NUMIS SECURITIES LIMITED

COMPANY NUMBER 2285918

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NUMIS SECURITIES LIMITED
(Registered Number 2285918)
ANNUAL REPORT
YEAR ENDED 30 SEPTEMBER 2019

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NUMIS SECURITIES LIMITED
DIRECTORS, OFFICERS AND REGISTERED OFFICE

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements are listed below:

Ross Mitchinson	(Co-Chief Executive and Co-Chairman)
Alex Ham	(Co-Chief Executive and Co-Chairman)
Andrew Holloway	
Will Wallis	
Rene Obregòn	
Michael Lee	
Gemma Cook	
Timothy Valmas	
Marcus Chorley	(resigned 1 October 2019)

COMPANY SECRETARY

Andrew Holloway

REGISTERED OFFICE

The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

NUMIS SECURITIES LIMITED
STRATEGIC REPORT

In accordance with Section 414A of the Companies Act 2006, the serving Directors as at 30 September 2019 and up to the date of signing the Financial Statements are pleased to present their Strategic Report on the development and performance of the Company during the year ended 30 September 2019, the financial position of the Company as at 30 September 2019 and the principal risks to which the Company is exposed.

INTRODUCTION

This report is a key component of the annual report and provides an opportunity for the Directors to communicate our main goals and strategy (Our Strategy), the measures we use to determine how well the business is performing (Key Performance Indicators) and the principal risks (Principal Risks) faced by the business which could prevent these goals being achieved.

We also provide an overview of how the business is structured (Business Model) and a review of the Company's performance for the year ended 30 September 2019 (Review of Performance) in order to add context to the results shown in the Financial Statements. This review includes commentary on the main pillars of our business model. Finally, we summarise the financial position of the Company (Financial Position) and comment on future prospects for the business (Outlook).

BUSINESS MODEL

We strive to be the investment bank of a generation.

<u>Our unique market position…</u>

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

We compete with a wide range of players across our different services demonstrating our own distinctive focus and strengths.

Our competitors vary in size and focus. We occupy a unique position between small niche competitors and the big broad banks. It is our sweet spot for growth and excellence where we can make the most of our integrated approach to meeting the investment banking needs of our clients.

<u>and our distinctive strengths…</u>

Client commitment

We are deeply committed to building ever stronger 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.

<u>underpin our business model…</u>

We advise, analyse and execute

Delivering the following products and services

- M&A
- Equity capital markets
- Debt advisory
- Private capital raising
- Retained corporate broker and adviser
- Equity research
- Execution

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

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

<u>Enabling us to deliver value for our stakeholders</u>

Clients

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

Employees

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

OUR STRATEGY

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

Strategy	Related KPIs	Related risks
Build the corporate franchise focusing on high quality clients 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.	Revenue per head Advisory revenue Number of corporate clients UK ECM market share	Strategic risk People risk Conduct, regulatory & legal risk Macroeconomic risk Reputational risk
Become the leading UK equities platform 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.	Equities revenue UK ECM market share Extel survey	Strategic risk People risk Technology risk Conduct, regulatory & legal risk Macroeconomic risk Reputational risk
Develop complementary products and services 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.	Advisory revenue	Strategic risk People risk Technology risk Conduct, regulatory & legal risk Macroeconomic risk
Maintain operating and capital discipline 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.	Revenue per head Operating margin Liquid resources Share count	Strategic risk People risk Financial risk Technology risk Conduct, regulatory & legal risk Reputational risk

KEY PERFORMANCE INDICATORS

Financial

Revenue per head (average) (£k)

2019	408
2018	537
2017	596
2016	529
2015	470

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 the challenging market backdrop and decline in revenues across the business, in particular lower deal volumes and lower average deal fees.

Equities revenue (£m)

2019	33.8
2018	43.6
2017	40.6
2016	34.7
2015	30.0

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
Equities revenue decreased by 23% in a year due to weak markets and lower trading profits.

Advisory revenue (£m)

2019	12.6
2018	17.3
2017	14.4
2016	12.3
2015	12.7

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
Advisory revenue growth decreased by 27% in FY19 due to lower corporate client activity.

Underlying operating margin (%)

2019	10
2018	18
2017	25
2016	24
2015	27

Why it's important
Our underlying 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
Operating margin decreased to 10% as a result of decreasing revenues being only partly offset by lower costs.

Liquid resources (£m)

2019	83.7
2018	104.9
2017	90.4
2016	81.7
2015	52.9

Why it's important
Our cash balance supports our trading activities and ECM capability as well as providing a robust financial basis to pursue our strategic initiatives across the cycle.

2019 performance
Our liquid resources decreased by 21% mainly as result of movements arising from our market-making positions and lower profitability. We agreed a £35m committed credit facility during the year.

Non-financial

Corporate client base

2019	217
2018	210
2017	202
2016	199
2015	183

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 7 net clients wins.

UK ECM market share (%)

2019	7.6
2018	8.9
2017	9.7
2016	13.4
2015	6.5

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 4th per Bloomberg, with a market share of 7.6%, in a year which featured materially fewer transactions and a higher concentration of large corporate transactions.

Extel survey

2019	1st
2018	1st
2017	1st
2016	1st
2015	1st

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 if our offering as assessed by our clients.

2019 performance

We were ranked 1st in the UK Small and Mid-Caps survey, for the seventh successive year.

BUSINESS REVIEW

Our ambition is to build the investment bank of a generation. To this end, in 2019 we invested in some of the best talent in the market as we positioned the firm for future growth

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 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. M&A volumes also declined over the year although we saw an increase in bid activity toward the end of the year.

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

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

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

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

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

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

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

Whilst public market activity declined, we recorded revenues of approximately £9m from private markets transactions representing a meaningful improvement on the prior year. We successfully repositioned our strategy in private markets adopting a more targeted approach, focused on late-stage transactions for companies both in the UK and overseas. Notably, our largest investment banking transaction of the year was a private fundraise 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.

Continued market share gains in Equities

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 long-only buy-side community. Such connectivity is critical to our business model and enables us to formulate valued advice and guidance for our corporate clients.

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

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

FINANCIAL REVIEW

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

Summary for the year
Revenue for the year was £106.1m (2018: £128.4m), representing a decrease of 17%, as both investment banking and equities experienced declines in revenue.

Investment banking revenue
Investment banking revenues were £72.3m (2018: £84.8m), resulting in a 15% 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 16% 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 27% 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 7% 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 revenue
Equities delivered revenue of £33.8m which represented a decline of 23%. 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.

Strategic investment portfolio
The Company continues to hold a portfolio of strategic investments consisting of mostly early-stage private opportunities where we believe we can contribute to the development of the Company through our network and position in the market.

The strategic investment portfolio now comprises 98% unlisted investments. One new investment of £210,000 was made during the year, a further £380,000 was added to an existing investment and there was £80,000 of other investment additions, giving a total investment spend of £670,000 (2018: £2.6m). There were no investment disposals during the year. Overall there was a £2.2m downward net fair value adjustment for the year (2018: £1.5m gain).

Costs

Total costs declined to £95.4m (2018: £104.8m) representing a reduction of 9%. 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 8%.

Our share-based payment charge was in line with the prior year at £9.7m (2018: £9.7m). 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.

Our non-staff costs increased 11% 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

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

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

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

Profit

	2019	2018	% change
Profit before tax	**9.4**	25.5	63%
Adjustments:			
Investment loss/(income)	**2.2**	(1.5)	
Net finance income	**(0.9)**	(0.4)	
Underlying operating profit	**10.7**	23.6	(55%)
Underlying operating margin	**10%**	18%	8ppts

Underlying operating profit was down 55% to £10.7m (2018: £23.6m) mainly due to a 24% decrease in underlying revenue versus a 17% decrease in underlying costs in the year. The underlying operating margin declined to 10% (2018: 18%). Profit before tax was £9.4m representing a decline of 63% compared to the prior year. As a result, profit after tax was 70% lower at £6.2m (2018: £20.6m).

Net asset position
The Company's net asset position at the year end was £136.6m (2018: £121.3m), representing an increase of 13%.

The Company assesses its capital position against its requirements throughout the year. At present the Company has qualifying capital significantly in excess of its minimum requirement. This position of strength ensures the Company is well positioned to navigate a variety of market conditions.

Cash position
The Company's cash position decreased by 20% to £83.7m as a result of movements in our trading book position and cash profits. Our cash position is significantly in excess of our regulatory liquidity requirements. Financing outflows included £12.7m of dividend payments to the parent company's shareholders (2018: £12.8m) and £12.0m spent on the repurchase of shares to offset future shareholder dilution from staff compensation share schemes (2018: £16.3m).

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

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

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

The environment and community
Numis is proud to report that it has implemented processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within its place of business and is committed to a charitable Giving partnership with a chosen charity which supports young and vulnerable people. Numis 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.

Recruiting the next generation of outstanding talent
Developing the next generation of talented leaders across the business requires 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 one of our successful summer internship programmes which provide us an excellent opportunity 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.

PRINCIPAL RISKS

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 the Company's approach to risk management together with the key arrangements for managing the risks through internal controls. We see effective risk management as central to ensuring strong 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. We embed our risk management process into each level of the business, with all staff being responsible for understanding and managing risks. To achieve this we use a "Three Lines of Defence" model.

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, in the following way:

- 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 is created by the oversight functions made up of Compliance and Risk Management. 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, rules 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 education 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 Company.

Risk committees
The Company's risk management framework includes a number of executive operational committees that consider, assess and manage risk matters.

Strategic risk
The risk that we are not able to carry out our strategy and achieve our strategic objectives.

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.

Mitigation
The executive management team is subject to healthy and robust challenge from the Board and its committees on the Company's strategic direction, 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 and therefore closely monitor our ability to achieve the related strategic objectives. 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.

Change in the year residual risk
We consider that the financial performance of the Company demonstrates effective execution of the strategy. No material change in residual risk after mitigating actions.

Financial risk
This comprises four categories of risk:

Market risk
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.
Liquidity risk
The risk that we are unable to meet our contractual, contingent or regulatory liquidity obligations or that we do not have sufficient liquidity to support our obligations, including in relation to trading counterparties, underwriting and margin calls.
Credit risk
The risk of loss from the failure of clients or counterparties to fully honour their obligations to us.
Capital risk
The risk that we have insufficient capital to support our business activities and to meet our regulatory capital requirements.

Mitigation
We mitigate our exposure to financial risk through a combination of:
- Prudent risk appetite limits.
- Monitoring and reporting of market, credit, liquidity and capital risk information to the Financial Risk Committee and other relevant staff and taking any necessary action.
- Embedding liquidity and capital adequacy review processes in timely and thorough management information.
- Forecast modelling and stress scenario testing.

Change in the year residual risk
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.

People risk
The risk associated with staff behaviour, recruitment and retention. 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.

Mitigation
The motivation, retention and growth of our people remain at the top of the Board's agenda. 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.

We have invested to ensure that our people feel engaged and recognise that they are valued and appreciated. We continue to roll out a number of initiatives, including in relation to:
- Learning and development with a focus on the role of the manager, given we recognise their importance in engagement and retention of staff.
- Wellbeing and personal resilience in conjunction with partnering the Charlie Waller Memorial Trust this year.
- Diversity and inclusion.
- Charity giving.
- Sustainability.
- Flexibility and remote working.
- Enhanced benefits.

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 the long-term success of the Company. Senior management succession planning is run annually and overseen by the Nominations Committee.
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.

Change in the year residual risk
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 the HR team.

Notwithstanding our focus on our employee wellbeing, we face a challenging business environment and cautiously note a marginal increase in residual risk after mitigating actions.

Technology risk
Technology risk can arise from the failure of core business processes undertaken within the Company or by one of our third-party service providers. Technology enables us to facilitate reliable business operations without disruption to client service, and deliver innovation and change that maintains our position as a leader in our field.

Specific areas of technology risk include:
- Cyber security, data loss and vulnerability management.
- Failure to innovate resulting in loss of our leading position.
- Response to changes in regulation or legislation.
- Third-party supplier selection and reliance.
- System and infrastructure resilience, performance and redundancy.

Mitigation
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. Evolving control standards and robust corporate governance 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.

In addition to this top down approach, we also apply a bottom up approach with Risk & Control Self-Assessment workshops used to identify risks and test controls. Management make use of best-in-breed third-party service providers and best practice operating procedures to enhance the level of expertise applied.

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.

Change in the year residual risk
We have continued to invest in our technology platform to address vulnerabilities and increase resilience. This included replacing our core settlements system as well as major upgrades to other key business systems. 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. No material change in residual risk after mitigating actions.

Conduct regulatory & legal risk
The risk that inappropriate behaviour, conduct or practices result in detrimental impact to our clients' interests or outcomes or to market integrity. 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. The risk that new regulation or changes to the interpretation or implementation of existing regulation adversely affects our operations and financial condition.

Mitigation
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.

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.

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 Company and there is a demonstrated track record of transparency and strong relations with the key regulatory bodies. Compliance procedures are maintained across the Company.

Our Compliance department supports senior management in meeting its obligations as well as carrying out risk-based monitoring of our compliance with relevant regulation. Tailored training and updates on specific aspects of regulatory compliance is routinely delivered throughout the year by a combination of senior Compliance personnel and/or external subject matter experts.

Our legal obligations are overseen by an experienced and well-qualified in-house legal team.

Change in the year residual risk
Regulatory obligations within the financial services sector are significant and the pace of change shows no signs of slowing down. 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. We continue to prioritise enhancements to our systems and platform in order to be appropriately resourced.

No material change in residual risk after mitigating actions.

Operational risk
The risk of loss (or gain) resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is a broad term and covers a diverse range of risks that touch all aspects of our business.

Mitigation
We have made further advancements to how we manage and communicate our operational risk exposures to the business and to senior management, including in relation to:

- Implementation of a new operational risk reporting process.
- Continuation of our rolling programme of Risk and Control Self Assessments.
- Further training and across the business.
- Enhancement of our new product and change management procedures and processes.
- Implementation of new policies to ensure we keep our employees and clients safe.

We will continue to invest in new technologies, adapting to best practices and changing processes and policies appropriately to ensure we mitigate operational risk.

Change in the year residual risk
Notwithstanding controlled integration into the business, the addition of new products and the diversification of our business present greater scope for operational risk. Marginal increase in residual risk after mitigating actions.

Governance risk
The risk of ineffective, inefficient and unethical management and oversight of the Group by its senior management and Board.

Mitigation
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 a CASS committee to supervise all aspects of client money and custody.

Change in the year residual risk
No material change in residual risk after mitigating actions.

Macroeconomic risk
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 overall business comes from EU clients, changes to current EU passporting rights will likely restrict our ability to carry out certain activities with EU clients.
- 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.

Mitigation
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.

Change in the year residual risk
Increase in residual risk after mitigating actions.

Reputational risk
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.

Mitigation
The Board sets the Company'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 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.

Change in the year residual risk
Our continual client base growth provides evidence that our reputation remains strong, despite an increase in economic uncertainty. We were the 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.

Current trading and outlook
Revenue for the first two months of the year is ahead of the comparative period. We have benefited from an increase in ECM deal volumes including raising £152m for Bovis Homes Plc and £104m for Future Plc. In addition we acted as financial adviser to Unite 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.

Ross Mitchinson
Co-Chief Executive Officer
13 December 2019

NUMIS SECURITIES LIMITED
DIRECTORS' REPORT

In accordance with Section 415 of the Companies Act 2006, the serving Directors as at 30 September 2019 and up to the date of signing the Financial Statements are pleased to present their Directors' Report together with the audited Financial Statements and independent auditors' report, for the year ended 30 September 2019.

COMPANY

Numis Securities Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary undertaking of Numis Corporation Plc, a United Kingdom registered company. It is a leading independent corporate advisory and stockbroking firm offering a full range of research, execution, corporate broking and advisory services to companies quoted in the UK and their investors.

The Company has effective ownership of 100% of the issued share capital of the companies listed below. All shares have identical voting rights.

Subsidiary	Country of incorporation	Principal activity
Numis Securities Inc.	United States of America	Stockbroking
Numis Nominees (NSI) Limited	United Kingdom	Dormant
Numis Nominees Limited	United Kingdom	Dormant

RESULTS, DIVIDENDS AND OUTLOOK

Dividends totalling £nil were recorded during 2019 (2018: £nil). The Directors propose to pay a final dividend of £nil to its parent company, Numis Corporation Plc (2018: £nil). The results of the Company for the financial year are set out in the income statement on page 14 and further reviewed in the Strategic Report on pages 2 to 18. The future outlook is described in the Strategic Report on page 18.

GOING CONCERN

The Directors have a reasonable expectation that the Company has 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.

INDEPENDENT AUDITORS

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Company's Board at the time of approving the Directors' Report, strategic report and Financial Statements are listed on page 1. 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 audit or preparation of their auditors 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.

EMPLOYMENT POLICY

The Company'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 Company 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 Company is encouraged as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its competitive and entrepreneurial edge.

The Company 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 Company made no political donations (2018: nil).

INDEMNITIES AND INSURANCE

Directors' and Officers' liability insurance is maintained by the Company's parent undertaking for all Directors and officers of the Company. 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.

COUNTRY-BY-COUNTRY REPORTING

The Company's obligation to publish reportable information under Article 89 of the Capital Requirements Directive 4 is fulfilled by the Company's parent undertaking which publishes relevant information on a consolidated basis. The relevant information can be found on the Company's website, www.numis.com, within the Legal and Regulatory section.

PILLAR 3 DISCLOSURES

Disclosures are made annually and, if appropriate, more frequently via the Company's website (www.numis.com). The Company's Pillar 3 disclosures can be found in the Legal and Regulatory section of this website within the Investors in Numis area.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in Note 26 to the Financial Statements.

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

Andrew Holloway
Director
13 December 2019

NUMIS SECURITIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the Directors have prepared the Company 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 Company and of the profit or loss of the 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, 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 Company will continue in business.

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

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

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 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 Company's auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUMIS SECURITIES LIMITED

Report on the audit of the Financial Statements

Opinion

In our opinion, Numis Securities Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit and 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 30 September 2019; the Statement of Income and Comprehensive Income, the Statement of Cash Flows, the Statement 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the 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 company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all 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 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 company and its 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 21, 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 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 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. 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 December 2019

NUMIS SECURITIES LIMITED
STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	3	106,076	128,403
Other operating (losses)/gains	4	(2,234)	1,526
Administrative expenses	5	(95,381)	(104,813)
Operating profit		**8,461**	**25,116**
Finance income	7	1,090	428
Finance costs	8	(134)	(14)
Profit before tax		**9,417**	**25,530**
Taxation	9	(3,248)	(4,953)
Profit for the year		**6,169**	**20,577**
Attributable to:			
Equity holders of the Company		6,169	20,577
Total comprehensive income for the year, net of tax, attributable to equity holders of the Company		**6,169**	**20,577**

Apart from the profit for the year there was no other comprehensive income in either 2019 or 2018.

NUMIS SECURITIES LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	10	2,313	2,636
Intangible assets	11	80	77
Investment in subsidiaries	12	2,431	3,044
Deferred tax	13	3,962	4,938
		8,786	**10,695**
Current assets			
Trade and other receivables	14, 25	174,944	352,477
Trading investments	15	38,464	43,800
Stock borrowing collateral	1(h)	14,640	7,906
Derivative financial instruments	16	1,103	350
Cash and cash equivalents	17	83,653	104,869
		312,804	**509,402**
Current liabilities			
Trade and other payables	18, 25	(169,076)	(382,287)
Financial liabilities	1(f)	(14,153)	(14,632)
Current income tax		(1,727)	(1,864)
		(184,956)	**(398,783)**
Net current assets		**127,848**	**110,619**
Net assets		**136,634**	**121,314**
Equity			
Share capital	19	2,000	2,000
Retained earnings		134,634	119,314
Total Equity		**136,634**	**121,314**

The Financial Statements on pages 24 to 58 were approved by the Board of Directors on 13 December 2019 and signed on its behalf by:

A. Holloway

Andrew Holloway
Director
13 December 2019

Numis Securities Limited
Registration No. 2285918

NUMIS SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Attributable to owners of the Company as at 1 October 2018		2,000	119,314	121,314
Employee share plans charges		-	9,729	9,729
Deferred tax related to share-based payments	13	-	(578)	(578)
Profit and total comprehensive income for the year		-	6,169	6,169
Attributable to owners of the Company as at 30 September 2019		**2,000**	**134,634**	**136,634**
Attributable to owners of the Company as at 1 October 2017		2,000	88,047	90,047
Employee share plans charges		-	9,686	9,686
Deferred tax related to share-based payments	13	-	1,004	1,004
Profit and total comprehensive income for the year		-	20,577	20,577
Attributable to owners of the Company as at 30 September 2018		**2,000**	**119,314**	**121,314**

The accompanying notes are an integral part of these Financial Statements.

NUMIS SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Cash flows generated from operating activities	20	6,303	53,185
Interest paid	8	(134)	(14)
Taxation paid		(2,988)	(9,217)
Net cash generated from operating activities		**3,181**	**43,954**
Investing activities			
Purchase of property, plant and equipment	10	(634)	(698)
Purchase of intangible assets	11	(47)	(93)
Interest received	7	1,090	428
Net cash generated from / (used in) investing activities		**409**	**(363)**
Financing activities			
Purchase of shares into treasury on behalf of parent		(7,774)	(10,675)
Loans made to Employee Benefit Trusts		(4,222)	(5,597)
Dividends paid on behalf of parent		(12,650)	(12,763)
Net cash used in financing activities		**(24,646)**	**(29,035)**
Net movement in cash and cash equivalents		**(21,056)**	**14,556**
Opening cash and cash equivalents		104,869	90,391
Net movement in cash and cash equivalents		(21,056)	14,555
Exchange movements		(160)	(77)
Closing cash and cash equivalents		**83,653**	**104,869**

The accompanying notes are an integral part of these Financial Statements.

1 Accounting policies

Numis Securities Limited is 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 Financial Statements of the Company are described below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

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 IFRS Interpretations Committee (IFRS IC) 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.

The Financial Statements of 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 Company balance sheet and the Company's cash balances, the Company has adequate resources to continue in operational existence for at least the next 12 months. The Company is exempt from preparing Consolidated Financial Statements as it is a wholly owned subsidiary of Numis Corporation Plc, which is established under the law of an EEA State and prepares Consolidated Financial Statements.

No new standards or amendments to existing standards have been early adopted by 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 Company for the accounting year ended 30 September 2019. There are no other new mandatory standards, amendments or interpretations relevant for the Company's accounting year ended 30 September 2019.

IFRS 9 'Financial Instruments' introduces new requirements for classifying and measuring financial assets. The Company 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 Company 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 Company 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 Company 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 Company 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 Company:

IFRS 16 'Leases' brings all material leases on to the balance sheet with a liability representing future lease payments and an asset representing right of use. This will impact the Company for all its leases that fall within scope of the standard. All leases have been assessed, and the lease that fall within the standard will be the property lease that the Company has in place. The standard is applicable for the Company'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 Company. In relation to the property lease that the Company 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 asset, is approximately £3m and the impact on the income statement is immaterial.

(b) 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.

- 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 the 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.

(c) 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 the shorter.

(d) 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 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.

(e) Impairment of assets

The carrying value of property, plant and equipment and intangibles is reviewed for impairment on an annual basis or 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.

(f) Financial assets and liabilities

The Company's financial assets and liabilities comprise trading investments (listed and unlisted), 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 Company 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 carried at fair value through profit or loss 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 Company 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 last 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.

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 Company 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.

(g) 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, amounts due from other group undertakings and amounts due from employee benefit trust, 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.

(h) Stock borrowing

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

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

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

(i) Derivative financial instruments

The Company 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 Company has not sought to apply the hedging requirements of IAS 39.

The Company's forward foreign exchange contracts do not subject the Company 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. All gains and losses resulting from the contracts are recorded within finance income/costs in the income statement. The Company does not enter into forward 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 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 included in assets when their fair value is positive and liabilities when their fair value is negative.

(j) 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.

(k) 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.

(l) Trade and other payables

Trade and other payables 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 Company 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.

(m) 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 that relate to periods greater than twelve 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.

(n) Clients' assets and deposits

All assets and 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 designated accounts with a bank. The amounts held on behalf of clients at the balance sheet date are included in note 17.

(o) Pension costs

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

(p) 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.

(q) Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the Company, Sterling, 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 directly 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.

(r) 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.

(s) Employee share ownership plans

The Company participates in a number of Group Employee Share Ownership Plans ("ESOP") which provide a mechanism for the parent company Board to award employees of the Company share-based payments on a discretionary basis. An Employee Benefit Trust established by the parent company acquires ordinary shares of the parent company to be held on trust for the benefit of, and ultimate distribution to, employees of the Company either on the exercise of share options or other remuneration arrangements. The details of the Group's Employee Share Ownership Plans can be found in the 2019 Annual Report and Accounts of the Group.

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 and taking into account relevant market and performance conditions, 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 on grant date is based on the market value of the shares on the grant date, and relevant market conditions. 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.

(t) Dividends

Dividend distribution is recognised in equity in the Financial Statements in the period in which dividends are approved.

(u) Critical judgements and estimates

There are no critical judgements applied by the Company. 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 Company 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 23.

Share-based payments

In determining the fair value of equity-settled share-based payments and the related charge to the income statement, the Company 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 Company'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.

However, in addition to the assumptions noted above, the majority of unvested share awards are also subject to non-market performance conditions. The Group's Remuneration Committee periodically assess compliance with these conditions for all material unvested awards in order to determine, in their view, whether the number of shares which will ultimately vest is likely to be reduced through non-compliance with such conditions. As at 30 September 2019, the Group's Remuneration Committee have determined that for all material unvested awards, it is highly unlikely that the grantees will leave the employment of the Group prior to the end of the relevant performance period. Furthermore, the Group's Remuneration Committee have determined that the grantees have met the non-market performance conditions in full to-date and that there is currently no evidence to suggest these conditions will not continue to be met in future. Should this determination change at some future date, there will be a reassessment of the number of award shares likely to vest at the end of the performance period which in turn will give rise to a reduction in the accumulated charge recognised.

(v) Investment in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

(w) Intermediate parent undertaking

The Company has taken advantage of the exemptions afforded by Section 400 of the Companies Act 2006 and under IAS 27 "Consolidated and separate financial statements", from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the Consolidated Financial Statements of its parent, Numis Corporation Plc.

(x) Employee Benefit Trust

The acquisition of shares by the Employee Benefit Trust is funded by the Company through the provision of a loan from the Company to the Employee Benefit Trust. This loan is recallable at any time. When shares vest unconditionally causing the number of shares held by the Employee Benefit Trust to reduce, the carrying value of the loan is re-assessed for impairment. If impairment is considered necessary, the resulting charge is reflected in the income statement as part of administrative expenses.

(y) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented on the consolidated balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

2 Segmental information

The Company operates an integrated investment banking business and, although there are different revenue types (the contributions from which are separately disclosed in note 3), there is no further distinguishable segmentation of the business. All of the Company's activities are undertaken in the United Kingdom and hence relate to a single geographical segment.

3 Revenue

	2019 £'000	2018 £'000
Net trading gains	4,008	9,594
Institutional income	29,757	34,004
Corporate retainers	13,357	12,430
Advisory fees	12,576	17,334
Capital markets fees	46,378	55,041
	106,076	128,403

4 Other operating (losses) / gains

	2019 £'000	2018 £'000
Investment activity net (losses) / gains	(2,234)	1,526

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

5 Administrative expenses

Administrative expenses comprise the following:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	957	1,011
Amortisation of intangible assets	44	49
Operating lease costs	1,474	1,474
Staff costs (see note 6)	60,050	70,658
Other non-staff costs	28,312	26,339
Employee Benefit Trust loan impairment	4,320	5,083
Auditors' remuneration		
Audit services		
Statutory audit services to the Company	136	128
Other services		
Regulatory, tax and other assurance services	88	71
	95,381	104,813

Other 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.

6 Staff costs

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

	2019 £'000	2018 £'000
Wages and salaries	42,105	49,737
Social security costs	6,139	9,337
Severance payments	302	223
Other pension costs (see note 22)	1,775	1,675
Share-based awards (all equity-settled)	9,729	9,686
	60,050	**70,658**

The monthly average number of staff (including Executive Directors) employed during the year was:

	2019 Number	2018 Number
Front office	198	183
Support and administration	62	56
	260	239
At the year end	264	258

Directors' remuneration

The total amounts for Directors' remuneration and other benefits in respect of qualifying services provided to the Company were as follows:

	2019 £'000	2018 £'000
Emoluments	4,303	5,310
Money purchase pension scheme contributions	110	97
	4,413	5,407

The emoluments shown above relate to short-term employee benefits.

The aggregate amount of compensation paid to Directors for loss of office was £nil (2018: nil).

The number of Directors for whom shares were received or receivable under long-term incentives schemes during the year was 8 (2018: 6). The number of Directors who exercised share options during the year was nil (2018: nil).

Pensions

The number of Directors who accrued pension benefits under money purchase schemes during the year was 6 (2018: 6).

Highest paid Director

The above amounts for remuneration include the following in respect of the highest paid Director:

	2019 £'000	2018 £'000
Emoluments	1,401	1,877
Company contributions to money purchase pension schemes	28	27
	1,429	1,904

7. Finance income

	2019 £'000	2018 £'000
Interest income	597	402
Net foreign exchange gains	493	26
	1,090	428

8. Finance costs

	2019 £'000	2018 £'000
Interest expense	134	14
	134	14

9. Taxation

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

	2019 £'000	2018 £'000
Current tax		
Corporation tax at 19% (2018: 19%)	2,831	5,726
Adjustments in respect of prior years	73	44
	2,904	5,770
Deferred tax		
Origination and reversal of temporary differences	349	(738)
Changes in tax rate	(5)	(79)
Total tax charge	3,248	4,953
Factors affecting the tax charge for the year		
Profit before tax	9,417	25,530
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2018: 19%)	1,789	4,851
Effects of:		
Expenses not deductible for tax purposes	335	1,166
Other permanent differences	651	(977)
Adjustments in respect of prior years	73	44
Changes in tax rate and other temporary differences	400	(131)
Total tax charge	3,248	4,953

The Company's profits for this accounting period are taxed at a standard rate of 19%. Future UK corporation tax rate reductions to 17% by April 2020 have been enacted as at 30 September 2019. The Company has a relatively straightforward tax position, but was also subject to the banking surcharge tax in the year to 30 September 2018. This is levied at a rate of 8% on annual profits chargeable to corporation tax in excess of £25m resulting in a marginal rate of corporation tax of 27% for our 2018 financial year.

10. Property, plant and equipment

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

	Furniture and fittings £'000	Leasehold improvements £'000	Office and computer equipment £'000	Total £'000
Cost				
As at 1 October 2018	638	5,067	3,267	8,972
Additions	39	77	518	634
Disposals	-	-	-	-
As at 30 September 2019	678	5,143	3,785	9,606
Accumulated depreciation				
As at 1 October 2018	364	3,234	2,738	6,336
Charge for the year	79	559	319	957
Disposals	-	-	-	-
As at 30 September 2019	443	3,793	3,057	7,293
Net book value				
As at 1 October 2018	274	1,833	529	2,636
As at 30 September 2019	235	1,350	728	2,313

	Furniture and fittings £'000	Leasehold improvements £'000	Office and computer equipment £'000	Total £'000
Cost				
As at 1 October 2017	405	5,032	2,836	8,273
Additions	233	35	431	699
Disposals	-	-	-	-
As at 30 September 2018	638	5,067	3,267	8,972
Accumulated depreciation				
As at 1 October 2017	327	2,673	2,326	5,326
Charge for the year	37	561	412	1,010
Disposals	-	-	-	-
As at 30 September 2018	364	3,234	2,738	6,336
Net book value				
As at 1 October 2017	78	2,359	510	2,947
As at 30 September 2018	274	1,833	529	2,636

11. Intangible assets

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

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

12. Investment in subsidiaries

The Company beneficially owns the entire issued ordinary share capital of the companies listed below, there being no other class of share.

Subsidiary	Country of incorporation	Principal activity	Share capital	Company shareholding
Numis Securities Inc.	United States of America	Stockbroking	$1,525,000	100%
Numis Nominees Limited	United Kingdom	Dormant	£12	100%
Numis Nominees (NSI) Limited	United Kingdom	Dormant	£2	100%

The Company and its 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 575 Fifth Avenue, 25th Floor, New York, NY 10017, USA.

Movements during the year were as follows:

	2019 £'000	2018 £'000
As at 1 October	3,044	3,712
Repayment of capital contribution	(773)	(744)
Foreign exchange movements	160	76
As at 30 September	2,431	3,044

13. Deferred tax

The movement in the deferred tax balance is as follows:

	2019 £'000	2018 £'000
As at 1 October	4,938	3,116
Amounts (charged)/credited to the income statement	(398)	818
Amounts (charged)/credited in relation to share-based awards – equity	(578)	1,004
As at 30 September	3,962	4,938

Movements during 2019:

	Capital allowances £'000	Share scheme arrangements £'000	Other £'000	Total £'000
As at 1 October 2018	132	4,771	35	4,938
Income statement	(79)	(310)	(9)	(398)
Equity	-	(578)	-	(578)
As at 30 September 2019	53	3,883	26	3,962

Movements during 2018:

	Capital allowances £'000	Share scheme arrangements £'000	Other £'000	Total £'000
As at 1 October 2017	24	3,057	35	3,116
Income statement	108	704	6	818
Equity	-	1,004	-	1,004
As at 30 September 2018	132	4,765	41	4,938

The above deferred tax assets have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains arising from the Company'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.

14. Trade and other receivables

The following amounts are included within trade and trade receivables:

	2019 £'000	2018 £'000
Due from clients, brokers and other counterparties	141,283	330,100
Amounts due from other group undertakings	7,651	6,886
Loans to employees	191	180
Amounts due from Employee Benefit Trust	984	1,084
Other receivables, including corporate finance receivables	20,461	11,808
Prepayments and accrued income	4,374	2,419
	174,944	352,477

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. As result of their short-term nature, the fair value of trade and other receivables held at amortised cost approximates to their carrying value. The Company has a legally enforceable right and intention to set-off with a clearing house. We have applied the offsetting rules to both the current year and prior year. For further details please see note 25.

Historically, loans have been made at the discretion of the Company to Directors and employees in order to purchase shares in the parent company under the terms of the various share scheme arrangements. These are repayable on departure from the Company or as requested by the Company and are made at market rates of interest. The Company also operates a season ticket loan scheme which is available to Directors and employees. Amounts outstanding in respect of season ticket loans at 30 September 2019 were £73,000 (2018: £57,000). Amounts due from other group undertakings, and loans to the Employee Benefit Trust are non-interest bearing and are repayable on demand.

15. Trading investments

	2019	2018
	£'000	£'000
Listed on the LSE main market	13,626	18,134
Listed on AIM	4,746	8,821
Listed overseas	5,597	1,234
Unlisted UK investments	13,435	15,306
Unlisted overseas investments	1,060	305
	38,464	43,800

16. Derivative financial instruments

	2019	2018
	£'000	£'000
At 1 October	350	35
Additions	-	219
Revaluation to fair value in the year recognised in the income statement	753	96
At 30 September	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).

17. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash and cash equivalents included in current assets	83,653	104,869

Cash and cash equivalents comprise cash in hand and deposits held at call with banks and other institutions.

The balances exclude deposits of clients' monies placed by the Company 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 Company may have with them at that time. The balance on 30 September 2019 held in segregated bank accounts in respect of client monies amounted to £1,149,000 (2018: £1,046,000).

18. Trade and other payables

	2019 £'000	2018 £'000
Amounts due to clients, brokers and other counterparties	143,528	327,020
Amounts owed to parent and other group undertakings	-	18,843
Other payables		
- VAT	415	416
- Social security and PAYE	1,514	1,354
- Sundry payables	2,450	1,667
Accruals and deferred income	21,169	32,987
	169,076	382,287

Apart from unsettled trades with other group undertakings, amounts due to parent and other group undertakings are repayable on demand and are non-interest-bearing. As result of their short-term nature, the fair value of trade and other payables held at amortised cost approximates to their carrying value.

19. Share capital

	2019 £'000	*2018* £'000
Authorised		
2,000,000 (2018: 2,000,000) ordinary shares of £1 each	2,000	2,000
Issued and fully paid		
2,000,000 (2018: 2,000,000) ordinary shares of £1 each	2,000	2,000

There has been no change in authorised or issued and fully paid share capital during the year or during the previous year.

20. Statement of cash flows

The reconciliation of profit before tax to cash flows from operating activities is set out below:

	2019 £'000	2018 £'000
Profit before tax	9,417	25,530
Net finance income	(956)	(413)
Depreciation charges on property, plant and equipment	957	1,011
Amortisation of intangible assets	44	49
Return of capital contribution	773	744
Share scheme awards	9,730	9,686
Decrease/(increase) in trading investments	5,336	(10,399)
Decrease/(increase) in trade and other receivables	190,183	(94,191)
(Increase)/decrease in stock borrowing collateral	(6,734)	701
(Decrease)/increase in trade and other payables	(201,694)	120,782
Increase in derivatives	(753)	(315)
Cash flows generated from operating activities	6,303	53,185

21. Employee share plans

The parent 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 parent 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 parent 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	327,409	197,793
Acquired during the year	1,665,071	1,757,180
Transferred from treasury	2,000,000	2,000,000
Shares vested in employees	(3,554,011)	(3,350,153)
Shares used to satisfy option exercises	-	(277,411)
At 30 September	438,469	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 Company's active share plans and their operation is set out below:

Restricted Stock Unit (RSU) 2008 Plan
The parent company Board approved this plan on 4 December 2007 and it was approved by its 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 parent company 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.

Restricted Stock Unit (RSU) 2017 Plan

The parent company 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.

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	4,142,201	2,610,267	6,752,468
New awards	-	2,521,815	2,521,815
Vesting of awards	(2,568,157)	(829,354)	(3,397,511)
Forfeiture of awards	(85,929)	(95,401)	(181,330)
Award shares at 30 September 2019	1,488,115	4,207,327	5,695,442

	RSU 2008 Number of shares	RSU 2017 Number of shares	Total Number of shares
Award shares at 1 October 2017	7,374,045	-	7,374,045
New awards	-	2,710,266	2,710,266
Vesting of awards	(3,152,467)	(39,682)	(3,192,149)
Forfeiture of awards	(79,377)	(60,317)	(139,694)
Award shares at 30 September 2018	4,142,201	2,610,267	6,752,468

Under the share plans shown above, awards of 2,521,815 shares (2018: 2,710,266 shares) were granted during the year at a weighted average fair value of 240.8p (2018: 323.6p). The weighted average market price on grant date for all awards made during the year was 265.6p (2018: 348.3p).

Option plans

The Group may grant options under two different plans – the Long Term Incentive Plan 2016 described above and an employee option plan which was originally formulated and approved in 2001.

As at 30 September 2019 there were 9,775,254 unexercised options outstanding (2018: 9,775,254).

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	4.09	9,775,254	8.71	10,044,760
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	176.25	(269,506)
At 30 September	4.09	9,775,254	4.09	9,775,254

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 6.79 years (2018: 7.79 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 350.58p. There were no options granted in 2019 or in 2018.

At 30 September 2019 the following options granted to Directors and employees to acquire ordinary shares in the parent company were outstanding:

Grant date	Number of options outstanding	Exercise price	Earliest exercise date	Latest exercise date
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
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 parent company over a period commensurate with the expected life of the option.

22. Guarantees and other financial commitments

a) Capital commitments
Amounts contracted for but not provided in the accounts amounted to £nil for the Company as at 30 September 2019 (2018: £nil).

b) Contingent liabilities
In the ordinary course of business, the Company 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.

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 U.S. private fund with a total subscription value of $1.0m had been signed. The fund calls upon capital as it is required and at the balance sheet date $890k had been called up and paid. This is classified within Trading Investments. The remaining $110k has not yet been called and is therefore a commitment until it is paid over to the fund. The subscription agreement allows that the investment can be called any time up till the 5th anniversary of the agreement, which is June 2023.

d) Operating leases
At 30 September 2019 the Company had annual non-cancellable commitments under operating leases of £1,474,000 (2018: £1,685,000). The total future aggregate minimum lease payments are as follows:

	Property 2019 £'000	**Property 2018 £'000**
Within one year	1,583	1,685
Within two to five years	9,341	3,370
After five years	38,791	-
	49,715	5,055

The annual property rental on the principal property in London leased by the Company 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 commencing on 31 August 2020.

e) Pension arrangements
The pension cost charge for the year was £1,774,000 (2018: £1,675,000). Outstanding contributions were £223,000 at 30 September 2019 (2018: £213,000).

A Group Personal Pension Plan has been in operation from 6 April 1997 for all eligible employees of the Company. The Group Personal Pension Plan is funded through monthly contributions. The Company contributes 7% of members' salaries with members contributing at least 2.5% of their salary. Employees are also eligible for death-in-service benefits provided by an external party.

f) Revolving credit facility (RCF)
A revolving credit facility of £35m is in place with the Company's banks, should the Company 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 Company entered into employment arrangements that are conditional upon the employee starting in the subsequent period.

23. Financial instrument risk management

Risk management
Effective risk management is key to the successful achievement of the Company'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.

The Risk Committee is responsible for the evaluation and maintenance of the Company's control framework and ensuring that policies are in place and operating effectively to identify, assess, monitor and control risk throughout the Company. The Risk Committee receives risk updates which detail the Company's exposure to market, credit, liquidity, and operational risks. Independent assurance of the suitability and effectiveness of the Company'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 Company.
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 Company and escalation of issues to senior management.

The categorisation of the Company's assets and liabilities analysed by accounting treatment is summarised below:

As at 30 September 2019:

	Assets and liabilities at amortised cost £'000	Fair value through profit or loss/ held for trading £'000	Non-financial instruments and other £'000	Total £'000
Assets				
Property, plant and equipment	-	-	2,313	2,313
Intangible assets	-	-	80	80
Investment in subsidiaries	-	-	2,431	2,431
Deferred tax	-	-	3,962	3,962
Trade and other receivables	179,944	-	-	179,944
Trading investments	-	38,464	-	38,464
Stock borrowing collateral	14,640	-	-	14,640
Derivative financial instruments	-	1,103	-	1,103
Cash and cash equivalents	83,653	-	-	83,653
Total assets	**273,237**	**39,567**	**8,786**	**321,590**
Liabilities				
Trade and other payables	(169,076)	-	-	(169,076)
Financial liabilities	-	(14,153)	-	(14,153)
Current income tax	-	-	(1,727)	(1,727)
Total liabilities	**(169,076)**	**(14,153)**	**(1,727)**	**(184,956)**
Total equity	**104,161**	**25,414**	**7,059**	**136,634**

As at 30 September 2018:

	Assets and liabilities at amortised cost £'000	Fair value through profit or loss/ held for trading £'000	Non-financial instruments and other £'000	Total £'000
Assets				
Property, plant and equipment	-	-	2,636	2,636
Intangible assets	-	-	77	77
Investment in subsidiaries	-	-	3,044	3,044
Deferred tax	-	-	4,938	4,938
Trade and other receivables	348,795	-	3,682	352,477
Trading investments	-	43,800	-	43,800
Stock borrowing collateral	7,906	-	-	7,906
Derivative financial instruments	-	350	-	350
Cash and cash equivalents	104,869	-	-	104,869
Total assets	**461,570**	**44,150**	**14,377**	**520,097**
Liabilities				
Trade and other payables	(378,850)	-	(3,437)	(382,287)
Financial liabilities	-	(14,632)	-	(14,632)
Current income tax	-	-	(1,864)	(1,864)
Total liabilities	**(373,850)**	**(14,632)**	**(5,301)**	**(398,783)**
Total equity	**82,720**	**29,518**	**9,076**	**121,314**

Market risk - equity risk

The Company 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 Company and therefore it is important for management to understand the potential impact of such movements.

The Company 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 period. This approach is an accepted industry standard and gives the Company 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 Company'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 and any resulting breaches. Similarly the risk measures are also compared to the daily revenue performance and our capital resources. Alongside the use of VaR limits, there are absolute monetary trading book limits at gross and net position level.

Hence equity risk exposure is managed through the use of absolute monetary trading book limits, such limits being established for long, short, gross and net positions, coupled with the measurement of equity market risk through the use of historical simulation VaR

The table below, which is unaudited, shows the highest, lowest, and average month end total long, short, gross and net position in listed securities during the year, together with positions at year end.

				2019
	Long	**Short**	**Gross**	**Net**
	£'000	**£'000**	**£'000**	**£'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
As at 30 September 2019	22,974	(13,648)	36,622	9,326

				2018
	Long	**Short**	**Gross**	**Net**
	£'000	**£'000**	**£'000**	**£'000**
Highest position	36,874	(25,363)	59,418	18,073
Lowest position	17,693	(7,277)	32,626	(2,782)
Average position	28,300	(18,647)	46,947	9,653
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	2018
	£'000	**£'000**
Highest VaR	391	915
Lowest VaR	193	93
Average VaR	276	217
As at 30 September	224	253

In addition, the Company holds positions totalling £14,873,000 (2018: £15,611,000) in unlisted securities. These are reported to senior management together with positions in listed securities on a daily basis.

The Company's equity holdings comprise trading investments, financial liabilities and derivative financial instruments.

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, Chief Financial Officer and senior management.

Equity risk is managed through a combination of cash investment limits on 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. Breaches of the stock and portfolio limits are initially flagged in real time on the trading platform and monitored by the traders and the Risk function. Breaches 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 usual end of day reporting mechanism. Breaches are also discussed bi-weekly at the Financial Risk Committee along with reasons and corrective action required to bring them within limits.

An annual sensitivity analysis based on a 10% increase/decrease in underlying equity prices on the listed 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). There are no unlisted securities held within the market making book.

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 securities and are predominantly received by the Company 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 Company'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 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 Company 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 Company may be exposed. Firstly, foreign currency denominated financial assets and liabilities arising as a result of trading in foreign securities, secondly, foreign currency financial assets and liabilities as a result of either foreign currency denominated corporate finance fees, supplier payments or treasury activities and, finally, foreign currency denominated investments in subsidiaries of the Company. The Risk function is responsible for monitoring the Company's currency exposures which are reported to senior management daily.

Currency risk is measured using a similar VaR methodology as that used for the Company'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
As at 30 September	97	127

The Company's net assets by currency as at 30 September 2019 and 2018 were as follows:

	Sterling £'000	Euro £'000	Canadian $ £'000	US $ £'000	Other £'000	Total £'000
2019						
Sterling equivalent	125,439	109	369	10,372	345	136,634
2018						
Sterling equivalent	101,897	6,549	887	10,404	1,577	121,314

The Company hedges any 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 Company does not hedge future anticipated transactions. Currency exposure to foreign currency denominated corporate finance receivables and supplier payables is not considered material.

The table below shows the impact on the Company's results of a 10 per cent movement in the US$ and Euro in terms of transactional and translational exposures.

10 per cent increase (strengthening £):

	US $	Euro	Total
	£	£	£
Profit before tax	(1,340)	(9)	(1,349)
Equity	(1,340)	(9)	(1,349)

10 per cent decrease (weakening £):

	US $	Euro	Total
	£	£	£
Profit before tax	1,577	11	1,588
Equity	1,577	11	1,588

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 Company's interest-bearing assets are predominantly held in cash or cash equivalents. Excess cash funds may be invested in Gilts, 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 the management's view of yields on offer, liquidity requirements, and credit risk considerations. As the Company 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 Company's cash and cash equivalent balances and, while not interest bearing, also shows the Company's exposure to listed equity investments, net of short positions, as these have an indirect sensitivity to significant changes and volatility of interest rates.

			2019			2018
Currency	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	97,166	12,634	109,800
US Dollars	4,780	999	5,779	1,001	1,144	2,145
Euro	1,284	20	1,304	4,498	(238)	4,260
Canadian Dollars	393	-	393	911	(7)	904
Other	223	17	240	1,293	374	1,667
At 30 September	83,653	9,816	93,469	104,869	13,907	118,776
Fixed rate	-			-		
Floating rate	83,653			104,869		

In addition to the above, cash collateral balances of £12,007,000 (2018: £8,630,000) and stock borrowing balances of £14,640,000 (2018: £7,906,000) are subject to daily floating rate interest.

The Company had no material exposures to fair value movements arising from changes in the market rate of interest as at 30 September 2019 or 2018. Consequently the sensitivity to a 100 basis point increase/decrease to prevailing market rates of interest as at 30 September 2019 and 2018 indicates that the impact of such a movement on the profit in the income statement and equity would be immaterial.

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 Company'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	23,828	142	14,494	38,464
Derivative financial instruments	-	1,103	-	1,103
Assets	23,828	1,245	14,494	39,567
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 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	15,611	14,119
Additions	670	2,555
Net (losses)/gains included in other operating income	(1,787)	1,481
Disposals	-	(1,814)
Transfer to Level 1	-	(730)
At 30 September	14,494	15,611

Level 3 financial instruments comprise minority equity holdings in unlisted 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.

A sensitivity analysis based on a 5% increase/decrease in the underlying investment companies within the Company'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 Company would incur if a counterparty failed 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 Company 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 Company less any partial payments less any collateral to which the Company is entitled. For example, in accordance with the delivery versus payment principal, the potential exposure at default sustained by the Company would not be the amount of the outstanding receivable balance, but rather the amount representing commission due to the Company 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 Company. This is a historical 20-day VaR methodology based on 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.

Loans to employees in respect of share scheme arrangements are secured by shares held within the Employee Benefit Trusts. Loans to the Employee Benefit Trusts are used solely for the purchase of shares in relation to share scheme arrangements and are repayable on demand. Trade receivables relating to fees due on the Company's corporate finance and advisory activities are monitored on a weekly basis.

Cash and cash equivalents are held with large UK-based commercial clearing banks with credit ratings at or above A Fitch investment grade. Credit exposures may be further reduced by diversification of deposits across a number of institutions.

The Company's financial assets are analysed by their ageing in the following table 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 Company as security against amounts receivable (2018: £nil).

As at 30 September 2019 (£'000):

		Overdue					
	Not Overdue	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1year**	**Impaired**	**Total**
Trade and other receivables	170,786	1,502	1,911	676	30	39	174,944
Trading investments	38,464	-	-	-	-	-	38,464
Stock borrowing collateral	14,640	-	-	-	-	-	14,640
Derivative financial instruments	1,103	-	-	-	-	-	1,103
Cash and cash equivalents	83,653	-	-	-	-	-	83,653
	308,646	1,502	1,911	676	30	39	312,804

As at 30 September 2018 (£'000):

		Overdue					
	Not Overdue	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1year**	**Impaired**	**Total**
Trade and other receivables	323,304	26,546	459	1,649	86	433	352,477
Trading investments	43,800	-	-	-	-	-	43,800
Stock borrowing collateral	7,906	-	-	-	-	-	7,906
Derivative financial instruments	350	-	-	-	-	-	350
Cash and cash equivalents	104,869	-	-	-	-	-	104,869
	480,229	26,546	459	1,649	86	433	509,402

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 Company'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 for counterparties whose order is above £5m in size.

Concentration of credit risk to a particular counterparty or issuer may also arise from deposits placed with commercial 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 15. There are no significant concentration risks arising in any other class of financial asset as at 30 September 2019 (2018: £nil).

Concentration of credit risk to the Employee Benefit Trusts arises in relation to the loan balances but, as stated above, such loans are used solely for the purchase of shares in relation to share scheme arrangements and are repayable on demand.

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 Company to enable it to continue operating in even the most adverse circumstances.

The Company 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 Company'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	166,782	805	1,489	-	169,076
Financial liabilities	14,153	-	-	-	14,153
Current income tax	1,727	-	-	-	1,727
	182,662	805	1,489	-	184,956

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	377,338	3,073	1,876	-	382,287
Financial liabilities	14,632	-	-	-	14,632
Current income tax	1,864	-	-	-	1,864
	393,834	3,073	1,876	-	398,783

A revolving credit facility of £35m is in place with the Company's banks, should the Company 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.

Capital risk
The Company manages its capital resources with reference to regulatory capital requirements under Pillar 1 and its own assessment of capital required to support all material risks throughout the business (Pillar 2). The Company manages its regulatory capital through an Internal Capital Adequacy Assessment Process (ICAAP) in accordance with guidelines and rules implemented by the Financial Conduct Authority (FCA). Under this process the Company 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 minimum regulatory capital requirement and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the Risk function. The capital resources are reported to the Financial Risk Committee daily and to the Risk Committee, the Risk Oversight Committee, the Risk Committee and the Board.

On 30 September 2019, the Company had £129.8m (2018: £89.9m) of regulatory capital resources, which is significantly in excess of its regulatory capital requirements.

For Pillar 1 capital, the Company has adopted the standardised approach to credit risk and market risk and the basic indicator approach for operational risk.

In accordance with the Capital Requirements Directive ('CRD IV'), the Company has published information on its risk management framework, policies, regulatory resources and requirements, and remuneration. This information is available on our website www.numis.com.

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 Company 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. Enhancements to staff training programmes as well as a programme of internal audit reviews occur throughout the year.

The use of a fully independent, outsourced Internal Audit function provides assurances over the adequacy and effectiveness of the systems of internal control throughout the business as well as helping to identifying enhancements that provide further risk mitigation.

People risk

Retaining, attracting and developing key staff, including, in particular, significant current and future income generators, is essential to the long-term success of the business. The Company therefore places particular focus on its remuneration policy and strategies, including considering the appropriate allocation and mix of cash and share based schemes, and maintains formal structured performance-based staff evaluations.

Conduct, regulatory & legal risk

The Board's policy is to encourage an intense focus by senior management on the long-term, sustainable success of the business. This specifically includes robust corporate governance, avoiding the likelihood of litigation, and compliance with the relevant regulatory and legal requirements for the jurisdictions in which the Company operates. A strong culture of regulatory and legal compliance permeates the firm and there is a demonstrated track record of transparency and strong relations with the key regulatory bodies. Compliance procedures are maintained across the Company and our Compliance department supports senior management in meeting their obligations as well as carrying out risk-based monitoring of the Company's compliance with relevant regulation. Similarly the Company's legal obligations are overseen by suitably qualified in-house legal resource.

Reputational risk

Whilst entrepreneurial staff are always encouraged to develop new clients and streams of income, all new business is subject to a rigorous appraisal process supervised by a New Business Committee. For all activities, this discriminates strongly in favour of high quality clients. The Company places great emphasis on employing and adding highly experienced senior staff who are closely engaged with clients. To aid the application of best practice, regulatory compliance and consistency, the Company's management continues to make use of standardised operating procedures. Finally, the Board sets the tone by demanding a strong ethical and professional culture as the only acceptable standard for the firm.

Strategic risk

The Board recognises that continued improvement in the way in which our strategy is executed is key to our long-term success. In particular, senior management is subject to healthy challenge from the Board on the firm's strategic direction, execution of strategy and the implementation of agreed initiatives. This includes significant focus on the risks that threaten the achievement of the firm's strategy as well as those that present the greatest opportunity.

24. Related party transactions

Transactions between related parties

Details of transactions during the year between the Company and its parent and subsidiaries companies, which are related parties of the Company, are set out below:

	2019 £'000	2018 £'000
Income from management and execution services provided to subsidiaries	3,038	3,414
Loans advanced to the Employee Benefit Trust (non-interest-bearing)	4,222	5,597
Amounts in respect of income allocated to subsidiaries	759	859
Remuneration of the Non-Executive Directors of the parent company in respect of their services	370	326
Purchase of shares into treasury on behalf of the parent	7,774	10,675
Dividend paid on behalf of parent	12,650	12,763

The transactions identified above were entered into on an arm's-length basis, except for loans advanced to the Employee Benefit Trust (which are non-interest-bearing) and the remuneration of the Non-Executive Directors of the parent company (where no re-imbursement from the parent company is obtained).

The parent company does not hold any cash balances and consequently any cash based transactions are effected on its behalf by the Company and passed through intercompany accounts. Amounts owed to the Company from its parent and its subsidiaries are disclosed in note 14 and amounts owed by the Company to its parent and its subsidiaries are disclosed in note 18.

Key management compensation

The compensation payable to key management in respect of services provided to the Company is set out below. Key management has been determined as the executive management team who have authority and responsibility for planning, directing and controlling the activities of the Company:

	2019 £'000	2018 £'000
Short-term employee benefits	4,732	5,847
Post-employment benefits	110	97
Share-based awards	2,383	2,082
	7,225	8,026

Share scheme loans

Under the terms of the Group's share scheme arrangements participants may be offered a loan in order to fund their purchased shares. The loans outstanding granted by the Company to key management as at 30 September 2019 amounted to £nil (2018: £nil). No guarantees have been given or received and no expense for bad or doubtful debts has been recognised in the year in respect of amounts owed (2018: £nil).

Loans to Directors

There were no loans outstanding as at 30 September 2019 (2018: £nil). No new loans were extended during the year.

25. Offsetting arrangements

The Company has a legally enforceable right and intention to set-off with a clearing house. The Directors have applied the offsetting rules to the current year and prior year below:

As at September 2019:

	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet
	£'000	£'000	£'000
Trade and other receivables	179,976	(5,032)	174,944
Trade and other payables	(174,108)	5,032	(169,076)

As at September 2018:

	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet
	£'000	£'000	£'000
Trade and other receivables	365,653	(13,176)	352,477
Trade and other payables	(395,463)	13,176	(382,287)

The prior period has been restated on the Balance Sheet reflecting the application of the offsetting rules. This does not affect the prior period net assets and there has been no impact on reported results for either financial period.

26. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Numis Corporation Plc. The ultimate parent undertaking and controlling party is Numis Corporation Plc, a company incorporated in England. Numis Corporation Plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these Financial Statements at 30 September 2019. The Consolidated Financial Statements of Numis Corporation Plc are publicly available and can be obtained from Companies House, Crown Way, Maindy, Cardiff.

27. Post balance sheet events

A final dividend of £nil has been proposed and paid to the Company's parent company subsequent to 30 September 2019 (2018: £nil).