency denominated corporate finance receivables and supplier payables at the period end is not considered material.

The table below shows the impact on the Group's results of a 10 cent movement in the US\$ and Euro in terms of transactional and translational exposures.

10 cent increase (strengthening £):

	US \$ £'000	Euro £'000	Total £'000
Profit before tax	(1,340)	(9)	(1,349)
Equity	(2,627)	(9)	(2,636)

10 cent decrease (weakening £):

	US \$ £'000	Euro £'000	Total £'000
Profit before tax	1,577	11	1,588
Equity	(115)	11	(104)

### Market risk-interest rate risk

Interest rate risk arises as a result of changes to the yield curve and the volatilities of interest rates.

The Group's interest-bearing assets are predominantly held in cash or cash equivalents. Excess cash funds may be held on short-term floating rate terms or placed on overnight or short-term deposit. Investment of excess funds into cash equivalent instruments may occur from time-to-time depending on management's view of yields on offer, liquidity requirements, and credit risk considerations. As the Group has limited exposure to interest rate risk and has no external debt (2018: £nil) it does not use derivative instruments to hedge interest rate risk.

The table below shows the interest rate profile of the Group's cash and cash equivalent investments and, while not interest bearing, also shows the Group's exposure to listed investments, net of short positions, as these have an indirect sensitivity to significant changes and volatility of interest rates.

Currency	2019			2018		
	Cash and cash equivalents £'000	Listed investments £'000	Total £'000	Cash and cash equivalents £'000	Listed investments £'000	Total £'000
Sterling	76,973	8,780	85,753	103,099	11,904	108,970
US Dollars	5,329	999	6,328	1,873	1,144	2,245
Euro	1,284	20	1,304	4,498	(238)	4,260
Canadian Dollars	393	-	393	911	(7)	904
Other	223	17	240	1,292	375	1,668
At 30 September	84,202	9,816	94,018	111,673	13,178	118,047
Fixed rate	-	-	-	-	-	-
Floating rate	84,202	-	84,202	111,673	-	111,673

In addition to the above, cash collateral balances of £12,007,000 (2018: £8,630,000) and stock borrowing collateral balances of £14,640,000 (2018: £7,906,000) are subject to daily floating rate interest.

The Group has no material exposures to fair value movements arising from changes in the market rate of interest as at 30 September 2019 or 30 September 2018. Therefore no material sensitivity to changes in the prevailing market rates of interest exists as at 30 September 2019 or 30 September 2018.

## 26. Financial instrument risk management continued

### Fair value estimation and hierarchy

Disclosure of financial instruments that are measured on the balance sheet at fair value is based on the following fair value measurement hierarchy:

Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and

Level 3: Inputs for the asset or liability which are not based on observable market data.

The Group's financial instruments held at fair value are analysed as follows:

As at 30 September 2019:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading investments	23,827	142	14,494	38,463
Derivative financial instruments	-	1,103	-	1,103
Assets	23,827	1,245	14,494	39,566
Financial liabilities	(14,153)	-	-	(14,153)
Liabilities	(14,153)	-	-	(14,153)

As at 30 September 2018:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading investments	28,189	-	15,611	43,800
Derivative financial instruments	-	350	-	350
Assets	28,189	350	15,611	44,150
Financial liabilities	(14,632)	-	-	(14,632)
Liabilities	(14,632)	-	-	(14,632)

There were no transfers between any levels during the year.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation at the end of each reporting year based on the lower level input that is significant to the fair value measurement as a whole.

Movements in financial assets categorised as Level 3 during the year were:

	2019 £'000	2018 £'000
At 1 October	15,611	14,133
Additions	670	1,578
Net (losses)/gains included in other operating income in the income statement	(1,787)	2,311
Disposals	-	(1,828)
Reclassified to Level 1	-	(583)
<b>At 30 September</b>	<b>14,494</b>	15,611

# Notes to the Financial Statements

## continued

### 26. Financial instrument risk management continued

Level 3 financial instruments comprise minority equity holdings in unquoted companies. The determination of fair value requires judgement, particularly in determining whether changes in fair value have occurred since the last observable transaction in the investee company's shares. In making this judgement the Group evaluates amongst other factors the materiality of each individual holding, the stage of the investee company's development, financial information pertaining to each investee company and relevant discussions with the investee company's management.

A sensitivity analysis based on a 5% increase/decrease in the underlying investment companies within the Group's investment portfolio, would increase/decrease respective profit in the income statement by £550,000 (2018: £350,000)

The carrying value of assets and liabilities not held at fair value (cash and cash equivalents, trade and other receivables, trade and other payables and stock borrowing collateral) are not materially different from fair value.

#### Credit risk-counterparty risk

Credit risk is the potential loss that the Group would incur if a counterparty fails to settle its contractual obligations or there is a failure of a deposit taking institution. Credit risk exposure therefore arises as a result of trading, investing and financing activities. The primary source of credit risk faced by the Group is that arising from the settlement of equity trades carried out in the normal course of business.

The credit risk on a particular equity trade receivable is measured by reference to the original amount owed to the Group less any partial payments less any collateral to which the Group is entitled. For example, in accordance with the delivery versus payment principle, the potential exposure at default sustained by the Group would not be the amount of the outstanding receivable balance, but rather the amount representing commission due to the Group and any residual exposure from market risk on the underlying equity after a sell-out (or buy-in) has been carried out.

An internal stress test is employed in order to measure the credit risk exposure faced by the Group. This is a historical 20-day VaR methodology and a conservative judgement of the likelihood of counterparty default. This assessment is applied to the end-of-day equity trade receivable and payable balances and the results are reported to senior management on a daily basis.

Credit risk exposures are also managed by the use of individual counterparty limits applied initially on the categorisation of the counterparty (for example, hedge fund, long only fund, broker, etc.) and assessed further according to the results of an external credit rating and/or relevant financial indicators and/or news flow. From time to time certain counterparties may be placed on an internal watch list in reaction to adverse news flow or market sentiment. The Risk function prepares a summary daily report for senior management which identifies the top 40 individual counterparty exposures measured against their limits, the major stock positions which make up the exposure and a list of the largest failing trades. This reporting incorporates the Sterling equivalent gross inward, outward and net cash flow exposure. Finally, automated intra-day reporting of all inward, outward and net cash flow exposures by individual counterparty against assigned limits is monitored by the Risk function to ensure appropriate escalation and mitigation action is taken.

Trade receivables relating to fees due on the Group's corporate finance and advisory activities are monitored on a weekly basis.

Cash and cash equivalents are with large commercial clearing banks with a strong UK presence all of whom have had credit ratings at or above Fitch investment grade A throughout the year. Credit exposures may be further reduced by diversification of deposits across a number of institutions.

The Group's financial assets are analysed by their ageing in the table below and represent the maximum exposure to credit risk as at 30 September 2019 of balance sheet financial instruments before taking account of any collateral held or other credit enhancements. As at 30 September 2019 there were no collateral amounts held by the Group as security against amounts receivable (2018: £nil).

As at 30 September 2019 (£'000):

	Not overdue	Overdue					Total
		0 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Impaired	
Trade and other receivables	183,100	1,502	1,911	676	30	39	187,258
Trading investments	38,463	-	-	-	-	-	38,463
Stock borrowing collateral	14,640	-	-	-	-	-	14,640
Derivative financial instruments	1,103	-	-	-	-	-	1,103
Cash and cash equivalents	84,202	-	-	-	-	-	84,202
	<b>321,508</b>	<b>1,502</b>	<b>1,911</b>	<b>676</b>	<b>30</b>	<b>39</b>	<b>325,666</b>

## 26. Financial instrument risk management continued

As at 30 September 2018 (£'000):

	Not overdue	Overdue					Total
		0 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Impaired	
Trade and other receivables	340,131	26,546	459	1,649	86	433	369,304
Trading investments	43,800	-	-	-	-	-	43,800
Stock borrowing collateral	7,906	-	-	-	-	-	7,906
Derivative financial instruments	350	-	-	-	-	-	350
Cash and cash equivalents	111,673	-	-	-	-	-	111,673
	503,860	26,546	459	1,649	86	433	533,033

### Credit risk – concentration risk

Concentration risk is the risk arising from exposures to groups of connected parties, counterparties in the same sector, or counterparties undertaking the same activity. Concentration risk arises, in particular, with respect to the Group's exposures to unsettled securities trades. These exposures are monitored intra-day using the credit risk exposure reports and process outlined above. In addition, as orders are taken, system-generated warnings are given of any counterparties whose order is likely to grow above £5m in size.

Concentration of credit risk to a particular counterparty or issuer may also arise from deposits placed with UK licensed banks, investments in cash equivalents and as a result of normal trading activity through Central Counterparties, such as the London Clearing House. The credit quality of these counterparties is kept under review by management. Concentration of trading investments by market is disclosed in note 18. There are no significant concentration risks arising in any other class of financial asset as at 30 September 2019 (2018: £nil).

### Liquidity risk

Liquidity risk is the risk that funds are either not available to service day-to-day funding requirements or are only available at a high cost or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous. Liquidity is of vital importance to the Group to enable it to continue operating in even the most adverse circumstances.

The Group assesses its liquidity position on a daily basis and computes the impact of various stress tests to determine how liquidity could be impacted under a range of different scenarios. The liquidity position is also monitored against regulatory requirements.

The undiscounted cash flows relating to Group's financial liabilities are expected occur in the following periods based on the remaining time to contractual maturity date at the balance sheet date:

As at 30 September 2019 (£'000):

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Trade and other payables	176,319	805	1,489	-	178,613
Financial liabilities	14,153	-	-	-	14,153
Current income tax	1,578	-	-	-	1,578
	192,050	805	1,489	-	194,344

As at 30 September 2018 (£'000):

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Trade and other payables	376,469	3,082	1,876	-	381,607
Financial liabilities	14,632	-	-	-	14,632
Current income tax	1,873	-	-	-	1,873
	393,154	3,082	1,876	-	398,112

A revolving credit facility of £35m is in place with the Group's banks, should the Group be required to temporarily fund any short-term settlement obligations. The facility is committed until May 2022 with an option to extend by one year and has not been required to be used since its inception.

# Notes to the Financial Statements

continued

## 26. Financial instrument risk management continued

### Capital risk

The Group manages its capital resources with reference to the requirements of the business and also through consideration of the Internal Capital Adequacy Assessment Process (ICAAP) performed in accordance with guidelines and rules governed by the Financial Conduct Authority (FCA). Under this process the Group plans to ensure that there is either sufficient capital to absorb potential losses or that there are mitigating controls in place which make the likelihood of the risk occurring remote.

Both the Pillar 1 and Pillar 2 minimum regulatory capital requirements are compared with total available regulatory capital resources on a daily basis and monitored by the Risk function. The capital resources are reported to the Financial Risk Committee, the Risk Oversight Committee, the Risk Committee and the Board. As at 30 September 2019, the Group had £134.3m of regulatory capital resources.

The Group has adopted the standardised approach to credit risk and market risk and the basic indicator approach for operational risk.

### Operational risk

Operational risk is the risk of loss arising from short-comings or failures in internal processes, people or systems, or from external events. Operational risk can also be impacted by factors such as the loss of key staff, the quality of execution of client business, the maintenance of performance management controls, and a major infrastructural failure and/or terrorist event.

The Group takes steps to identify and avoid or mitigate operational risk wherever possible. Continuously evolving control standards are applied by suitably trained and supervised individuals and senior management is actively involved in identifying and analysing operational risks to find the most effective and efficient means to mitigate and manage them. A rolling programme of Risk & Control Self Assessments, enhancements to staff training programmes and internal audits occur throughout the year.

### Company

The risk management processes for the Company are aligned with those of the Group as a whole and fully integrated into the risk management framework, processes and reporting outlined within the Corporate Governance Report on page 44 and in the Group section of this note starting on page 105. The Company's specific risk exposures are explained below:

### Equity risk

The Company is only exposed to equity risk in relation to its investments in subsidiaries. The Company no longer holds any trading investments or derivative financial instruments.

### Currency risk

The Company has no material exposure to transactional or translational foreign currency risk as it rarely undertakes transactions in currencies other than Sterling and consequently rarely has financial assets or liabilities denominated in currencies other than Sterling.

### Interest rate risk

The Company has no material exposure to interest rate risk as it has limited interest-bearing assets and liabilities.

### Credit risk

The Company has exposure to credit risk from its normal activities where there is a risk that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are primarily its subsidiaries and therefore there is minimal external credit risk exposure.



## 26. Financial instrument risk management continued

### Liquidity risk

The Company has no cash and cash equivalent balances. The management of the Group's ability to meet its obligations as they fall due is set out in the Group section of this note. The Company manages its liquidity risk by utilising surplus liquidity within the Group through transactions which pass through intercompany accounts when it is required to meet current liabilities.

### Fair value estimation and hierarchy

The Company no longer holds any trading investments or derivative financial instruments.

Disclosure of financial instruments that are measured on the balance sheet at fair value is based on the following fair value measurement hierarchy:

Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and

Level 3: Inputs for the asset or liability which are not based on observable market data.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation at the end of each reporting year based on the lower level input that is significant to the fair value measurement as a whole.

Movements in financial assets categorised as Level 3 during the year were:

	2019 £'000	2018 £'000
At 1 October	-	13
Disposals	-	(13)
<b>At 30 September</b>	<b>-</b>	<b>-</b>

Level 3 financial instruments comprise equity holdings in unquoted companies. The determination of fair value requires judgement, particularly in determining whether changes in fair value have occurred since the last observable transaction in the investee company's shares. In making this judgement the Company evaluates amongst other factors the materiality of each individual holding, the stage of the investee company's development, financial information pertaining to each investee company and relevant discussions with the investee company's management.

There is no material difference between the carrying value and fair value of the Company's financial assets and liabilities.

# Notes to the Financial Statements

continued

## 27. Related party transactions

### Group

#### a) Intra-group trading

Transactions or balances between Group entities have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

#### b) Key management compensation

The compensation paid to key management is set out below. Key management has been determined as the Executive Directors of the Company and the executive management teams of the Group's operating subsidiaries, who are also Directors of those subsidiaries:

	2019 £'000	2018 £'000
Short-term employment benefits	<b>5,433</b>	6,736
Post employment benefits	<b>110</b>	97
Share-based payments	<b>2,383</b>	2,083
	<b>7,926</b>	8,916

The above amounts include those paid to Directors of the Company.

### Company

#### a) Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, are set out as follows: amounts owed to the Company from subsidiaries are disclosed in note 17 and amounts owed by the Company to subsidiaries are disclosed in note 20.

#### b) Key management compensation

The compensation paid to key management is set out below.

	2019 £'000	2018 £'000
Short-term employment benefits	<b>3,098</b>	3,808
Post employment benefits	<b>72</b>	66
Share-based payments	<b>2,088</b>	1,842
	<b>5,258</b>	5,716

Details of the remuneration of each Director, including the highest paid Director, can be found within the Remuneration Report on page 60. The compensation in the above table has been paid on the Company's behalf by a subsidiary of the Company.

## 28. Offsetting arrangements

The Group and the Company have a legally enforceable right and intention to set-off with a clearing house. We have applied the offsetting rules to the current year and prior period below:

As at 30 September 2019

	Gross amounts £'000	Gross amounts set off in the balance sheet £'000	Net amounts presented in the balance sheet £'000
Trade and other receivables	<b>192,290</b>	<b>(5,032)</b>	<b>187,258</b>
Trade and other payables	<b>(183,645)</b>	<b>5,032</b>	<b>(178,613)</b>

As at 30 September 2018

	Gross amounts £'000	Gross amounts set off in the balance sheet £'000	Net amounts presented in the balance sheet £'000
Trade and other receivables	382,480	(13,176)	369,304
Trade and other payables	(394,783)	13,176	(381,607)

## 29. Post balance sheet events

### Final dividend

A final dividend of 6.5p per share (2018: 6.5p) was proposed by the Directors at their meeting on 13 December 2019. These Financial Statements do not reflect this dividend payable.

We live our values day in, day out



# Excellence

We deliver with distinction and pursue ever greater impact.

- We strive for flawless execution in everything we do
- We work as one team, combining our diverse experience and knowledge to deliver outstanding results
- Each and every interaction matters to us and we take pride in utilising our deep expertise

## Excellence in action

When we're working on a deal we always turn every stone, think about every angle, identify and mitigate any risks that might come up. It's the opposite of a standard generalised approach. We're highly specific and organised and go beyond to ensure quality for each client every step of the way. That for us is excellence.



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## Other information

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# Notice of Annual General Meeting

NOTICE is hereby given that the **Annual General Meeting** of Numis Corporation Plc (the "Company") will be held at the offices of Numis Corporation Plc, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT on **Tuesday 4 February 2020, at 12.30p.m.** to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions:

## Ordinary resolutions

1. To receive and adopt the Company's annual accounts for the financial year ended 30 September 2019, together with the Directors' Report and Auditors' Report.
2. To declare a final dividend for the year ended 30 September 2019 of 6.5p per ordinary share payable on 7 February 2020 to shareholders on the register at 6.00p.m. on 13 December 2019.
3. To reappoint as a Director Mr. Alan Carruthers (Chairman), who is retiring by rotation in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
4. To reappoint as a Director Mr. Alexander Ham (Co-CEO), who is retiring by rotation in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
5. To reappoint as a Director Mr. Andrew Holloway (CFO), who is retiring by rotation in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
6. To reappoint PricewaterhouseCoopers LLP as Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.
7. To authorise the Audit Committee to determine the remuneration of the Auditor on behalf of the Board.
8. THAT in accordance with sections 366 and 367 of the Companies Act 2006 (the "Act"), the Company is, and all companies that are, at any time during the period for which this resolution has effect, subsidiaries of the Company as defined in the Act, are hereby authorised in aggregate to:
  - (i) make political donations as defined in section 364 of the Act, to political parties and/or independent electoral candidates, as defined in section 363 of the Act, not exceeding £50,000 in total;
  - (ii) make political donations to political organisations other than political parties, as defined in section 363 of the Act, not exceeding £50,000 in total; and
  - (iii) incur political expenditure, as defined in section 365 of the Act, not exceeding £50,000 in total,

in each case during the period commencing on the date of passing this resolution and ending on the date of the next Annual General Meeting of the Company to be held in 2021 or at 6.00p.m. on 1 May 2021, whichever is sooner. In any event,

the aggregate amount of political expenditure made or incurred under this authority shall not exceed £100,000.

9. THAT the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"):
  - (a) up to a maximum aggregate nominal amount equal to £1,747,540.00 (equivalent to 34,950,816 ordinary shares); and
  - (b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount equal to £1,747,540.00 (equivalent to 34,950,816 ordinary shares) in connection with an offer by way of a rights issue to:
    - (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

The authorities conferred on the Directors under paragraphs (a) and (b) to allot Relevant Securities shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021, or, if earlier, at 6.00p.m. on 1 May 2021, unless previously revoked, varied or renewed by the Company in a general meeting. The Company shall be entitled to make, prior to the expiry of such authorities, any offer or agreement which would or might require Relevant Securities to be allotted after the expiry of these authorities and the Directors may allot Relevant Securities pursuant to such offer or agreement as if these authorities had not expired. All prior authorities to allot Relevant Securities shall be revoked but without prejudice to any allotment of Relevant Securities already made thereunder.

## Special resolutions

10. THAT, subject to and conditional upon the passing of resolution 9 set out in the notice of this meeting, the Directors be generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 9 above, by way of a rights issue only) to:



- (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- (b) the allotment (otherwise than pursuant to sub-paragraph a) above) of equity securities having an aggregate nominal amount not exceeding £262,131.00 (equivalent to 5,242,622 ordinary shares), and this power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021 or, if earlier, at 6.00p.m. on 1 May 2021, unless previously revoked, varied or renewed, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
11. THAT, subject to the passing of resolution 9, the Directors be given powers pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") and in addition to any authority granted under resolution 10, to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority given by resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) to (6) of section 562 of the Act did not apply to any such allotment, provided that such power be:
- (a) limited to the allotment of equity securities up to a nominal amount of £262,131.00; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles (the "Pre-Emption Group's Statement of Principles") most recently published by the Pre-Emption Group prior to the date of this notice, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 or at 6.00p.m. on 1 May 2021), whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting). The Company may before this authority expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.
12. THAT the Company be generally authorised pursuant to section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company on such terms and in such manner as the Directors shall determine, provided that:
- (a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 10,485,244 ordinary shares (equivalent to £524,262.00);
- (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 5p;
- (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
- (d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021, or, if earlier, 1 May 2021, unless previously revoked, varied or renewed; and
- (e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.

By order of the Board



**Andrew Holloway**  
**Chief Financial Officer & Company Secretary**  
**13 December 2019**

Registered in England & Wales  
 Company Registered No: 2375296  
 Registered Office  
 10 Paternoster Square  
 London  
 EC4M 7LT

# Notice of Annual General Meeting

continued

## Notes:

### Right to appoint a proxy

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. A proxy form which may be used to make such appointment and give proxy directions accompanies this Notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC, on 0370 707 1203.

### Procedure for appointing a proxy

3. To be valid, the proxy form must be received by post or (during normal business hours only) by hand at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 31 January 2020 at 12.30p.m. (or, in the case of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting). It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority.
4. The proxy form must be received by the Company's registrar, Computershare, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the Annual General Meeting. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by Computershare (under CREST participant ID 3RA50) by no later than 12.30p.m. on 31 January 2020. The time of receipt will be taken to be the time from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
5. The return of a completed proxy form or the transmission of a CREST Proxy Instruction will not preclude a member from attending the Annual General Meeting and voting in person if he or she wishes to do so.

### Record date

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company as at 6.00p.m. on 31 January 2020 or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

## Corporate representatives

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

## Communications

8. Members who have general enquiries about the meeting should use the following means of communication. No other means of communication will be accepted. You may:
  - call our members' helpline on 0370 707 1203
  - write to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

## Total voting rights

9. As at 6 December 2019, being the latest practicable date prior to the date of this Notice, the Company's issued share capital consisted of 104,852,448 ordinary shares, carrying one vote each, and 13,586,008 treasury shares. Therefore, the total number of voting rights in the Company as at 6 December 2019 was 104,852,448.

## Documents available for inspection

10. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays), and for at least 15 minutes prior to and during the Annual General Meeting, copies of:
  - the Service Contract of each Executive Director and the Letters of Appointment of each Non-Executive Director; and
  - the current Articles of Association of the Company.

## Explanatory notes to the Notice of 2020 Annual General Meeting

### Resolution 1 – To receive the Report and Accounts

The Board asks that shareholders receive the reports of the Directors and the Financial Statements for the year ended 30 September 2019, together with the report of the auditors.

### Resolution 2 – Declaration of final dividend

A final dividend can only be paid if it is recommended by the Directors and approved by the shareholders at a general meeting. The Directors propose that a final dividend of 6.5p per ordinary share be paid on 7 February 2020 to ordinary shareholders who are on the Register of Members at 6.00p.m. on 13 December 2019.

Pursuant to the Dividend Investment Plan ("DRIP"), shareholders will again be offered the opportunity to elect to use their cash dividend to buy additional shares in Numis instead of any cash dividend to which they would otherwise have been entitled. The DRIP allows shareholders to increase their shareholdings in the Company in a simple and cost-effective way. Once a shareholder has elected to participate in the DRIP, any cash dividend will be reinvested in ordinary shares in the Company bought on the London Stock Exchange through a specially arranged share dealing service. As the DRIP does not require the creation of any new ordinary shares in the Company and therefore does not lead to dilution of the value of the existing ordinary shares in the Company, the Directors believe that the DRIP is beneficial to the shareholders as a whole.

If you have already joined, or choose to join the DRIP, the final dividend will be used to buy ordinary shares in the Company. A dealing commission of 0.75% of the value of the ordinary shares purchased will be charged (subject to a minimum of £2.50) and deducted from the amount of the final dividend.

If you have not already joined the DRIP and wish to do so, you should either apply online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or, alternatively, contact the Company's registrar on 0370 707 1203 to request the terms and conditions of the DRIP and a printed mandate form, which must be returned to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, so as to arrive no later than 6.00p.m. on 31 January 2020. If you have already joined the DRIP and wish to continue receiving dividends in shares, or if you have not already joined the DRIP and wish to continue receiving dividends in cash, you need take no further action.

### Resolutions 3 to 5 – Re-election of Directors

The Articles of Association of the Company require the nearest number to one third of the Directors to retire at each Annual General Meeting. In addition, any Director who has been appointed since the last Annual General Meeting must also retire and may offer him or herself for re-election and such Directors are not counted in calculating the number of Directors to retire by rotation.

Messrs. Carruthers (Independent Non-Executive Chairman), Ham (Co-CEO) and Holloway (CFO) are each subject to retire by rotation and offer themselves for re-election as required under the Articles of the Company.

The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-Executive Directors are independent in character and judgement. Biographical details of all our Directors can be found on page 40 of the 2019 Annual Report and on Numis' corporate website.

### Resolutions 6 and 7 – Reappointment and remuneration of auditor

The Company is required to appoint auditors at each Annual General Meeting to hold office until the next such meeting at which accounts are presented. Resolution 6 proposes the reappointment of the Company's existing auditors, PricewaterhouseCoopers LLP.

Resolution 7 proposes that the Audit Committee be authorised to determine the level of the auditors' remuneration on behalf of the Board.

### Resolution 8 – Authority to make political donations

The Companies Act 2006 (the "Act") prohibits companies from making any political donations to EU political organisations, independent candidates or incurring EU political expenditure unless authorised by shareholders in advance. The Company does not make and does not intend to make donations to EU political organisations or independent election candidates, nor does it incur any EU political expenditure.

However, the definitions of political donations, political organisations and political expenditure used in the Act are very wide. As a result this can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties, and support for bodies representing the business community in policy review or reform. Shareholder approval is being sought on a precautionary basis only, to allow the Company and any company, which at any time during the period for which this resolution has effect, is a subsidiary of the Company, to continue to support the community and put forward its views to wider business and government interests without running the risk of inadvertently breaching the legislation.

The Board is therefore seeking authority to make political donations to EU political organisations and independent election candidates not exceeding £50,000 in total and to incur EU political expenditure not exceeding £50,000 in total. In line with best practice guidelines published by the Investment Association, this resolution is put to shareholders annually rather than every four years as required by the Act. For the purposes of this resolution, the terms "political donations", "political organisations", "independent election candidate" and "political expenditure" shall have the meanings given to them in sections 363 to 365 of the Act.

### Resolution 9 – Authority to allot relevant securities

Resolution 9 is proposed to renew the Directors' powers to allot shares. The Directors' existing authority, which was granted (pursuant to section 551 of the Act) at the Annual General Meeting held on 5 February 2019, will expire at the end of this year's Annual General Meeting. Accordingly, paragraph (a) of resolution 9 would renew and increase this authority by authorising the Directors (pursuant to section 551 of the Act) to allot relevant securities up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

In accordance with The Investment Association's Share Capital Management Guidelines, Resolution 9(b) seeks to grant the Directors authority to allot ordinary shares equal to a further one third of the Company's issued share capital in connection with a rights issue in favour of ordinary shareholders. If the Directors were to use this additional authority, then all of the Directors would submit themselves for re-election at the following Annual General Meeting.

Save in respect of the issue of new ordinary shares pursuant to the Company's share incentive schemes or as a result of scrip dividends, the Directors currently have no plans to allot relevant securities, but the Directors believe it to be in the interests of the Company for the Board to be granted this authority, to enable the Board to take advantage of appropriate opportunities which may arise in the future.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the Annual General Meeting of the Company to be held in 2021, or at 6.00p.m. on 1 May 2021, whichever is sooner, unless renewed or revoked prior to such time.

# Notice of Annual General Meeting

continued

## Resolutions 10 and 11 – Disapplication of statutory pre-emption rights

Resolutions 10 and 11 are to approve the disapplication of pre-emption rights. The passing of these resolutions would allow the directors to allot shares for cash and/or sell treasury shares without first having to offer such shares to existing shareholders in proportion to their existing holdings.

The authority under Resolution 10 would be limited to:

- (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board considers necessary; and
- (b) allotments or sales (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £262,131.00 (equivalent to 5,242,622 ordinary shares), being an amount equal to approximately 5% of the current issued share capital of the Company as at 6 December 2019 (being the latest practicable date prior to the publication of this Notice).

Resolution 11 would give the Directors authority to allot a further 5% of the issued ordinary share capital of the Company as at 6 December 2019 (being the latest practicable date prior to the publication of this Notice) for the purposes of financing a transaction which the directors determine to be an acquisition or other capital investment contemplated by the Pre-Emption Group's Statement of Principles most recently published by the Pre-Emption Group prior to the date of this Notice.

The disapplication authorities under Resolutions 10 and 11 are in line with guidance set out in the Pre-Emption Group's Statement of Principles. The Pre-Emption Group's Statement of Principles allow a board to allot shares for cash otherwise than in connection with a pre-emptive offer (i) up to 5% of a company's issued share capital for use on an unrestricted basis and (ii) up to a further 5% of a company's issued share capital for use in connection with an acquisition or specified capital investment announced either contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm that they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three year period (save in accordance with Resolution 11) without prior consultation with shareholders. The authorities contained in Resolutions 10 and 11 will expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 or at 6.00p.m. on 1 May 2021, whichever is sooner

## Resolution 12 – Authority to purchase Company's own shares

Resolution 12 seeks to grant the Directors authority (until the next Annual General Meeting to be held in 2021 or, if earlier, 1 May 2021, unless such authority is revoked or renewed prior to such time) to make market purchases of the Company's own ordinary shares, up to a maximum of 10,485,244 ordinary shares (equivalent to £524,262.00), being an amount equal to approximately 10% of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of 5p per share.

The Directors intend to purchase shares to offset the dilutive impact of share awards granted to staff, subject to prevailing market conditions, financial position and the outlook for the business generally. The Directors believe it is in the interests of shareholders to mitigate the potential dilution arising from our strategy to use equity to incentivise and reward staff. Furthermore, the authority will only be exercised if the Directors believe the purchase would enhance earnings per share and be in the best interests of shareholders generally. The Company may hold in treasury any of its own shares that it purchases in accordance with the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

## Board recommendation

The Directors believe that the resolutions being proposed and described above are in the best interests of the Company and its shareholders as a whole and recommend you to give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholdings.

# Information for shareholders

- Strategic Report
- Governance
- Financial Statements
- **Other Information**

## Financial calendar

### 2019–2020

<b>December</b>	Year end results announced
<b>January</b>	Annual Report issued
<b>February</b>	Annual General Meeting
<b>February</b>	Final dividend paid
<b>May</b>	Half year results announced and half year report issued
<b>July</b>	Interim dividend paid

## Company information

### Company registration number

2375296

### Registered office

10 Paternoster Square  
London  
EC4M 7LT

[mail@numis.com](mailto:mail@numis.com)

[www.numis.com](http://www.numis.com)

### Nominated broker

Numis Securities Ltd  
10 Paternoster Square  
London  
EC4M 7LT

### Nominated adviser

Grant Thornton LLP  
30 Finsbury Square  
London  
EC2P 2YU

### Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### Independent auditors

PricewaterhouseCoopers LLP  
7 More London  
Riverside  
London  
SE1 2RT

### Bankers

Barclays Bank plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

### Numis Corporation Plc

10 Paternoster Square  
London  
EC4M 7LT

[mail@numis.com](mailto:mail@numis.com)

[www.numis.com](http://www.numis.com)

# Alternative performance measures

The Group uses the following non-GAAP alternative performance measures:

## **Underlying operating profit**

Measure: Profit before investment income/losses, net finance income non-recurring items and tax

Reconciliation: See page 29

### **Why we use this measure:**

Provides a consistent measure of the performance of the core business, excluding the impact of non-core activities and one-off items

## **Operating margin**

Measure: Underlying operating profit divided by revenue

Reconciliation: See page 29

### **Why we use this measure:**

Provides a measure of the profitability of the core business activities of the Group, identifying the operating gearing within the business.





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