

# Numis

Annual Report and Accounts 2020

Excelling for  
our clients in  
challenging times




# CLIENT-FOCUSED INVESTMENT BANKING

Day in, day out, in good times and in bad – we are here for our clients. Working with them, excelling for them, as their dynamic, creative investment banking partner.

These times have never been more challenging for all of us. True partners have never been more critical. We're proud to say we have risen to the challenge for our clients and in the following pages we highlight how.

## Supporting our great people

 See page 48 for more information




## Excelling for our clients

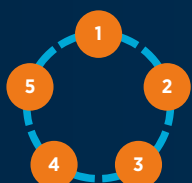
 See page 02 for more information



## Thinking and acting creatively

 See page 86 for more information

Throughout this report we link to our 5 strategic priorities:




**1** Build the corporate franchise focusing on high-quality companies

**2** Become the leading UK equities platform

**3** Develop complementary products and services

**4** Maintain operating and capital discipline

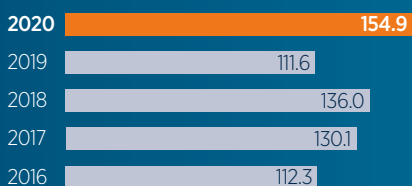
**5** Deliver shareholder returns

 See page 16 for more information

## Financial highlights

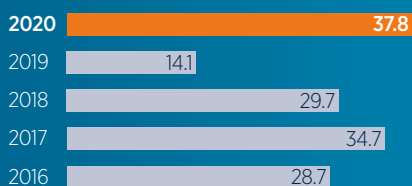
### Revenue (£m)

**£154.9m** +39%



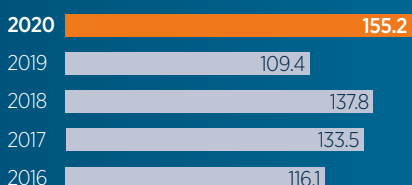
### Underlying operating profit (£m)

**£37.8m** +168%



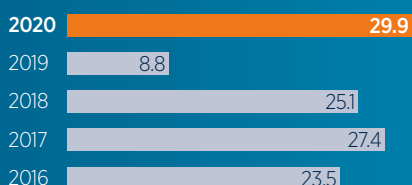
### Total income (£m)

**£155.2m** +42%



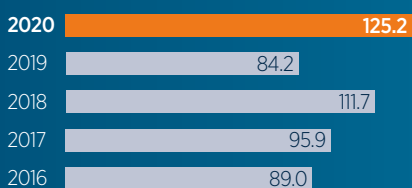
### Basic earnings per share (p)

**29.9p** +240%



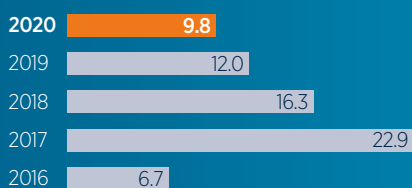
### Cash balances (£m)

**£125.2m** +49%



### Buyback spend (£m)

**£9.8m** -19%



### Total dividend per share (p)

**12.0p** no change



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### Investing in our operations

 See page 134 for more information

# EXCELLING FOR OUR CLIENTS


We have always put our clients at the core of our investment bank. From helping our clients tackle their toughest challenges to identifying and capitalising on their newest opportunities – we are driven to excel for them.

\$1.5bn



## Electronic Trading

We successfully launched our Electronic Trading product to institutional clients.

 See page 11 for more information.

## £1.0bn raised for Ocado

We helped our long-standing client Ocado to raise £1.0bn to accelerate their growth.

 See page 13 for more information.



## Extel success

All relevant sector research teams voted in top 3.

 See pages 05 and 33 for more information.




● **Strategic Report**

- Governance
- Financial Statements
- Other Information

● **\$1.5bn funds raised on the private markets**

Our fast-growing Growth Capital Solutions business transacted a record \$1.5bn for privately owned businesses.

 See page 09 for more information.



● **Excelling remotely**

Working together remotely, we carried out major transactions for our clients to the same high quality standards.

 See page 12 for more information

● **\$650m raised for Klarna**

We were the sole strategic adviser on leading Swedish fintech Klarna's \$650m fundraising – our largest private deal so far.

 See page 11 for more information.

**\$650m**



**Length of client relationship**

● < 1 yr	<b>17</b>
● 1-3 yrs	<b>34</b>
● 3-5 yrs	<b>36</b>
● > 5 yrs	<b>101</b>
<b>Total</b>	<b>188</b>

● **Trusted advice when it really mattered**

We were proud to provide trusted independent advice to help our corporate and institutional clients in a year of great turmoil and uncertainty.

 See page 06 for more information.

● **Diverse listed client base**

● FTSE 100	<b>9</b>
● FTSE 350	<b>53</b>
● AIM	<b>44</b>
● Private	<b>1</b>

# Strategic Report

# What we do

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

## Our clients

We advise, analyse and execute

Delivering a range of products and services

### Investment Banking

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

### Equities


- Research
- Sales and Trading

### For our clients

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

### Through an integrated approach

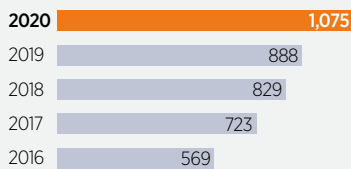
Our integrated approach is driven by our strategy and we measure our performance with KPIs.

 Read more on pages 16 and 18

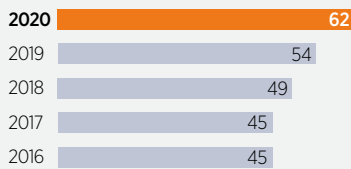


● FTSE 350	62
● Main market	137
● AIM	44
● Private	1

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



### FTSE 350 corporate clients



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

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

## Our services

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



### Investment Banking

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

- Equity Capital Markets
- Mergers & Acquisitions
- Growth Capital Solutions
- Debt Advisory
- Retained Broker & Adviser



### Equities

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

### Research

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

### Distribution and execution

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

- UK, EU and US sales
- Execution (high-touch and electronic)
- Trading

● Strategic Report

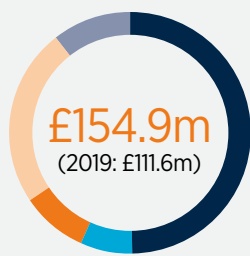
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**Strong track record**

101

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

**Revenue by product (£m)**

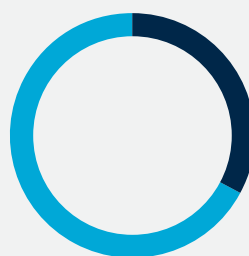


Capital markets	77.0
Advisory	11.1
Retainers	13.5
Institutional income	37.2
Trading profits	16.0

\$1.5bn

transacted in private markets

**Client base (%)**



FTSE 350	33
Other listed	67

62

The number of FTSE 350 clients has grown 38% in the past five years.

**Extel survey**

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



We are listed on AIM.

**Transaction highlights**

We have completed a number of major transactions

<p><b>Klarna</b> \$650m <b>Klarna.</b></p> <p>Exclusive Financial Adviser and Placement Agent</p> <p>September 2020</p>	<p><b>ASOS</b> £247m <b>ASOS</b></p> <p>Joint Global Coordinator</p> <p>April 2020</p>	<p><b>Beazley</b> £247m <b>beazley</b></p> <p>Joint Bookrunner</p> <p>May 2020</p>	<p><b>Hyve</b> £127m <b>Hyve</b></p> <p>Sponsor, Financial Adviser, Broker, Joint GloCo, Joint Bookrunner and Underwriter</p> <p>May 2020</p>	<p><b>Countryside Properties</b> £250m <b>COUNTRYSIDE</b></p> <p>Joint Bookrunner</p> <p>July 2020</p>
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**Our people**



Investment Banking	110
Research & Sales	86
Execution	16
Technology	20
Support	60

**Where we operate**



London

280

employees



New York

12

employees

# Chairman's Statement

Throughout a year of unprecedented challenges, we remained focused on excelling for our clients and delivered an outstanding performance.



“  
In a world of extreme uncertainty and volatility, our client-focused strategy and one-firm culture proved invaluable. Throughout the year, everyone in Numis worked together brilliantly to deliver for our clients and the firm.

**Alan Carruthers**  
Chairman

## **Continuing our journey**

In an extraordinarily challenging year for our clients, for our firm and indeed for everyone, I am proud to say that we delivered an outstanding performance as we continued on our journey to be the dynamic, client-focused investment bank of a generation.

Our strong one-firm culture was critical here. The whole firm has worked together brilliantly, not least to adapt to and deal with the unprecedented pressures and changes created by the global COVID-19 pandemic.

Throughout these tough, often intense times, we made sure we were always there for our corporate and institutional clients – excelling for them as their trusted adviser.

## **Delivering a strong performance**

In Investment Banking we performed extremely well, particularly in the second half of the year, when we helped clients raise much-needed capital. This was not only to refinance balance sheets in response to the fallout from COVID-19, but also to help a number of our clients be on the front foot in growing their businesses.

Alongside our strong growth in Equity Capital Markets, we also delivered a record performance in our Growth Capital Solutions business. In the past couple of years, we have been investing in enhancing this capability to allow us to help entrepreneurial, high-growth privately owned companies raise funds for their ongoing expansion and success.

In Equities we also had a record year. The strength of our relationships with our institutional clients really came to the fore amid all the volatility and uncertainty. They called upon us to guide, advise and help them navigate the COVID-19 crisis.

Touching on our financial performance, we achieved Group revenues of £154.9m (2019: £111.6m). Profit before tax was £37.1m compared to £12.4m in 2019. More details can be found in the financial review on pages 34 to 37.



**Adapting quickly to excel**

Our performance required outstanding effort, commitment, teamwork and agility from everyone in the firm. In recent years, we have placed additional emphasis on building a strong and distinctive Numis culture – a shared way of thinking and working together that we have distilled down to our four Numis values: partnership, excellence, dynamism and creativity.

If ever there was a year for partnership, excellence, dynamism and creativity – this was it; and I am pleased to say everyone here did the firm, themselves and our clients proud in living these values. I would like to thank each and every one of our employees for their contributions throughout the year – they have undoubtedly made the difference, for our clients and the firm.

Critically, we were quick to act when COVID-19 appeared on the horizon. I would like to congratulate the executive team on their foresight and speed of action in invoking a work from home policy ahead of the curve. And I would like to particularly thank our IT staff, who worked tirelessly to ensure everyone was set up to continue working seamlessly from home.



Guided and galvanised by the principles and beliefs of the firm, the strong team spirit and the one firm strategy, everybody has pulled together in these extraordinary times to produce a very strong set of results.

**Ensuring good governance as we grow**

We are a dynamic, growing business that embodies good governance. For us, the two go hand in hand – our governance reinforces our growth. As part of our rigorous governance, we maintain the highest ethical and professional standards. This is driven by the Board and applied throughout the firm.

Our streamlined Board is a feature of our strong governance. We have a good balance of three executives, three non-executives and myself as Chairman, and the focus is on robust and lively meetings to reach the right decisions fast. More details can be found in our Corporate Governance Report on pages 50 to 85.

**Operating responsibly**

Our strong governance illustrates the importance we place on environmental, social and governance (ESG) issues as a whole. Whether it is ensuring our new office will be as environmentally friendly as possible or investing in the resilience and wellbeing of our people, we are firmly committed to operating responsibly. More details can be found in our Operating Responsibly overview on pages 26 to 30 and in our Corporate Governance Report on pages 50 to 85.

**Engaging with our people**

Last year, we introduced a formal employee engagement process for the Board, led by Independent Non-Executive Director Catherine James. It has been a very helpful way for the Board to take the temperature of the wider firm, and for everyone in the firm to air their views directly to the Board. This year, as a result of COVID-19, the formal engagement moved online. This worked very well and I am pleased to report that employee engagement levels have been very encouraging. More details can be found in our Stakeholder Engagement overview on pages 22 to 25 and in the Corporate Governance Report on pages 50 to 85.

**Maintaining our dividend**

We aim to deliver shareholder returns through a balance of dividends and share buybacks. We are proposing a final dividend of 6.5p per share (2019: 6.5p per share), which brings the total dividend for the year to 12.0p per share (2019: 12.0p per share). This is in line with our established policy to retain a flat dividend through the cycle. Such certainty is welcome particularly at a time when dividends are under pressure, with payments by some companies being cut or cancelled.

A Dividend Re-Investment Plan (DRIP) will remain in place for the 2020 final dividend. Existing shareholders are, therefore, being offered the facility to

elect to use their cash dividend to buy additional shares in Numis, the main benefit being that the Company does not need to issue new shares. The Board continues to believe that this approach is in the best interests of the Company.

**Moving offices**

We are looking forward to moving into larger, more modern office space at 40 Gresham Street in 2021. This new office will provide an invaluable new home for the firm. It will enable us to continue to grow and collaborate closely while making the most of the flexible home/office ways of working accelerated by COVID-19.

**Looking ahead**

Throughout this extremely challenging year, we have stayed true to our ambition and path. My feeling is that the firm has never been in a better position. We have a strong one-firm culture and a set of complementary client-focused capabilities and services that have really proved their value this year. We are proud to act for over 180 corporate clients, and for the many institutional clients with whom we have built strong relationships over many years. To keep excelling in serving our clients, we are continuing to add to the depth and breadth of our offer. We are making great progress in exciting areas such as Growth Capital Solutions. We are investing in our brilliant people – nurturing their talent, rewarding their high performance and looking after their wellbeing.

Above all, we are doing everything we can to excel for our corporate and institutional clients. And I am pleased to say, we are increasingly being invited to explore new and bigger opportunities that just a few years ago would probably not have come our way. So, I continue to look ahead with great confidence as we maintain our focus on being the investment bank of a generation – an investment bank like no other, a dynamic client-focused investment bank for our fast-changing times, one we can all be truly proud of.

**Alan Carruthers**  
 Chairman  
 16 December 2020

# Business model

## How we create value

### Driven by

#### Our aim

We strive to be the investment bank of a generation

### Impacted by

#### Our unique market position

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

#### Our resources and relationships

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

### Our way of creating value

#### Our distinctive strengths

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



#### Client commitment

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



#### Forward focus

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



#### Agile integrated approach

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



#### Strong track record

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



#### High level of expertise

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

#### Our business model

#### We advise, analyse and execute

#### Delivering a range of products and services

##### Investment Banking

- Corporate Broking
- Equity Capital Markets
- Mergers & Acquisitions
- Debt Advisory
- Growth Capital Solutions

##### Equities

- Research
- Sales and Trading

#### For our clients

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

#### Through an integrated approach

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

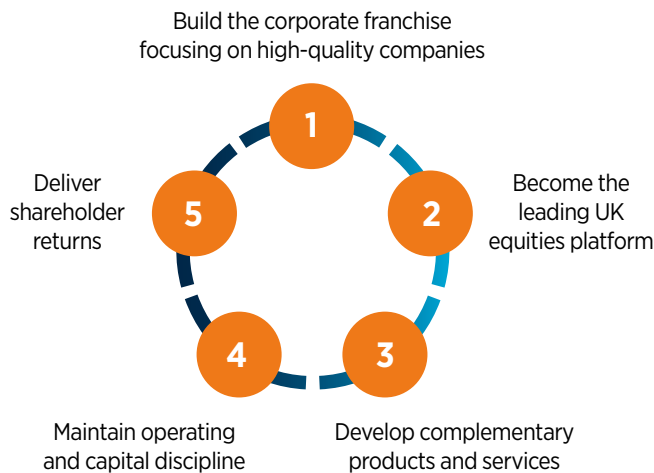


Read more on page 18

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**Driven by our five strategic priorities**



Read more on pages 16 and 17

**Underpinned by our values**



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



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



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



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

Read more on page 56

**Our positive impact for stakeholders**

**Clients**

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

**\$1.5bn**

Private markets transactions completed this year

Supported numerous clients by solving financial challenges during pandemic.

**Employees**

Create a compelling place to work where our 292 people are engaged and motivated to achieve their full potential.

Comprehensive support for all employees during remote working

**Shareholders and investors**

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

Dividend of

**12.0p**

per share

10 year total shareholder return

**271%**

Read more on page 22

# Market review

This has been an extraordinary year for the world at large and for our markets, and in turn for our clients and our firm.

A year of extremes, a year of rapidly accelerating trends, a K-curve year where some sectors and businesses have done particularly well while many others have suffered seriously. A year where being not only resilient but agile, dynamic and creative too, really paid dividends.

Through these intense times and market conditions, we continued to focus on excelling for our clients long term. We believe our distinctive client-focused strategy and strong values-driven culture helped us weather the market storms this year, and that these core Numis characteristics will continue to enable us to grow and excel further in the years ahead.

## Key trends

### A year of two halves

Our year began relatively calmly and quietly. Underlying dynamics and uncertainties from the year before, notably over Brexit, continued through the autumn. The Conservative election victory in December provided a temporary boost to UK markets. However, that all changed with the arrival of COVID-19 in February, six months into our financial year. The pandemic hit the world hard and fast, shutting down economies and countries from continent to continent, creating unprecedented levels of uncertainty and volatility, and intense activity across a number of our key markets. We're proud to say we rose to this huge challenge for our clients – quickly providing the advice and help they needed from their trusted investment banking partner to make sense of the situation, decide what to do and raise funds where necessary.

Moreover, we provided this excellence while seamlessly moving all our operations and people to working from home (WFH) well ahead of the national lockdown.

**-20.4%**

GDP for the UK fell 20.4% in the second quarter of 2020 – a record fall.

### Extreme volatility

Whilst we have experienced periods of market volatility post the EU referendum, this year was the most volatile period for many years. The Cboe Volatility Index, the VIX or “fear gauge”, surged to a high of 82.69 on 16 March 2020, surpassing the previous peak of 80.86 on 20 November 2008 at the height of the global financial crisis..

### Market volatility<sup>1</sup>

2020	26.31
2019	17.3
2018	13.9
2017	12.0
2016	16.6
2015	16.4

<sup>1</sup> Average daily VIX.

Gold increased from a low of US\$1,454 an ounce in mid December 2019 to over US\$2,060 an ounce in August 2020, ending the year at almost US\$1,900 an ounce at 30 September 2020.

### The rise and rise of tech-enabled businesses

From convenient online grocery deliveries to your door to innovative fintech business models – the already well-established rise of tech-enabled businesses has been accelerated by COVID-19. It is difficult to see any turning back from this fundamental shift. In a sea of extreme uncertainty and volatility, this for us is one strong and consistent trend. Moreover, it is a trend we have been focusing on with our dynamic, entrepreneurial clients, many of whom are leaders in the tech-enabled world.

## Our markets



It was a really important year for us. We were quick to flip to full remote working, which was a huge credit to the dynamism and agility of the firm. And then we managed to handle the busiest few months in the firm's history without missing a beat. We really excelled for our clients during that extremely difficult time.

**Ross Mitchinson**  
Co-Chief Executive Officer

**Public markets**

It has been a year of very mixed fortunes in the public markets. There was very little primary public issuance. We did only one IPO, for The Hut Group in September. M&A activity was also quiet, although towards the end of the year it looked to be picking up. So in these two core areas of our investment banking business, the markets were not just against us they were largely absent. On the fundraising side it was a very different story. In the second half of the year we had our best ever six-month period, raising capital for our clients both to help repair COVID-stressed balance sheets and to provide funds for businesses, particularly our tech-enabled clients, to make the most of growth opportunities.

**UK ECM (£bn)<sup>2</sup>**

<b>2020</b>	<b>27.9</b>
2019	21.3
2018	31.7
2017	27.3
2016	18.0
2015	29.6

**Private markets**

We see the structural dynamics in the private markets as being long term and persistent. Globally, entrepreneurs are keeping their companies private for longer. This is an exciting area for us – one we are putting a lot of energy into through our Growth Capital Solutions business.

We have a strong opportunity to advise founders long term in the private markets, and an amazing global network of growth investors – both institutions, private equity, super high net worth and corporates. Moreover, we are culturally aligned to founders – our dynamic, entrepreneurial DNA chimes with this universe of companies.

We are really moving forward with Growth Capital Solutions, as exemplified by our standout US\$650m fundraise for Klarna. This was our third fundraise for the European fintech star in as many years, underlining the strength of our client-focused partnerships in this, as in all our markets.



In a year when two key areas of our business – IPOs and M&A – were unusually quiet, we were able to generate record revenues. This shows how much we’ve moved on as a business in terms of our breadth and strength.

**Alex Ham**  
 Co-Chief Executive Officer

**Equities markets**

Market conditions last year were very challenging, but the levels of volatility and challenges were off the scale this year. The FTSE 250 for example, home to many of our corporate clients, fell from 21,866 in February to a low of 12,830 in March – a fall of around 40%. It then climbed back up to over 18,000 by early June, and was 17,315 at the end of September – a decrease over the year of 12%. The Nasdaq by contrast has been on the up and up, rising from 7,908 at the start of October 2019 to 11,167 at the end of September 2020 – an increase of some 41%. From publicly quoted UK tech success stories such as Ocado and ASOS to privately owned innovators such as Klarna – we over-index on the type of higher growth digitally enabled companies that populate Nasdaq. Indeed, a big part of our success this year involved advising and fundraising for these clients.

We succeeded in taking market share across our Equities business. In these tumultuous times, our clients looked to our highly experienced analysts to give them valuable targeted research and advice so they could make sense of the situation and take the right course of action. Alongside our high touch trading capability, we successfully introduced our Electronic Trading offer this year, to meet changing demands and expand how we can help clients.

**Looking ahead**

Looking ahead, uncertainty and volatility remain the key market characteristics. The impact of Brexit is still to be determined. COVID-19 is here to stay for the foreseeable future. Although the rise of tech is a steady wind, it will by its very nature continue to bring more change and disruption to the status quo across many different sectors. So, in short, it is more of the same. Which in turn means more pressure to be dynamic, agile and creative in delivering excellent advice and support to our clients – and we are determined to continue doing this in the years ahead.

2 Source: Bloomberg Numis Financial year.

# Message from the Co-CEOs

Alex Ham and Ross Mitchinson share their views on an exceptional year for the firm.



### **Moving early to working from home**

We went early in moving the whole firm to working from home, with the safety and wellbeing of our staff being our primary concern. After an intensive period of preparation and trials, we went to complete home working on the 13 March, some 10 days ahead of the UK national lockdown. From support staff to IT to the Equities business to Investment Banking – everybody moved to the new flexible working regime overnight and effectively.

It was a big ask, but thanks to all our people, who really live our agile dynamic culture, we made the move seamlessly and carried on delivering outstandingly well for our clients. It is a great example of the Numis difference and dedication in action – our people's willingness to work hard and embrace new ways of doing things made it happen.

### **Drawing on our strong one-firm culture**

In recent years we have devoted a great deal of investment and energy to building the one-firm high-performance Numis culture. This has been a core part of our client-focused strategy and our ambition to be the investment bank of a generation.

## Key events through the year

Dec

**UK general election gives temporary boost to markets**

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During this COVID-19 environment, we aimed to respond by putting our clients front and centre. That typifies what has happened over the last six months – our culture saw the firm engage, get our heads down, give great advice, respond, be on the front foot. There was amazing intensity across the organisation, as we focused on delivering for our clients.

**Alex Ham**  
Co-Chief Executive Officer

We distil our culture down to our four core values: partnership, excellence, dynamism and creativity. From recruiting key people to extending our services, last year was in great measure a year of investing in building our capabilities to live these values ever more strongly. In this exceptional year of great challenges and opportunities, huge uncertainties and pressures – our values really came to the fore, for our clients and for all of us in Numis.

Of course, it is our people who bring our values and culture to life and they really excelled this year. We'd like to thank everyone in the firm for their outstanding dedication and contributions.

**Working super-fast and intensely**

Through the first few months of the year, we continued with business-as-usual, focusing as ever on delivering for our clients. But of course, everything changed when COVID-19 hit. Overnight, our pre-COVID-19 pipeline was replaced with a whole new set of issues and requirements for our clients, which in turn meant we pivoted to deliver completely new advice, transactions and support. As a result, the second half of our year was incredibly busy. The speed at which deals picked up was extraordinary and a number of the transactions we worked on had very short lead times. The whole firm pulled together to do this hugely intensive work incredibly well. The execution across all aspects of the business was faultless, despite all the challenges thrown at us.

We went from having two offices to 292 home offices overnight and the business carried on operating seamlessly for our clients – carrying out major transactions to the same high-quality standards in a completely new fully remote distributed environment. We don't underestimate the huge effort required by our people to ensure this was possible and are incredibly grateful for the sacrifices everyone made.

**Delivering a record performance**

Our Investment Banking business performed extremely well. Standout transactions included raising £1bn for Ocado, one of our many long-standing clients – we've advised them since they went public in 2010 and in that time have grown with them. During this ten-year relationship we're proud to say we've become a trusted adviser to the company, and we were quick to help them identify and act on the opportunity to accelerate their growth. This was a big front-footed deal, with a rapid turnaround from idea to execution.

We also raised £247m for ASOS. This was another deal where we were helping a long-term entrepreneurial tech-enabled client act quickly to make the most of a fast-changing situation.

Across our broad client base, we executed deals, helping clients raise funds to repair their balance sheets and realign themselves for current and future opportunities. We're proud of the size and strength of our core corporate client list, which has been built up over many years and truly came into its own this year.

Jan

Launch of Electronic Trading offer

3 5

Read more on pages 15 and 33

UK agrees to leave the EU

Read more on pages 11 and 33

Feb

First person to catch COVID-19 in the UK diagnosed

# Message from the Co-CEOs

continued



It was a really important year for us. We were quick to flip to full remote working, which was a huge credit to the dynamism and agility of the firm; and then we managed to handle the busiest few months in the firm's history without missing a beat. We really excelled for our clients during that extremely difficult time.

**Ross Mitchinson**  
Co-Chief Executive Officer

On the private markets side, our Growth Capital Solutions business continued to go from strength to strength. In September, we announced one of the largest private deals in Europe and our largest private deal so far – raising US\$650m for leading European fintech and Europe's largest unicorn, Klarna. This is another long-term client partner success story for us. We've advised Klarna on multiple transactions over the years and this was a large front-footed raise executed at pace for a company at the heart of the accelerated online retail transition forced by COVID-19. It makes Klarna the most highly valued private fintech in Europe and one of the top five worldwide.

We were the sole strategic adviser on the transaction. This flagship deal is a great example of excelling for our clients and of how, through Growth Capital Solutions in particular, we are extending our reach beyond the UK. We learn a great deal from advising private companies – it gives us valuable access and insights to key trends earlier. As a result, we build our knowledge and abilities to advise our broader client base.

Underlining the breadth and depth of today's Numis, we achieved our record performance in Investment Banking despite the highly subdued market in two of our core business lines: IPOs and M&A. In recent years, we have invested in building strong capabilities in both these areas and are well-placed for when activity picks up again. Moreover, our one-firm model places the emphasis on Numis as a whole, delivering for each and every one of our clients. We draw on our broad range of services and expertise as needed, to excel for our clients.

We also had a record year in Equities – guiding and advising our institutional clients through the COVID-19 crisis. We worked intensively with them and really proved ourselves as their trusted partner.

Our position as a leading provider of UK research and execution services to UK clients continued to strengthen. We believe this is another area where we stand out for our clients. Our commitment to providing high-quality and in-depth research has been increasingly recognised by our clients since MiFID II, and in this tumultuous COVID-19 period it has been appreciated even more. This was evidenced by the notable step up in client interaction that we saw during the market gyrations caused by COVID-19.

## Key events through the year continued

Mar

13 March – whole firm moves to working from home (WFH)

Read more on pages 10 and 12

25 March – FTSE 100 falls below 5,000

**33%**  
decline in a month

Read more on pages 10 and 11

Apr

ASOS fundraising

1 3 5

**£247m**

Read more on page 32



● **Strategic Report**

- Governance
- Financial Statements
- Other Information

**UK ECM**

**£27.9bn**

(2019: £21.2bn)

**Public M&A**

**£164bn**

(2019: £185bn)

**UK IPOs**

**£3.4bn**

(2019: £5.3bn)

In Equities, as in Investment Banking, we are always looking for opportunities to refine and enhance our services and the ways we can help our clients. In this spirit, we successfully launched our Electronic Trading offering towards the start of the year. It has been well-received by clients in the UK and we see further growth potential both in the UK and also in Europe and North America.

**Doing things differently for the better**

We took the opportunity very early in the new remote working environment to look for ways to do things differently for the better. So, rather than simply shift pre-COVID-19 practices online – meetings, processes and all – we devised ways to condense and accelerate matters. We used the power of online technology married to our dynamic get-on-and-do attitude to improve collaboration and execution for our clients. So, for example, for a number of the fundraises, instead of endless investor roadshow meetings held back-to-back over a multi-day period, we held two online, virtual roadshows, inviting select investors to each. We hosted; the investors remained anonymous to each other; our client had just two rather than 50+ meetings to do. It was far more efficient and agile all round – everyone was happy, but it also allowed for additional relationship building meetings once investors were fully engaged, which our issuers felt combined the best of both worlds. This is just one example of us being more dynamic and creative in helping our clients.

**Increasing our focus on ESG**

For our clients, for our people, for the firm as a whole and the wider world, environmental, social and governance (ESG) issues are rising up the agenda, and we are increasing our focus on this important area. More details can be found in our Operating responsibly overview on pages 26 to 30 and in our Corporate Governance Report on pages 50 to 85.

**Looking ahead**

Big uncertainties and challenges undoubtedly remain for everyone in today's world, but we're excited about the future.

This year we were forced into a scenario that we never could have planned for or envisaged, and we've done many things that we never would have thought possible. But throughout, our core beliefs, our strategy and ambition stayed constant.


Looking ahead, we will continue to dedicate ourselves to being a dynamic, creative investment bank that works in partnership with our clients to excel for them.

Jun

**Ocado fundraise**

1 3 5

**£1bn**


 **Read more on page 32**

Sep

**Klarna fundraise**

1 3 5

**US\$650m**

 **Read more on page 14**

**The Hut Group IPO**

1 3 5

**c.£950m**

# Our strategy

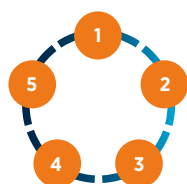
We continue to focus on our five key strategic priorities while responding to the unprecedented challenges of COVID-19.



	Related KPIs	Related risks
<p><b>1 Build the corporate franchise focusing on high-quality companies</b> We have a strong and growing corporate client base characterised by ambitious high-quality companies of all sizes whether public or private. We want to keep on helping our existing clients to succeed as well as welcoming new clients with exciting futures.</p>	<p>Revenue per head Corporate client base UK ECM market share Advisory revenue</p>	<p>Strategic risk People risk Conduct, regulatory &amp; legal risk Reputational risk</p>
<p><b>2 Become the leading UK equities platform</b> We are proud of our market-leading position 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 No 1 across the UK irrespective of market cap.</p>	<p>Equities revenue UK ECM market share</p>	<p>Strategic risk People risk Technology risk Conduct, regulatory &amp; legal risk Reputational risk</p>
<p><b>3 Develop complementary products and services</b> As the needs and opportunities of our clients change and grow we want to ensure that we can help them as much as they would like. To this end, we develop complementary products and services focused on our clients.</p>	<p>Advisory revenue</p>	<p>Strategic risk People risk Conduct, regulatory &amp; legal risk Operational risk</p>
<p><b>4 Maintain operating and capital discipline</b> We maintain operating and capital discipline not only to meet our obligations as a regulated business but also to ensure we have the flexibility to respond to changing client needs and build the firm in line with our ambitions across a variety of market environments.</p>	<p>Revenue per head Underlying operating margin Liquid resources Share count</p>	<p>Strategic risk Financial risk Technology risk Conduct, regulatory &amp; legal risk Reputational risk Operational risk Governance risk Macroeconomic risk</p>
<p><b>5 Deliver shareholder returns</b> We are committed to rewarding shareholders for their backing and the confidence they place in us. We want to ensure they share in the growth and success of Numis.</p>	<p>Earnings per share</p>	<p>Strategic risk Financial risk Conduct, regulatory &amp; legal risk Macroeconomic risk Reputational risk</p>
<p><b>Responding to COVID-19</b></p> <ul style="list-style-type: none"> <li>• Moving the whole firm to remote working well ahead of the national lockdown</li> <li>• Advising our clients of the implications and best course of action</li> <li>• Helping our clients raise funds to meet challenges and make the most of opportunities</li> <li>• Ensuring the safety and wellbeing of our people</li> </ul>	<p>N/A</p>	<p>Strategic risk Financial risk Conduct, regulatory &amp; legal risk Macroeconomic risk Reputational risk</p>


# Key performance indicators

To measure our performance we use a range of financial and non-financial indicators aligned to our strategy.



A reminder of our strategy – read more on pages 16 and 17


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

 To read more about our performance in the year go to the business and financial reviews on pages 31 to 37

## Link to remuneration £

### Performance-focused pay

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

 For more information read the remuneration report on pages 73 to 81

## Financial

### Revenue per head (£k) 1 4 £

2020	549
2019	404
2018	538
2017	591
2016	527

#### 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.

#### 2020 performance

Revenue per head increased due to improved revenue performance across the business, in particular higher average deal fees, and limited growth in average headcount.

#### Outlook

The new financial year has started positively but many challenges for the UK economy lie ahead. Sustained investment in our people over many years positions the Group well for future growth.

### Earnings per share (p) 5 £

2020	29.7
2019	8.8
2018	25.1
2017	27.4
2016	23.5

#### Why it's important

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

#### 2020 performance

EPS increased significantly as a result of record revenue performance and operational gearing in the business.

#### Outlook

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

### Equities revenue (£m) 2 £

2020	53.2
2019	37.3
2018	47.5
2017	44.8
2016	38.4

#### 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.

#### 2020 performance

Revenue increased 43% as a result of strong trading and execution revenues in volatile market conditions.

#### Outlook

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

### Operating margin (%) 4

2020	24
2019	13
2018	22
2017	27
2016	26

#### Why it's important

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

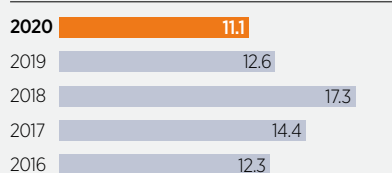
#### 2020 performance

Operating margin increased to 24% as a result of the strong business performance and only limited fixed cost inflation.

#### Outlook

Revenue performance will be subject to market conditions from year to year but we will maintain a disciplined approach to costs and compensation.

**Advisory revenue (£m)** 1 3 £



**Why it's important**

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

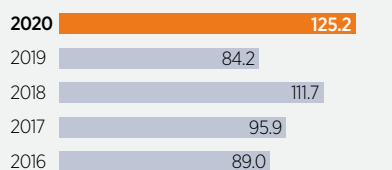
**2020 performance**

M&A pipeline was materially impacted by COVID-19, as a result Advisory revenues declined 11%.

**Outlook**

Our advisory capability continues to develop and we have seen an encouraging start to FY21 performance.

**Liquid resources (£m)** 4



**Why it's important**

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

**2020 performance**

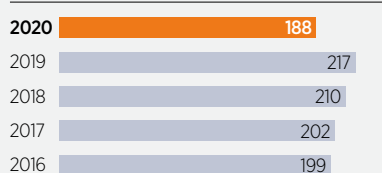
Our cash position increased 49% as a result of the strong profitability of the business over the year.

**Outlook**

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

**Non-financial**

**Corporate client base** 1 £



**Why it's important**

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

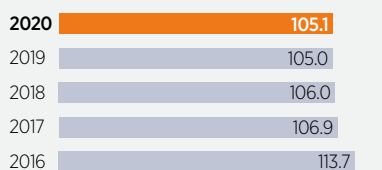
**2020 performance**

The client base decreased by 13% largely as a result of our exit of the Natural Resources sector.

**Outlook**

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

**Share count (m)** 4



**Why it's important**

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

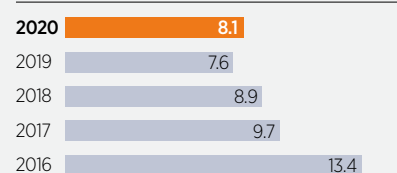
**2020 performance**

Issued share count was flat on the prior year as dilution from equity awards was offset by share buybacks despite the pause in repurchases over the early stages of the pandemic.

**Outlook**

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

**UK ECM market share (%)\*** 1 2 £



**Why it's important**

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

**2020 performance**

We increased our market share in UK ECM in a year of increased secondary issuance activity but few IPOs.

**Outlook**

Our track record and reputation has been enhanced over the past year and we are well positioned to capture market share gains and benefit from any recovery in IPO volumes.

\* UK ECM market share sourced from Bloomberg. Market share accounts for all ECM transactions on the London markets, defined as any Initial Public Offering, Primary and/or Secondary Share Offering, Rights Offering or Additional Offering as at 24 November 2020. Bloomberg apportions league table credit depending on the seniority of each adviser's role on a given transaction.

The non-GAAP alternative performance measures shown here are described on page 142.

# Section 172 statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

- (a) the likely consequences of any decision in the long term
- (b) the interests of the Company's employees
- (c) the need to foster the Company's business relationships with suppliers, customers and others
- (d) the impact of the Company's operations on the community and the environment
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct
- (f) the need to act fairly between members of the Company

## Staying focused on our journey for the long term

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

Further information on our strategy and how we mitigate the key risks to which the business is exposed is set out on pages 38 to 41 and 42 to 47 of this Annual Report.

## Commitment to our stakeholders

The Board believes that engaging with our shareholders and wider stakeholder groups through regular and constructive dialogue is central to delivering our strategic objectives and building a sustainable business. By demonstrating how the Board has engaged with and has regard to stakeholders and other factors through inclusive and collaborative decision-making, we ensure we fulfil our obligations to those impacted by the business. Including our stakeholders in key business decisions is the right thing to do, and is a key driver in delivering value creation over the longer-term.

## Issues, factors and engaging with stakeholders

During 2020, we increased our focus on stakeholder engagement. In considering the issues, factors and stakeholders relevant in complying with section 172, the Board determined our key stakeholder groups as employees, shareholders, clients, regulators and suppliers. In addition, environmental and community matters are also key areas of importance. In understanding our stakeholders and their priorities better, the Board has considered the potential impact of decisions on each stakeholder group and taken account of their needs and concerns, as part of Board discussions and decisions.

s172 factor	Relevant disclosures	
<b>The long term</b>	p09	Company purpose
	p10	Market review
	p08	Business model
	p16	Strategy
	p37	Dividend policy
<b>Employees</b>	p09	Company purpose
	p10	Market review
	p08	Business model
<b>Business relationships</b>	p26	Operating responsibly – suppliers and partners
	p26	Operating responsibly – Anti-bribery and corruption
	p26	Operating responsibly – Modern slavery
	p22	Engaging with our key stakeholders
<b>Community and environment</b>	p26	Operating responsibly – local communities
	p26	Operating responsibly – environment
	p22	Engaging with our key stakeholders
<b>High standards of business conduct</b>	p26	Operating responsibly
	p27	Culture and values
	p38	Internal controls
<b>Shareholders</b>	p22	Engaging with our key stakeholders
	p52	Corporate governance
	p136	Annual General Meeting

Throughout this report, we have integrated our reporting on how our stakeholders have been considered in terms of our business model and governance, particularly in regard to how Directors discharge their duty to promote the success of the Company for the benefit of its members as a whole.

The Board has direct engagement principally with our employees and shareholders but is also kept fully apprised of the material issues of other stakeholders through the Executive Directors, reports and presentations from senior management and external advisers. On pages 22 to 25 we outline the ways in which we have engaged with key stakeholders and the material issues that they have raised with us.

Stakeholder engagement not only allows the Board to understand the impact of its decisions on key stakeholders, but also ensures it is kept aware of any significant changes in the market, including the identification of emerging trends and risks, which in turn can be factored into its strategy discussions.

We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Board may have to make difficult decisions based on competing priorities. By considering the Company's purpose and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to balance those different perspectives.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enable the Directors to comply with their legal duty under section 172 of the Companies Act 2006. For details on how the Board operates and the way in which the Board and its Committees reach decisions, including the matters we discussed during the year, see pages 54 to 61.

### Key strategic decisions

The following are some of the decisions taken by either the Board or its Committees during the year and the considerations given to stakeholder interests and impacts:

- To seamlessly move the whole firm to remote working ahead of the national lockdown to ensure that we met the needs of a number of key stakeholders. The Board, led by the Executives, considered the benefits to the wellbeing of staff whilst constantly monitoring the operating effectiveness of systems to enable standards of client service to be maintained. In addition the Board engaged directly with employees during lockdown to ensure their needs and views were addressed.

**See Engaging with our key stakeholders: our clients (page 24), our employees (page 22), our suppliers (page 25) and Operating responsibly (page 26); our communities (page 29)**

- To pay the interim dividend in accordance with our dividend policy at a time of extreme market volatility. Through regular dialogue and engagement with shareholders since the adoption of the current dividend policy, the Board recognised the importance of this to our shareholders, particularly during a period when shareholders were suffering the impact of widespread dividend cancellations across the market.

**See Engaging with our key stakeholders, shareholders (page 22).**

- The board considered the wider economic and social impact of COVID-19 including the proportionally larger impact of the pandemic on other businesses across the community in taking the decision to not furlough any staff or access any of the government funding schemes.

**See Operating responsibly, communities (pages 26 and 29).**

- The Board consulted all the top shareholders as part of the process to structure a new LTIP scheme and implement minimum shareholding requirements for Executives. The views of shareholders expressed as part of this consultation process were reflected in the updated remuneration policy.

**See engaging with our key stakeholders on page 22.**

### Methods used by the Board

The main methods used by the Directors to perform their duties include:

- an annual strategy review which assesses the long-term sustainable success of the Group and our impact on key stakeholders (see page 22);
- the Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders (see 38);
- the Board sets the Group's purpose, values and strategy and ensures it is aligned with our culture (see page 55);
- direct and indirect stakeholder engagement (see page 22);
- external assurance is received through audits the results of which are reported to the relevant Committees of the Board and impacts/mitigations deliberated on and actioned (see page 58);
- Directors and senior managers receive specific training tailored to assist them to discharge their duties to ensure they have the tools and expertise to assess and act on issues that arise through the year (see page 57).

# Engaging with our key stakeholders

We place great emphasis on engaging closely with our key stakeholders – so we can all participate and share in the firm’s growth and success.

## Staying close to our stakeholders

Whether by video or conference call, Town Halls or face-to-face meetings – close communication and engagement is key in building trust with our stakeholder groups.

During these unprecedented times, embracing engagement technologies with all our stakeholders has been particularly important, and we have seen elevated levels of communication since COVID-19 first hit at the start of the year. Our commitment to reinforcing our values of partnership, dynamism, creativity and excellence with key stakeholders has been a significant factor this year in the successful implementation of our strategy.

In creating value, building trust and staying abreast of the issues that matter most to stakeholders, we continue to strengthen and build on the long-term relationships at the core of the success of the firm. To this end, we remain committed to providing meaningful, transparent, timely and accurate financial and non-financial information to all our key stakeholders.

The Board has identified our key stakeholder groups as employees, shareholders, clients, regulators and suppliers. We sum up our engagement with each of these stakeholders below. In addition, environmental and community matters are also key. More details on these matters can be found in our operating responsibly overview on pages 26 to 30.

## Engaging with our employees



### Why our employees matter to us

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

### How we engage with employees

- High degree of informal day-to-day contact
- Regular connect sessions with the Co-CEOs
- Biennial employee surveys
- A high level of engagement via remote working technology throughout the pandemic
- Town Hall meetings

### Number of employees

292

We engage closely with our employees at all levels of the organisation to understand their needs and ensure we retain and develop the best talent. This engagement is vital. It helps to ensure we embed the Numis culture and values throughout the business. It also ensures that business decisions are taken with due regard to employee views and concerns on issues which are important to them. In addition, close employee engagement is at the heart of our highly collaborative way of working,

which in turn underpins the strong entrepreneurial spirit driving our performance.

We engage with our people regularly and foster an open-door culture where employees are encouraged to interact and feedback not only to direct reports but also senior management and the Board. Nurturing a team of talented and dedicated people is central to our strategy, enabling us to deliver the exceptional products and services that keep us at the forefront of our industry.

Catherine James is the designated workforce Employment Engagement Non-Executive Director and her appointment to this important role continues to provide the Board with valuable insight and understanding of our employee sentiment and engagement levels.

Catherine engages with employees from a variety of departments, seniority and tenure across the business. The engagement sessions moved seamlessly online throughout the lockdown period and provided the Board with a wide range of topics to deliberate on – from culture to succession, wellbeing and strategy. The range of different perspectives has provided the Board with additional valuable insights on the Numis culture, the challenges faced by the business during this unprecedented time, and how our people are feeling and coping with work/life while working from home and living with the pressures and uncertainties of COVID-19. Some of the recurring themes that continue to be of focus and importance include culture, support for diversity, inclusion, affirming commitment to increasing women’s profile in the workplace and development of talent to lead the next generation of Numis employees.



As a direct response to feedback from this engagement, the Board has implemented a number of initiatives including:

- More Town Hall meetings – these meetings hosted by the Co-CEOs have been a key feature in ensuring we maintained employee connectivity throughout the lockdown and beyond
- A number of wellbeing and self-help initiatives have been rolled out across the business to incentivise and promote good mental and overall health for our people
- Transparent internal work mobility opportunities and policy were established, providing opportunities for internal promotion and transfer to other areas of the business
- More employee say in the working environment and flexibility of working

The move to remote working in March this year brought a sea change to the way our people work and interact with each other and our clients. Zoom meetings have now become part of our daily lives. Regular Zoom Town Hall meetings, led by the Co-CEOs, allow employees to interact in a virtual space. Senior management can update the whole firm on the evolving response to COVID-19 and the progress of the business, answer questions directly and hear employee feedback on a range of topics.

We conducted a working from home survey completed by all employees regarding their working experiences and shared with the Board. This enabled us to act on feedback to improve the working environment, for example by providing additional computer equipment. We have also introduced a number of measures to try and ensure the physical and mental wellbeing of our people. These include considering working conditions, providing equipment to allow employees to work effectively, comfortably and safely from their chosen environments, and a number of wellness initiatives for employees and their families.

While some roles within the business were impacted by remote working, the Board took the decision to maintain our entire workforce, redeploying employees underutilised during remote working temporarily into new roles. In addition, we did not access the Government furlough scheme and ensured all our people were paid in full throughout the pandemic.

We established a staff committee to gather a cross-section of views on the new office, so that they had a say and influence on the design and layout of the new working environment. The results of the survey have been key in helping to shape the new working environment and we anticipate moving into our new offices during the second half of 2021.

Through close engagement, the Board gains a clear sense of employee sentiment and the broader health of the Company culture, gathering feedback on employees' views and concerns over a wide range of important topics. The Board also receives periodic updates from HR on talent, succession planning and leadership development. The feedback and insights are discussed at Board meetings and form part of the Board's decision-making. The Board will continue to monitor the effectiveness of informal and structured employee engagement during the coming year. The aim as ever will be to review progress, improve oversight and ensure employees' views are integrated into the work of the Board and the strategy of the business while supporting our employees' wellbeing.

As a token of the Board's appreciation for the collective efforts of our people in maintaining excellent client service and execution levels during these exceptional times, food hampers were distributed to all our people as a huge thank you to them and their families.

## Engaging with our shareholders



### Why our shareholders matter to us

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

### How we engage with shareholders

- Formal investor relations programme
- Day-to-day calls
- One-to-ones between the Chairman, Co-CEOs and CFO and key shareholders

Engaging with our shareholders is key to our success as a business and our aim to create long-term, sustainable shareholder value. The Co-CEOs, Chief Financial Officer (CFO) and Chairman hold frequent meetings with investors to hear their views on various matters and the Board receives regular feedback on these meetings.

The Board considers shareholders' interests and views as part of all its deliberations on an ongoing basis, including on the Company's strategy, distributions, and capital and liquidity. We also engage with institutional investors through financial conferences, roadshows and one-to-one meetings.

# Engaging with our key stakeholders continued

All shareholders are invited to attend the Annual General Meeting (AGM) held in February and all Board Directors attend, giving individual shareholders the opportunity to engage directly with the Board and senior management. The Chairman welcomes questions from shareholders, who have an opportunity to raise issues before or at the AGM. All Non-executive Directors are available to meet shareholders, if requested, and the Board is regularly updated on shareholder feedback. The Chairman is also available to meet major shareholders without the Executive Directors being present to permit direct feedback in an open and transparent forum.

The Annual Report and Interim results, together with information on the Group's activities, trading performance, products and recent developments are on our website [www.numis.com/investors](http://www.numis.com/investors).

We launched our new website in the year. It enhances the investor relations experience by providing easy-to-navigate access to financial data and other information.

We also engage through roadshows, which are held after the annual and interim results to allow the Co-CEOs and CFO to meet with potential and existing shareholders and discuss the Group's financial performance.

Staying abreast of shareholder views gives the Board insight into the considerations driving shareholder priorities when assessing us as a business and helps shape the Board's strategy and future ambitions. The potential future impact on shareholder returns was an important consideration in the Board's decision not to access any of the Government funding schemes, furlough, or deferral of VAT payments. We recognise that delivering on shareholder expectations is fundamental to ensuring that our business continues to be successful in the long term.

During a period of extreme market volatility, the Board took the decision to pay an interim dividend in accordance with our dividend policy. While other businesses across the financial services sector and the wider market cancelled or suspended dividends, we were determined to act in the interests of our shareholders, and following consideration of our financial position and outlook, paid our dividend.

The existing Executive LTIP expires September 2021. The Chairman of the Remuneration Committee consulted with the top shareholders to gather feedback regarding a new LTIP structure. These views were reflected in the updated remuneration policy which is described on pages 74 to 76.

## Engaging with our clients

### Why our clients matter to us

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

### How we engage with clients

- Daily informal interactions – face-to-face, over the phone, online
- Regular independent meetings with corporate clients
- Regular one-to-ones with institutional investors
- A high degree of online engagement throughout the pandemic

### Number of clients

188

We are passionate about our clients – the growth and success of our firm is based on the long-standing client relationships we have fostered through economic highs and lows. Close sustained engagement with our clients is critical. Through regular and effective communication, we stay informed about clients' concerns, their needs and how satisfied they are with our service and firm. Our clients can in turn understand our business, the journey we are on and the strategy we are following.

We conduct annual independent reviews with executives of the service provided to corporate clients. Feedback is shared with the client team, senior management and the Board. This enables service level decisions to be taken and any areas for development to be addressed to ensure our clients are receiving the right type and quality of service.

During the pandemic a number of our corporate clients faced cash flow and financing challenges. To assist, we entered into deferred payment arrangements with clients relating to both deal fees and retainers. This was a way for us to build on our trusted relationships and provide a helping hand in difficult times.

MiFID II, and the variety of payment structures implemented across clients, has led to more regular institutional engagement with our institutional clients. This enables us to react to feedback and tailor our service to meet different client needs and preferences.

## Engaging with our regulators



### Why regulators matter to us

We work in a highly regulated industry where it is vital to stay on top of all the latest regulatory requirements and developments.

### How we engage with regulators

- Regular formal meetings
- Round-table exercises
- Ongoing dialogue

We engage with regulators to better understand and respond to their views and concerns and to receive feedback on our policies and methods of working. We see this as paramount to good governance. By maintaining relationships with our key regulators and actively engaging on both a local and global scale, we position ourselves to be well informed about impending developments in the regulatory environment.

Numis is regulated by the FCA. Through consultation and collaboration with the FCA and other regulatory bodies, for example via round-table exercises, we gain deeper insights and understanding. This helps us to make and implement policies that protect our stakeholders.

The Audit Committee, Risk Committee and Board receive regular reports from the Head of Compliance and Chief Risk Officer & General Counsel on the Group's regulatory processes and procedures, its risk management framework and its interaction with regulators in various jurisdictions.

Areas of key focus during the year included:

- Implementing and embedding the Senior Managers and Certification Regime (SMCR) for Numis Securities Limited
- Continued training for both the Legal, Risk and Compliance function and senior managers on key regulatory topics
- Providing considered responses to consultations on regulatory change where appropriate
- Replicating our governance and cultural standards in a working from home (WFH) environment

## Engaging with our suppliers

### Why suppliers matter to us

We work with key suppliers who deliver essential services that enable us, in turn, to excel for our clients.

### How we engage with suppliers

- Regular meetings
- Informal, often daily, communication

### Number of suppliers

519

We engage with our suppliers to develop mutually beneficial and lasting partnerships.

Our suppliers play an important role in providing their particular expertise and high-quality products and services, which in turn enables us to continue to meet the high expectations of our clients. Engaging with our key infrastructure suppliers is important for monitoring performance, managing risk and driving value. Key suppliers provide business-critical infrastructure services across a wide range of areas including IT, telecommunications, market data and clearing and settlements.

The Board has reviewed purchasing policies that aim to minimise the risk of modern slavery in our supply chain and the Board reviewed and approved the Modern Slavery Statement, which it does annually.

The Board took decisive action to support our suppliers during the lockdown, recognising the many cash flow challenges faced by suppliers. Given Numis' relatively strong financial position, the Board agreed to increase our efforts to pay suppliers promptly. During the year we improved the timeliness of supplier payments by 7%.

### Looking ahead

As we start the new financial year, fresh challenges will no doubt arise and striking the right balance and tone of communication with our different stakeholder groups has never been more important. With this in mind, we will continue to build on our strong levels of engagement, to forge ever closer relationships and encourage everyone involved to be part of and benefit from the Numis story.

# Operating responsibly

From looking after our people throughout the COVID-19 crisis to ensuring our new office will be as environmentally friendly as possible – we are deeply committed to operating responsibly.

## Focusing on positive impact

We are a responsible business committed to excellence through and through – for our clients, for our colleagues, for all our stakeholders. A key focus here is on environmental, social and governance (ESG) issues. We are on a journey with ESG. One where we are building on our strengths as a dynamic, rigorously organised and governed firm in a highly regulated industry.

The COVID-19 pandemic has brought the importance of ESG into even sharper focus, and we enhanced our approach within the firm through the year. Our senior management, for example, have had ESG training, and we also incorporated ESG training into this year's graduate programme. In addition, the Board now receives regular reports on ESG matters.

Looking beyond the firm, we know ESG is a critical issue for both our corporate and institutional clients and we continued to advise on the key aspects and implications.

As we highlight further on in this overview, we plan to continue strengthening our approach to ESG in the year ahead. Our aim is to have an ever-greater positive impact, not only for our clients, our colleagues and our firm, but also for the wider world.

## Anti-bribery Act and Modern Slavery Act

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

## Compliance Training

We are committed to ensuring that our staff are appropriately trained to understand how financial regulation applies to their respective roles. To that end, our compliance training programme is tailored according to department and comprises either traditional face-to-face training or e-learning programmes. Additionally, all new joiners receive comprehensive compliance training as part of their induction programme. We were able to move this and our other face-to-face training online as part of our COVID-19 response and will continue to use technology to enhance our training regime wherever possible.



We're passionate about responsibility. It's not an add on. It runs throughout our firm and goes to the heart of our client-focused culture.

**Mica Ross**  
Head of Human Resources

Within our overall approach to ESG, we place a big emphasis on our people – the beating heart of our firm. But we also focus on fulfilling our community and environmental responsibilities. Underpinning it all is our strong governance, and more details on this can be found in the Corporate Governance Report on pages 54 to 61.

## Our people

We can't overstate the importance of our people – they are the firm. Day in, day out, they work tirelessly together to excel for our clients and build the investment bank of a generation.



**Culture and working together as one**

We hire great people who can fit in with and add to our strong Numis culture – people who bring the right attitude and dedication to the team alongside their own particular skills and capabilities. In recent years we have invested a great deal in building our one-firm culture, which we’ve distilled down to our four core values of partnership, excellence, dynamism and creativity. These values have really come to the fore this year – uniting and guiding us as we all faced the unprecedented challenge of the COVID-19 pandemic.

We continue to embed our values throughout the firm. For example, our people are assessed on how well they live our values. This is weighted as heavily as our people’s objectives. Also, this year we set our interns the special project of interviewing Numis people on the values.



“ We invested in helping our people stay well while working from home.

**Responding quickly to COVID-19**

We were quick to act as COVID-19 hit, taking the decision to move the whole firm to remote working early on and making it happen well ahead of the national lockdown. It was an outstanding team effort for everyone to switch to working from home (WFH), seamlessly and all in one go. Not only to switch, but to carry on excelling for our clients as never before and through an intensely busy second half of our year. From our IT experts to our client-facing teams, our people have gone above and beyond to support each other and deliver. More details on our response to COVID-19 can be found in the risk management section on pages 38 to 41.

**Strong communication and engagement**

We wanted to make sure we maintained strong lines of communication and engagement throughout. So soon after implementing WFH, we surveyed our people. The results were very positive in terms of how employees were feeling about the new arrangement and levels of support from the firm. In addition, we pinpointed some challenges and launched dedicated training, for example on building personal presence online and managing remotely. During the year, we also launched Spotlight, a regular series of communication to employees on key issues such as wellness, learning and development and diversity. We also continued to hold regular Pulse surveys to ensure we stayed in tune with our people. In 2018 and 2019, we conducted formal firm-wide employee surveys and we plan to hold another such survey next year. More details on our employee engagement can be found in the stakeholder engagement overview on page 22.

**Learning and development**

We continued our commitment around learning and development, moving programmes and initiatives online. This ranged from focusing on manager excellence to launching an internal coaching programme.

**Wellness and resilience**

Alongside learning and development, we also reinforced wellness and resilience. This is a long-standing commitment for our firm, one that’s actively endorsed by the leadership team. Wellness goes hand in hand with high performance – we know that our people will only excel for our clients when they feel happy and well in themselves. In this highly pressured and unusual year for everyone in the firm, wellness and resilience has never been more important. Working with our wellness partner, Urban, we moved the programme online, offering a range of services from virtual sports classes to one-on-one coaching. There has also been a continued focus on family-friendly policies as part of WFH.



“ Day in day out, our people bring our values to life.

**Health and safety**

The health and safety of our people is of paramount importance. It was a key imperative for moving the whole firm to remote working early on in the pandemic, for example. From providing face masks to employees to investing in adapting the office for post-lockdown working – we are determined to ensure our people stay safe and well come what may.

# Operating responsibly continued

## Working better together

We found that WFH opened the way for improvements in communication, for example the whole firm being able to engage with senior leaders collectively via online Town Halls. Indeed, the crisis has been a catalyst for exploring new and better ways of working. So, for example, alongside WFH (working from home) and RTO (returning to office) we are also bearing in mind WFA: working from anywhere. The purpose remains unchanged – to excel for our clients. The place can vary – wherever we excel best.



## Hiring the best

We moved our hiring seamlessly online, and are confident we have a strong approach to hiring the best in the COVID-19 era.

Our intern and graduate programmes were also a great online success this year. We were determined to continue with this core aspect of our talent story, despite the challenges of COVID-19 and at a time when others were having to reduce or cancel their campus programmes. We carried on with ours – running our eight-week summer internship programme entirely virtually. The feedback was very positive. Training and support, mentoring, buddying, regular check-ins with programme hosts and managers – it all worked very well for the interns and the firm.

For the recruitment of our 2020 internship class we went above and beyond to broaden the net in order to increase the diversity of our intake. So, for example, we held campus events targeting females, and many of the attendees subsequently applied to the internship.

Reflecting the success of the programme, our interns made up a large proportion of our graduate intake – we were pleased to see these great individuals choosing to join us not just once but twice. This year, the training programme for our new graduate intake moved online, although we have given our graduates the option of doing their virtual training programme from the office.

For the coming year, we are looking at innovative ways to run virtual attraction and assessment events on campus.



## Focusing on diversity and inclusion

We continue to focus on diversity and inclusion. We value, encourage and support difference – it is core to our belief in being a highly agile, creative and collaborative firm. A firm where we achieve more and better things together by being open to new approaches.

To maximise our impact here, we are concentrating on increasing the diversity and inclusion of new and future generations of talent. We go to great lengths to ensure our intern and graduate programmes cast the net wide and that our selection process is rigorously fair and free of any bias. For example, we remove details such as people’s names and universities when applications are assessed.

Gender equality is also a core commitment. This year, we published our first Gender Pay Gap report. It highlights three key focus areas for us to close the gap:

- recruitment, for example ensuring no unintentional gender biased language in adverts and training every manager in mitigating for unconscious bias in recruitment
- mentoring and development, for example continuing to leverage the Women@ Numis network
- retention, for example holding management responsible for sustaining a diverse and inclusive work environment

Our Gender Pay Gap report can be found online at <https://www.numis.com/Legal-and-Regulatory#disclosures>

We are also committed to the diversity of our Board and senior hires. More details can be found in the Nominations Committee report on pages 62 to 65.

Sustainability and social awareness are firmly embedded into our values and are integral components of our culture. We recognise that community engagement is vital to our ability to deliver long-term returns for our stakeholders and that our communities value sustained support. We achieve this through a combination of dialogue, financial support through charitable donations and meaningful employee participation in causes they feel passionate about. The importance of community involvement has been driven home this year more than ever, as so many people have been deeply affected by COVID-19.

**Encouraging employees to volunteer**

We encourage employees to volunteer their time and effort through a formal volunteering leave policy and our people have raised funds for a number of charities. To boost impact, the firm matches fundraising up to £1,000 per employee.

**Helping to fund community apprenticeships**

We are proud to support apprentices and are focusing on essential health and mentoring roles by supporting charity funded programmes through the Apprenticeship Levy Gifting Opportunities scheme. The chosen charities train, support and develop apprentices with the skills to deliver impactful physical and mental health resilience initiatives in their local communities. This aligns with our big focus internally on building the resilience and wellbeing of our people. For the initiative, we are working with Mitre, the leading provider of apprenticeships within the sports and stadia sector. Mitre works with community partners to develop tailored apprenticeship programmes. For the first year of our involvement, Mitre has identified 19 apprenticeships for us to support across a range of communities, with a maximum total funding value of £123,000.

**Supporting charities**

All our people take part in selecting charities to be supported. In 2019/2020 the Charlie Waller Memorial Trust was the elected main charity. The Trust raises awareness of depression and provides training to schools, primary care staff and employers, encouraging those who may be depressed to seek help. This year we continued to focus on helping vulnerable people and are proud to support the James' Place – a charity supporting men in suicidal crisis.

Instigated by our Co-CEO Alex Ham, we also donated US\$80,000 towards the Ophelia Foundation Clinic at Queen's hospital, a specialist clinic for children with a rare disease.

**Sourcing and donating PPE**

During the peak of the pandemic we were able, through our relationships with clients and their suppliers, to source PPE equipment from China, which we donated to Age UK, Lancashire. This charity supports vulnerable older people, helping them with their shopping, essential cleaning and prescription deliveries. We were very proud to be able to donate 10,000 masks, so the charity's teams could continue their crucial service and support, while protecting themselves and those who most need their help.




We want to thank you so much for the donation as this has enabled our teams to work safely, protecting themselves and our clients.

**Age UK,**  
Lancashire

**The environment**

We are proud to implement processes to manage environmental risks so as to reduce, reuse and recycle, wherever possible, waste materials within our place of business.

Our new office, which we plan to move into in 2021, has been designed to be as environmentally friendly as possible. Its green credentials and reduced carbon emission footprint were influential factors in our choice of the new office. We have been involved in the development of the space, to ensure it meets all our requirements and becomes a great new sustainable home for the firm.

 **For environmental disclosures please see page 84**

**Looking ahead**

In the year ahead, we will be focusing our efforts on ensuring that post-COVID-19 we emerge not only with greener credentials, but with a greater social conscience to better support our communities. In addition, we will increase our focus and reporting on ESG issues, especially regarding the environment and climate change. Developing and reporting on our ESG policy will be a key initiative for the Board during the coming year. We are exploring opportunities to formalise our ESG framework, considering the creation of an ESG committee and looking to appoint ESG champions across the firm.

As we continue to grow our business and our reputation, we are committed to operating in an ever more sustainable and responsible way while delivering value for our stakeholders.

# Operating responsibly

continued

## Non-financial reporting

As we have fewer than 500 employees, the Non-Financial Reporting requirements in the Companies Act 2006 do not apply to us. However, in line with our commitment to being as transparent as possible in our reporting and business practices, we are providing further information for stakeholders here:

Our key policies and standards mostly found in our Staff Handbook	Additional information
<b>Social and employee aspects</b>	
Equal Opportunities & Diversity Policy Professional Development & Training Shared Parental Leave Flexible Working Policy Grievance and disciplinary procedures Conduct guidelines Remuneration policy Absence policy Expenses guidelines Parental leave inc. maternity, paternity, adoption	<ul style="list-style-type: none"> <li>• Stakeholder engagement – communities (see page 29)</li> <li>• Our employees (see pages 26 to 29)                             <ul style="list-style-type: none"> <li>- Learning and development</li> <li>- Wellbeing</li> <li>- Diversity &amp; inclusion</li> <li>- Manager excellence training</li> <li>- Unconscious bias training</li> <li>- Visa sponsorship (where applicable)</li> </ul> </li> <li>• Communities (see page 29)                             <ul style="list-style-type: none"> <li>- Volunteering</li> <li>- Donations and charitable causes</li> <li>- Apprenticeships</li> </ul> </li> </ul>
<b>Respect for human rights</b>	
Modern Slavery Statement	<ul style="list-style-type: none"> <li>• Health and safety (see page 27)</li> <li>• Human rights and modern slavery (see page 26)</li> </ul>
<b>Anti-corruption and bribery issues</b>	
Anti-bribery Policy Whistleblowing Policy (Any others e.g. Expenses Policy Money Laundering Policy)	<ul style="list-style-type: none"> <li>• Audit Committee's report (see page 66)</li> <li>• Risk Committee's report (see page 70)</li> <li>• Our principal risks (see page 42)</li> <li>• Compliance training (see page 26)</li> </ul>
<b>Environmental matters</b>	
Environmental matters	<ul style="list-style-type: none"> <li>• Environment (see page 29)</li> <li>• Our new office</li> </ul>

## Additional disclosures

- Business model – p08
- Non-financial key performance indicators – p18
- Risk factors – p38
- Board diversity – p65

## Policies and statements on website

- Member Firm Statement
- Anti-Money Laundering Policy Statement
- Anti-bribery and Corruption Policy Statement
- Consent Statement
- Modern Slavery Act Statement
- Order Execution Policy
- Conflicts Policy
- Website Cookie Policy
- GDPR statement
- Gender pay gap reporting



## In an extraordinarily challenging year for our clients and our employees we delivered an outstanding performance.

### Market conditions

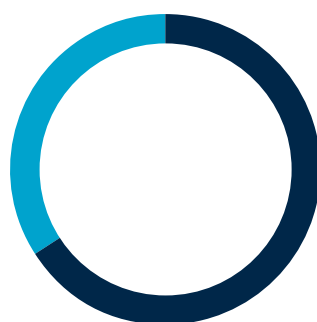
Two major events determined the profile of transaction activity across the year. The first quarter of the financial year suffered from subdued equity markets and weak corporate activity in advance of the UK General Election. Subsequently, markets delivered strong gains and UK equity market activity improved significantly. However, there was insufficient opportunity for deal flow to recover in response to the General Election result as the second quarter was swiftly dominated by the COVID-19 pandemic which caused an unprecedented decline in global markets and extraordinary volatility levels.

During our second half, ECM deal volumes increased significantly as companies accessed the public markets in response to COVID-19. However, this was offset by material declines in M&A and IPO volumes as uncertainty dominated equity markets and strategic plans were paused while balance sheet and funding considerations were prioritised. Nevertheless, as market volatility declined towards the end of the year and investor sentiment recovered, it became clear that several trends had been accelerated and new emerging growth opportunities required financing. Consequently, at the end of our financial year companies were able to access both public and private markets in support of revised growth strategies.

Overall, UK equity market indices declined over the course of the year, however, the trading range was extraordinarily wide as volatility reached record highs. UK ECM volumes were up on the prior year, but not materially so given the sustained periods of limited transaction activity across the financial year. M&A transaction volumes are now recovering but were materially down on the year. Private markets activity slowed during the early stages of the pandemic but swiftly recovered and continued to benefit from the structural trend.

“ Our underlying strengths, dynamic approach and client focus came to the fore in 2020.

Revenue share (%)



● Investment Banking	66
● Equities	34

### Investment Banking

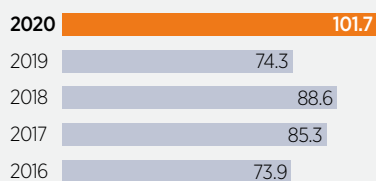
Our commitment to building a high-quality corporate client list has been constant over many years irrespective of market environments. The corporate client base is our most important source of deal revenue and remains critical to our business model. In recent years we have enhanced the service levels provided to our clients through sector-focused hiring and by developing greater depth of expertise in certain product areas. In a year of disruption, we were able to rely on this investment to serve our clients with absolute commitment and deploy the necessary resource to successfully execute transactions during a period of exceptional activity. In addition, we continued to leverage the strength of our excellent Equities platform to build our client base in targeted segments and ensure we provide our existing clients with the best possible service.

During the second half of the year we made the decision to exit the Natural Resources sector. This resulted in a small number of headcount reductions in both Equities and Investment Banking and our resignation from 18 corporate broking clients. These clients had an average market capitalisation of £290m. Only 3 remained on our client list at 30 September 2020 and we expect to exit these following the expiry of the agreed notice periods.

# Business review

continued

## Investment Banking revenue (£m)



## Average market cap of our client base

**£1.1bn**

(2019: £888m)

## Investment Banking

- Our Investment Banking business performed extremely well in 2020.

The average market capitalisation of our client base is now over £1bn for the first time and includes 62 FTSE 350 clients as at the year end. However, size is not the determining factor in our identification and targeting of potential clients. We are focused on winning clients with long-term ambition where we believe our service can add value. The benefit of this approach is illustrated by two of our largest client mandates of the past year. We executed capital raisings for Ocado and Beazley. Both companies have been clients for more than 9 years since their IPOs, when they listed with market capitalisations of £500m and £170m respectively. The strength of our corporate client base has been the foundation of Investment Banking revenues that exceeded £100m for the first time this year.

As the market volatility rapidly accelerated during the early stages of the pandemic we encouraged our teams to support their clients and increase levels of interaction. We were proactive in engaging with our clients to assess their funding requirements, and the strategic opportunities arising from the impact of COVID-19. Our connectivity with institutional investors was pivotal in being able to provide timely and critical advice to our corporate clients. In addition, our recently launched Debt Advisory offering provided valuable support and guidance for our corporate clients as they sought both equity and debt funding solutions.

Our Capital Markets deal volumes increased significantly during the second half as many clients accessed the market to secure funding in response to the disruption caused by the pandemic. Following the immediate liquidity impact of COVID-19, it became apparent that several trends had been accelerated as a result of COVID-19, and many of our corporate clients required equity to finance an increase in near term growth opportunities. For the period post-lockdown, the majority of the funds raised by our listed clients related to growth financing rather than recapitalisation transactions.

This year we branded our private markets activities as Growth Capital Solutions (GCS). Whilst expansion of the team has been limited by COVID-19, we have achieved another strong performance in this area with more than 20% of our capital markets revenue attributable to private markets transactions. We benefited from the rapid recovery in global private markets activity as the impact of COVID-19 accelerated a number of digital trends. Importantly, our reputation continues to be enhanced by the size and quality of the companies we have acted for, and the profile of the investors who have participated in our transactions. We continue to develop our GCS capability, selectively adding resource and talent, while remaining resolutely focused on partnering with the most talented entrepreneurs globally.

Overall, we delivered 59% growth in Capital Markets revenues. This performance was achieved by executing capital raisings for our client base and progressing our GCS strategy. However, not all products saw an increase in activity levels. IPO volumes were significantly impacted, resulting in the smallest revenue contribution for more than 10 years as we completed only one IPO in the year. We expect IPO activity to recover and believe we are well placed to benefit given the strength of our reputation and market position in UK capital markets.

Advisory remains a significant growth opportunity for the business. We continue to develop our skill set and expand our relationships with corporate clients so that we can secure a higher proportion of the advisory fee opportunity in the future. In addition, we have focused on securing mandates from the private equity sector whom we expect to deploy funds in UK public to private transactions. We believe we are uniquely well positioned to leverage our knowledge of public markets and institutional shareholders. Whilst the current year revenue performance was adversely impacted by M&A deal flow declining in reaction to COVID-19, we are making progress in building a pipeline of opportunities and expect Advisory to comprise a larger proportion of our revenues in the future.



**Equities**

This year our institutional clients faced disruption, unprecedented market volatility levels, and significant challenges in assessing the near-term outlook and financial position of some of their holdings. Whilst extremely difficult at times, the market environment provided an opportunity for our Equities business to differentiate itself from many of our competitors and demonstrate the value of our significant experience and expertise.

At the peak of the crisis, we responded to our clients’ needs and ensured our engagement with the buy-side increased, notwithstanding the parallel transition of our Equities platform to a fully remote operation. We provided innovative solutions to facilitate interaction between companies and institutional investors at a time when real time analysis, insights and access to management teams were of essential importance to institutions.

Our strategic decision to invest in our Equities business over the past few years ensured we were well positioned as an obvious partner and trusted source of information for institutional investors. Consequently, we were able to deliver further market share gains in UK equities this year. We were delighted institutions continued to recognise the quality of our equities offering with all our relevant sector teams top 3 ranked in the latest Extel survey. In addition, the market intelligence gathered by our Equities business, and the connectivity with institutions, provided critical support to our investment bankers in their efforts to execute capital raises for corporate clients.

Electronic Trading launched during the year and is delivering an increasing proportion of our execution revenues. The market opportunity for this product remains compelling and we are now increasing our marketing efforts internationally to continue growing the list of clients accessing this service.

Our trading book performance benefited from the increased volatility and elevated market volumes. We actively managed our limits to navigate the periods of extreme volatility, but we also ensured we maintained our position as a leading provider of liquidity for our institutional clients, particularly in small and mid cap stocks.

Despite the markets ending the year significantly lower than the start, we were able to deliver our strongest ever Equities performance, exceeding the levels achieved before the introduction of MiFID II.

The past year has demonstrated the value to our Corporate Broking business model of maintaining a leading, and highly respected Equities business. We will selectively hire in areas which require strengthening to ensure we build upon the recent success and continue to target market share gains.

Brexit has influenced investor sentiment towards the UK for a significant period. This year, we derived less than 5% of institutional income from EU-based clients. We continue to await clarity regarding the future framework for UK access to certain EU-based institutional clients and will respond appropriately to mitigate potential disruption. Our US office is a key feature of our Equities platform and would clearly benefit from any improvement in US investor asset allocations to the UK post-Brexit uncertainty lifting.

**Current trading & outlook**

Revenue performance over the first two months of the year has continued in line with the strong second half performance of FY20.

Markets have reacted to the latest vaccine developments providing a favourable environment for our Equities business. This has supported strong execution commissions and trading gains.

Private markets deal flow has continued and a recovery in M&A activity has already started to benefit our Investment Banking revenues. We are engaged on several M&A mandates involving corporate clients, some of which require equity issuance to finance acquisition opportunities. Overall, the Investment Banking pipeline is encouraging, in particular our IPO pipeline is stronger than it has been for some time.

Brexit and the ongoing COVID-19 situation will likely present some challenges for us, and our clients in the near term, however, we remain well positioned to navigate these challenges and build on our strong performance.

# Financial review

In a challenging year for everyone, we significantly grew and strengthened our business.



“ This year we delivered strong growth in revenue and profits and continued to invest in enhancing the services and capabilities of the firm.

**Andrew Holloway**  
Chief Financial Officer

Our sustained investment across the cycle has enabled the business to respond to the challenging market environment, deliver significant growth in revenue and profits, and strengthen its financial position.

	2020 £m	2019 £m	% change
Investment Banking	<b>101.7</b>	74.3	36.9%
Equities	<b>53.2</b>	37.3	42.5%
<b>Revenue</b>	<b>154.9</b>	111.6	38.8%
Investment income	<b>0.3</b>	(2.2)	
<b>Total income</b>	<b>155.2</b>	109.4	41.9%

Revenue for the year was £154.9m (2019: £111.6m), representing growth of 39% as the business benefited from an increase in client activity levels and periods of elevated market volatility. Revenue per head increased by 36% to £549k, reflecting the significant growth in revenue relative to lower headcount growth as hiring activity was impeded by COVID-19. Total income increased 42%. This includes fair value adjustments within the investment portfolio which closed the year marginally higher at £14.7m.

## Investment Banking

	2020 £m	2019 £m	% change
Capital markets	<b>77.0</b>	48.4	59.3%
Advisory	<b>11.1</b>	12.6	(11.4%)
Corporate retainers	<b>13.5</b>	13.4	1.3%
Investment Banking revenue	<b>101.7</b>	74.3	36.9%

The Investment Banking division delivered record revenue of £101.7m (2019: £74.3m), representing an increase of 37% on the prior year. Growth in average deal fees, rather than deal volumes, was the key contributor to the improved performance. Our average deal fee growth is an important function of our strategy and is attributable to an increase in the size of our corporate clients, an increase in our share of fees on high value transactions and an increase in private markets transactions which have typically attracted fees at the upper end of our range. Whilst client activity levels did increase relative to the prior year, this was offset by a reduction in IPO activity, resulting in overall deal volumes across the year being marginally below the prior year.

Capital Markets growth of 59% was underpinned by our corporate client base accessing the public markets to address the financial impact of COVID-19 and finance growth opportunities. Our Capital Markets revenues also benefited from our strategic focus on fundraising activity in private markets. GCS delivered revenue growth for the year and contributed more than a fifth of our Capital Markets revenue for the year.

Advisory revenues declined 11% compared to the prior year. The pipeline of transactions which was building post the UK General Election was severely disrupted by COVID-19, resulting in a decline in M&A deal volumes, particularly in the second half. Debt Advisory completed several mandates during the year, resulting in an improved performance relative to the previous year. However, this was more than offset by the decline in M&A related revenue.

Retainer fee income growth of 1% to £13.5m (2019: £13.4m) reflects our focus on ensuring an appropriate fee is charged for our Corporate Broking service. However, fee increases were largely offset by the closure of the Natural Resources sector towards the end of the financial year, which has contributed to a reduction to our corporate client list. In aggregate this sector contributed approximately £1.5m of annual retainer fee revenue. We now have 188 corporate clients and will selectively grow the client list as we seek to benefit from our strong competitive position which we believe has been enhanced over the past year.

However, we do not expect retainer fee income to return to FY20 levels in the short term.

**Equities**

	2020 £m	2019 £m	% change
Institutional income	37.2	33.3	11.6%
Trading	16.0	4.0	299%
Equities revenue	53.2	37.3	42.5%

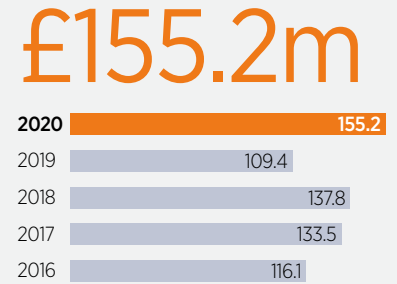
Equities delivered revenue of £53.2m (2019: £37.3m), which represented growth of 43%. Institutional income increased 12% against the prior year, which was the first full year since the introduction of MiFID II. Our institutional income growth reflects an increase in market volumes across the period of peak COVID-19-related volatility which led to increased execution revenues. In addition, we continued to achieve market share gains in UK equities underpinned by the quality of our overall service to institutions.

The mix of our institutional income shifted towards execution commissions given the improved market activity levels and the increasing contribution from our new Electronic Trading product. Our research income declined slightly on the year given the continued industry pressure on payments for research as the buy-side continues to review budgets in response to asset flows, consolidation and regulation.

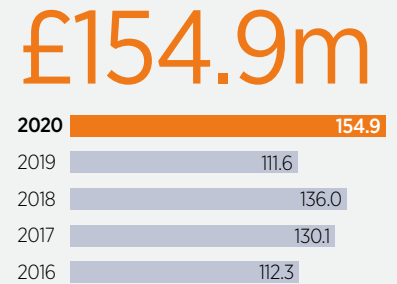
Trading delivered gains materially ahead of the prior year, which included the £3m loss associated with the underwriting of the Kier rights issue. We actively managed our trading book risk during the period of heightened market volatility by reducing our exposure before relaxing book limits as markets stabilised and recovered. Profitability was maintained across the period despite material market movements in relation to the UK General Election and the early stages of the pandemic. We reported 30% fewer loss days compared to the previous year, illustrating the consistency in performance across difficult markets. Our reputation as a leading provider of liquidity in small and mid cap equities has been enhanced over this challenging period.

**Key statistics**

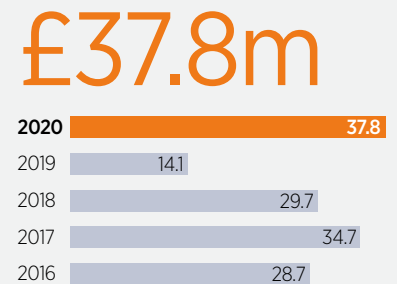
**Total income (£m)**



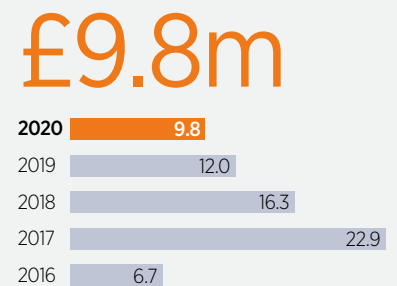
**Revenue (£m)**



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



**Spend on share repurchase (£m)**



\* The non-GAAP alternative performance measures shown here are described on page 142.

# Financial review

## continued

### Investment portfolio

Our investment portfolio is currently valued at £14.7m (2019: £14.9m). The majority of the write-downs incurred at the half year were written back following a recovery in equity markets during the course of the second half. During the second half we recorded £1.9m of fair value gains, reversing the loss of £1.9m in the first half, and we sold our final listed holding for proceeds of £0.4m. The portfolio comprises a combination of private operating companies and funds, with approximately 40% of the portfolio value held in funds or diversified investment vehicles. We continue to seek liquidity events for our legacy holdings whilst maximising the strategic value and network benefits of more recent portfolio investments.

### Costs

	2020 £m	2019 £m	% change
Staff costs	<b>76.0</b>	53.6	41.7%
Share-based payment	<b>10.0</b>	10.9	(8.7%)
Non-staff costs	<b>32.4</b>	33.0	(1.6%)
<b>Total administrative costs</b>	<b>118.4</b>	97.5	21.4%
Year end headcount	<b>292</b>	277	5.4%
Average headcount	<b>282</b>	276	2.2%
Compensation ratio	<b>55.5%</b>	57.8%	(2.3ppts)

Total costs increased to £118.4m (2019: £97.5m), representing an increase of 21%. Average headcount increased by 2%, which was attributable to recruitment of junior staff and an increase in support function roles as we focused on maintaining the operational resilience of the business throughout the challenging environment. Recruitment of senior front office roles slowed down due to the pandemic. We will continue to hire selectively in areas where there are clear growth opportunities for the business aligned to our strategic priorities.

The increase in staff costs of 42% is primarily attributable to an increase in variable compensation resulting from the significant improvement in operating performance of the business.

At no stage did we furlough any staff and neither did we deem it appropriate to access any of the Government schemes designed to provide financial support for businesses through the pandemic.

Our share-based payment charge was slightly below the prior year at £10.0m (2019: £10.9m). We will continue to use equity to reward and incentivise our staff, both as part of our year end compensation round and to facilitate hiring activity.

Compensation costs as a percentage of revenue decreased to 55.5% (2019: 57.8%) as a result of the improved revenue performance and consistent approach to staff compensation. This ratio reflects the mid-point of our target range of 50% to 60%, which we believe allows for appropriate alignment between staff compensation, business performance and shareholder returns whilst recognising the prevailing market conditions and outlook.

	2020 £m	2019 £m	% change
Depreciation of PPE	<b>1.2</b>	1.1	8.8%
Depreciation of right-of-use asset (IFRS 16)	<b>1.8</b>	-	-
Operating lease costs	-	1.9	-
Relocation expenses	<b>1.3</b>	-	-
Non-staff costs (ex. property related)	<b>28.1</b>	30.0	(6.3%)
<b>Total non-staff costs</b>	<b>32.4</b>	33.0	(1.6%)

Our non-staff costs were slightly lower than the prior year, the net cost reductions arising as a result of COVID-19 were offset by costs incurred in relation to our upcoming office move.

Excluding property related expenses, our non-staff costs decreased 6% over the year largely due to a reduction in travel and entertainment spend which was impacted by the pandemic. It remains difficult to predict when, or if, this spend will recover to previous levels. Minimal spend was required to facilitate effective remote working for the entire business given the investment in our technology infrastructure across recent years. We continue to operate with a majority of our staff working remotely and will react to any changes in government guidance confident we have the systems to accommodate a variety of scenarios.

Notwithstanding the decline in non-staff costs, we continued to invest in the Numis platform. During the year we completed the investment required to launch our Electronic Trading platform both in the UK and the US; we launched a new corporate website, and we completed the upgrade of our settlements system.

### Office move

Following a delay to the construction of our new London office due to the pandemic, we now expect the completion of the building early in 2021 and we plan to move into the new office towards the end of next summer ahead of the expiry of our current lease at the end of September 2021. In recognition of the likely changes to working practices moving forward, we re-engaged with staff during lockdown to ensure we have maximised the opportunity to build a flexible and collaborative working environment which supports and promotes our corporate values.

In addition, over the past few months we have re-assessed our space requirements in view of the current working practices and concluded that our current real estate strategy remains appropriate for our business and its growth trajectory.

We believe a high-quality office environment is vitally important in ensuring our business continues to thrive and we look forward to welcoming clients to our new office next year.

During the year we incurred costs of £1.3m related to the office. This includes the likely reinstatement costs associated with the exit of our current office. As previously indicated, the impact of the higher rent and larger office space will increase our ongoing occupancy costs by approximately £3m annually. We expect to incur an additional c.£1m next year attributable to the overlap in rental costs on the two buildings for approximately nine months. In addition, we expect to incur one-off expenses related to the move of a similar amount to this year.

We have adopted IFRS 16 during the period for the first time; given the short duration remaining on our head office lease, the impact is immaterial.

**Profit**

	2020 £m	2019 £m	% change
Profit before tax	<b>37.1</b>	12.4	198%
Adjustments:			
Investment (income)/ losses	<b>(0.3)</b>	2.2	
Relocation expenses	<b>1.3</b>	-	
Net finance income	<b>(0.3)</b>	(0.6)	
Underlying operating profit	<b>37.8</b>	14.1	168%
Operating margin	<b>24.4%</b>	12.6%	+11.8ppts

The business benefits from operational gearing. The strong growth in revenue was only partially offset by an increase in staff costs, specifically variable compensation. Therefore, Underlying Operating profit was materially higher at £37.8m (2019: £14.1m) and operating margin increased to 24.4% (2019: 12.6%).

Profit before tax for the year was £37.1m, representing an increase of 198% compared to the prior year. This included the impact of gains of £0.3m in relation to the investment portfolio which compared to a loss of £2.2m in the prior year. Our effective tax rate for the year decreased to 15.4% (2019: 25.0%), resulting in profit after tax of £31.3m (2019: £9.3m), largely due to an increase in the deferred tax asset as a result of the share price increase over the period.

EPS increased in line with profits to 29.9p per share given the share count was flat compared to the prior year.

**Capital and liquidity**

The Group's net asset position as at 30 September 2020 was £157.6m, representing an increase of 14% compared to the prior year. The profits of the Group and the movement attributable to equity compensation more than compensated for the dividend distributions and share repurchases. We continue to operate significantly in excess of our regulatory capital requirements and believe this affords the Group long-term stability, and strategic flexibility. Furthermore, in periods of market dislocation the strength of our balance sheet provides significant comfort to our clients and counterparties.

Our liquidity position is subject to material daily movements as a result of our trading and underwriting activities. As at 30 September 2020, our cash position was £125.2m (2019: £84.2m), which was £41m higher than the prior year, reflecting the improved financial performance over the year and favourable trading book movements which more than offset cash outflows relating to dividends and share repurchases. The average daily cash position over the year was £89m. In addition, we have a £35m revolving credit facility which is currently undrawn.

The Group always operates with a cash position materially above its minimum liquidity obligations. However, the nature of our business activities means that our liquidity position can be highly volatile on a short-term basis. The variance between our daily high and low cash positions over the financial year was £78m, illustrating the importance of maintaining a strong liquidity position.

Over the course of the next year our cash position will be impacted by the capital expenditure requirements of the new office fit-out. The majority of this spend will be incurred during FY21. In addition, due to the higher than usual volume of share award vestings next year we will have a higher cash spend funding off-market share repurchases to facilitate net settlement for staff.

**Dividends and shareholder returns**

The Board has proposed a final dividend for the year of 6.5p per share. The dividend subject to approval at the AGM will be paid on 12 February 2021 to shareholders on the Register on 18 December 2020.

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

During the year 3.5m shares were repurchased at a weighted average price of 283p per share. This compares to 4.7m shares purchased in the prior year at an average price of 257p per share. The impact of the share repurchases resulted in our issued share count ending the year in line with the prior financial year. Our issued share count is now 8.2m lower than five years ago. It is likely the share count will increase during this year given the September 2021 vesting date of the 2016 LTIP awards. However, our intention remains to ensure that, over the medium term, the dilutive impact of staff equity awards is mitigated through buybacks over time.



**Andrew Holloway**  
 Chief Financial Officer  
 16 December 2020

# Managing risks

We rigorously manage our risks to deliver our strategic objectives.



In what has been an extraordinary year, the firm's forward-thinking approach to risk management and our ability to be responsive in an agile fashion, has positioned us well to support our clients through challenging times.

**Michael Lee**  
Chief Risk Officer  
& General Counsel

## Review of risk challenges and actions for the year and future outlook

Clearly the most notable risk event during the year has been the unprecedented COVID-19 global pandemic. Details of our risk management effort and response in relation to COVID-19 and our migration to a work from home (WFH) strategy are set out below. In addition, the year has seen a number of important initiatives resulting in ever-improving risk management.

These include:

- Successfully implementing the Senior Managers and Certification Regime (SMCR)
- Refining and enhancing controls relating to our Electronic Trading product
- Enhancing management of liquidity risk and margining
- Specialist assessment of our market abuse framework to ensure consistency with best practice
- Wholesale replacement of the firm's settlements system, along with other improvements to our settlements and custody functions
- Contingency planning to manage the impact of a no-deal Brexit on the business
- Rolling out a full programme of Risk Control Self Assessments (RCSAs) to improve management of operational risk in the business
- Producing enhanced management information to enable the Board, Committees and executive management to manage risk in the business more effectively

Given the importance the Board places on sound and prudent risk management, we have added specialist talent to the Risk Management and Compliance teams to support these efforts and to enable greater focus on Electronic Trading and operational risk management.

Looking to the future, some of the key challenges and emerging risks include:

- Risks associated with sustained remote and hybrid working in relation to which we have put in place a number of initiatives to ensure engagement and communication with staff and that our unique culture is protected
- The roll out of Electronic Trading and other services to US clients in relation to which we have put in place a rigorous control environment
- The impact of Brexit on our ability to access institutional and corporate clients in certain EU member states in relation to which we have taken a number of mitigating steps including successfully applying for cross border licences that allow us to carry on business for clients in a number of key EU jurisdictions
- Increasing focus and requirements in relation to important themes such as climate change and environmental, social and governance (ESG) concerns, which we are embracing
- Regulatory developments such as the proposed new prudential regime for investment firms and increasing regulatory requirements relating to operational resilience, in respect of which we have carried out impact assessments and put in place plans to ensure compliance



**Responding to COVID-19**

We anticipated early the impact of the global pandemic on access to our office locations in London and New York, and quickly mobilised to ensure the right technology and control solutions were rigorously tested and put in place to enable resilient home working for the entire workforce. Our whole operation moved to remote working, including business lines such as trading that had never before been set up to work in this way. This ensured that our people were safe and that the firm was fully operational on a remote basis well ahead of the lockdown. As a result, we maintained full continuity of service to clients and seamless, secure and compliant execution of transactions throughout the period.

In accordance with our risk management framework and three lines of defence model, we identified the key risks from COVID-19 and remote working through top down sessions with senior management and bottom up risk workshops with staff across each business line. The risk management team facilitated

these processes and mitigating actions were put in place to manage the identified risks. As a result, several governance and control measures were actioned to protect the business, including:

- Executive management participated in daily video conference calls to consider operational matters and strategic considerations
- Key meetings that would otherwise have taken place in the office environment were replicated remotely using secure collaboration tools to ensure continuity of services
- Key staff and critical functions were identified, and deputy/alternate cascades formulated to ensure communication and responsibilities were clear and processes were resilient
- Dynamic trading book limits were used to control financial risks during periods of volatility
- Counterparty exposures were analysed and prudent reductions to counterparty limits were introduced and monitored

- The impact of remote working on conduct and culture was assessed and mitigating actions taken
- Steps were taken to ensure continuing cyber and data security and that information flows remained appropriate
- Close contact was maintained with our regulators to ensure good outcomes for our clients and markets
- A comprehensive review of the remote working control environment was carried out to ensure its effectiveness

To give further assurance, Internal Audit, as the third line of defence, conducted a review of these risk management processes and measures.

In the period since lockdown, we have invested to ensure that our offices are COVID-19 safe in accordance with Government Health & Safety guidelines and that hybrid working can work seamlessly between office and remote environments.

**Managing risks**

We identify and manage risks through our risk management framework, which supports effective risk management and a

strong risk culture. The framework sets out our approach to risk management together with the key arrangements for managing the risks through internal controls.

We see effective risk management as central to our corporate governance and achieving our strategic objectives while remaining within our risk appetite.

**Our risk management framework**



# Managing risks

## continued

### 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 principal risk types described in this section. Risk appetite is key for our decision-making process, including business planning, new product analysis and change initiatives. We embed our risk management framework into each level of the business, with all staff being responsible for understanding and managing risks. To achieve this, we 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, as follows:

- The first line of defence consists of the business front line staff who are charged with understanding their risk management responsibilities and carrying them out correctly and completely.

- The second line of defence consists of the oversight functions made up of Risk and Compliance. These functions monitor performance against policies, define work practices and oversee the business front lines in relation to risk and compliance.
- The third line of defence consists of Internal Audit, who regularly review both the business front lines and the oversight functions to ensure that they are carrying out their tasks to the required level of competency.

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

### Risk committees

In addition to our Risk Committee, our risk management framework includes a number of executive operational committees that assess and manage risk matters. Details of the committees and their remit are set out on page 59.

### 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. Lapses below this standard are not tolerated.

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 relation to risk management is essential to maintain our distinctive strengths and for the long-term success of our business.

We offer and provide ongoing training to all staff to build the skills, knowledge and understanding to manage the risks in our business.

#### Reinforcing a strong risk culture and aligned incentivisation

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

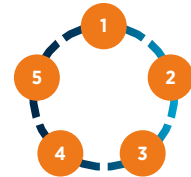
#### Climate change

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

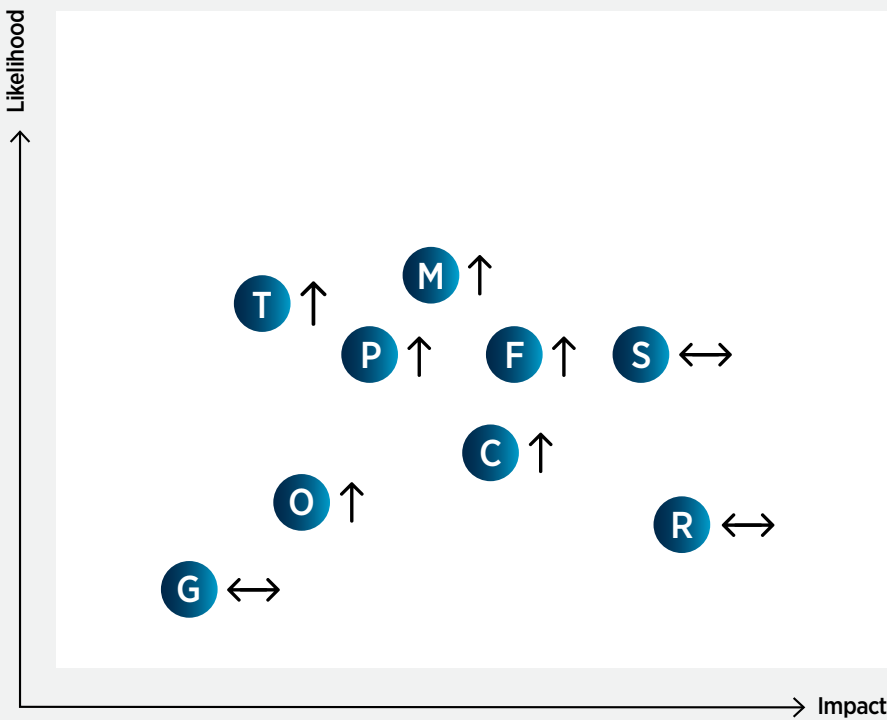
**Our risk assessment**

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

**A reminder of our strategy – read more on pages 16 and 17**



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



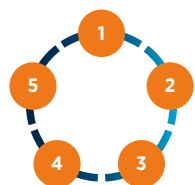
**Change year on year (following mitigation)**

- ↔ Unchanged
- ↑ Increased
- ↓ Decreased

# Our principal risks

## Managing our principal risks.

A reminder of our strategy – read more on pages 16 and 17



**1** Build the corporate franchise focusing on high-quality companies

**2** Become the leading UK equities platform

**3** Develop complementary products and services

**4** Maintain operating and capital discipline

**5** Deliver shareholder returns

Risk description	Mitigation	Change in the year and residual risk
<p><b>Strategic risk</b> <b>1 2 3 4 5</b></p> <p>The risk that we are not able to carry out our strategy and achieve our strategic objectives.</p>	<p>The Board recognises that continued focus in the way in which our strategy is executed is key to our long-term success and financial condition.</p> <p>The Board and its Committees contribute to the formulation of our strategy and provide robust challenge to the executive management team on our strategic direction.</p> <p>We recognise that good communication internally and externally is vital, especially in the work from home (WFH) environment, to ensure that we can deliver our strategy by being fully informed, aligned and motivated. With this in mind, we introduced firm-wide “virtual Town Halls” and we sought to replicate all key ordinary course team and one-on-one meetings that would otherwise have been held when we were in the office together in the virtual environment.</p>	<p>We adapted and performed well in the wake of uncertainty caused by the global pandemic. We strengthened our balance sheet and improved our performance at the same time as our traditional working practices were disrupted. Considerable effort has been expended to ensure our franchise remains strong and strategic risks have been effectively managed.</p> <p>No material change in residual risk after mitigating actions.</p>
<p><b>Financial risk</b> <b>2 4 5</b></p> <p><b>Market risk</b> The risk of loss arising from potential adverse changes in the value of our assets and liabilities, including impact to the value of our trading book arising from high volatility in equity prices this year.</p> <p><b>Liquidity risk</b> The risk that we are unable to meet our contractual, contingent or regulatory obligations or that we do not have sufficient liquidity to support our obligations, including as a result of possible settlement delays (arising particularly in overseas jurisdictions), crystallised underwriting obligations and margin calls.</p> <p><b>Credit risk</b> The risk of loss from the failure of clients or counterparties to fully honour their obligations to us. This risk was materially heightened during the early stages of the pandemic when many institutional counterparties were subjected to stress as a result of extreme market volatility.</p> <p><b>Capital risk</b> The risk that we have insufficient capital to support our business activities and to meet our regulatory capital requirements.</p>	<p>This year we mitigated our exposure to financial risk using a combination of existing controls as well as further enhancements and initiatives including:</p> <ul style="list-style-type: none"> <li>• Dynamic market and credit risk limits to manage these risks throughout the year</li> <li>• Increased monitoring and reporting of risk information to the Financial Risk Committee and other relevant staff</li> <li>• An ongoing review of the impact and our response to macro events such as COVID-19 and Brexit</li> <li>• Enhanced liquidity management</li> <li>• Improvements in our management of settlements arising from our increasing Electronic Trading volumes</li> <li>• Improvements to our forecast margin modelling</li> <li>• Targeted internal Audit reviews, including on our Treasury function and regulatory reporting</li> <li>• Analysis of the expected capital impact of the forthcoming Investment Firm Directive/Regulations</li> </ul>	<p>Given the market volatility during the year, the launch of our Electronic Trading service and uncertainty arising as a result of the UK General Election, Brexit and wider economic activity (in particular due to the impact of COVID-19), financial risk increased despite mitigating actions.</p>

Risk description	Mitigation	Change in the year and residual risk
<p><b>People risk</b> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">1</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #0070C0; color: white; border-radius: 50%; padding: 2px 5px;">3</span></p> <p>Failure to attract, motivate and retain our staff is a key risk to maintaining our competitive advantage and the long-term success of our business.</p> <p>WFH as a result of the COVID-19 pandemic introduced new people risk challenges such as how to manage and motivate the workforce remotely, how to integrate new joiners and develop junior talent, how to maintain our strong culture and, above all, how to protect the physical and mental wellbeing of our staff.</p>	<p>The performance of our people remains at the top of the Board's agenda. This year, the physical and mental wellbeing of our staff has been a key focus and our approach to motivating and managing them has been a priority.</p> <p>We are acutely aware that our unique culture is vital to our success. The management team resolved very early on in the pandemic to adopt a strategy of "over communication" with staff to ensure that they remained connected and motivated.</p> <p>We carried out several pulse surveys as a means of monitoring the wellbeing and engagement levels of our staff and, despite the remote working environment, we continued the good work of previous years in relation to a number of core initiatives, including:</p> <ul style="list-style-type: none"> <li>• Wellbeing and personal resilience</li> <li>• Learning and development</li> <li>• Diversity and inclusion</li> <li>• Sustainability</li> </ul> <p>Notwithstanding the pandemic, we were determined to continue to be a favoured choice of employer for those embarking on their careers and so throughout the lockdown period we continued to invest in graduate recruitment and our summer intern programme.</p> <p>More broadly, as a high-performance organisation, we implemented a new system to enhance the performance-based staff appraisals against which success is measured and objectives/future aims are set. These reviews include a 360-degree and peer feedback review element.</p> <p>The Board places particular focus on incentivising our employees through our remuneration policy, including considering the appropriate allocation and mix of cash and share-based schemes along with appropriate deferral periods in order to align remuneration with our long-term success. The nature of the share-based schemes and their deferral characteristics are described in note 25 to the Financial Statements.</p>	<p>Despite our very best efforts, considerable focus and a number of key initiatives, the global pandemic has inevitably resulted in a moderate increase in residual risk after mitigating actions.</p>

# Our principal risks

continued

Risk description	Mitigation	Change in the year and residual risk
<p><b>Technology risk</b> <span style="background-color: #f08080; border-radius: 50%; padding: 2px 5px;">2</span> <span style="background-color: #f08080; border-radius: 50%; padding: 2px 5px;">3</span> <span style="background-color: #f08080; border-radius: 50%; padding: 2px 5px;">4</span></p> <p>Technology risk can arise from the failure of core business processes undertaken within the firm or by one of our third-party service providers.</p> <p>Technology enables us to facilitate reliable business operations and deliver innovation and change, such as the new Numis App, Electronic Trading services and our online portals. Failure to innovate and be at the forefront of digital technology can result in loss of competitive advantage.</p> <p>The global pandemic saw us transition to a full WFH strategy. Migrating the entire workforce from two office locations to their homes inevitably resulted in a number of areas of potential enhanced risk, in particular in relation to:</p> <ul style="list-style-type: none"> <li>• Cyber and data loss risk</li> <li>• Risk of outages and connectivity failings</li> </ul>	<p>Operational resilience is central to our ongoing success. We aim to sustain operations and client service with minimum disruption. This was proven by the agility with which we responded to the COVID-19 pandemic.</p> <p>Our business continuity planning has undergone change over the year enabling every key aspect of our business processes to be conducted safely and securely from home.</p> <p>We continue to invest in cyber security systems to test and prevent vulnerabilities and to make use of best-in-breed third-party service providers.</p> <p>Internal Audit provided assurance over our new Electronic Trading platform and helped to identify enhancements to our custody business systems. We also engage other third-party advisers on a periodic basis to provide further independent assurance where considered appropriate.</p> <p>We abide by the ISACA Control Objectives for Information and Related Technologies (COBIT2019) governance framework to ensure we employ effective and robust standards for the management of technology.</p>	<p>We have continued to invest in our technology platform, and take all proportionate steps in line with best practice to address vulnerabilities and increase resilience.</p> <p>Notwithstanding our focus and efforts to ensure we operate safely, processes are well controlled, and systems are robust and resilient, we face a particularly challenging environment.</p> <p>We have rolled out new products during the year as well as migrated staff to the WFH environment in a short time frame.</p> <p>Marginal increase in residual risk after mitigating actions.</p>

Risk description	Mitigation	Change in the year and residual risk
------------------	------------	--------------------------------------

**Conduct, regulatory & legal risk**



**Conduct risk**

The risk that inappropriate behaviour, conduct or practices result in harm to our clients' interests or to market integrity. This risk is potentially heightened in a WFH environment.

**Regulatory risk**

The risk that new regulations or changes to the interpretation or implementation of existing regulations adversely affects our operations and financial condition. For example, a failure to abide by the complex tapestry of regulations across individual EU member states if a UK/EU deal for financial services is not agreed.

**Legal risk**

The risk of legal and/or regulatory action arising from failure to identify or meet legislative and/or regulatory requirements resulting in fines, penalties, censure or other sanctions.

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. These policies and expectations were and continue to be shared with all staff while we work from home. We have emphasised even stronger communication over this period and rigorous supervision and engagement of staff. Periodic conduct risk assessments are carried out by the first line of defence and reviewed/challenged by the second line of defence. Internal Audit challenged and reviewed not only our controls, but how we test them, which provides further assurance.

Senior management, the Board and our committees oversee compliance with relevant regulatory and legal requirements. A strong culture of regulatory and legal compliance permeates the Group and there is a demonstrated track record of transparency and strong relations with the key regulatory bodies.

Compliance procedures are maintained across the Group. Our Compliance function supports senior management in meeting its obligations as well as carrying out risk-based monitoring of our adherence with relevant regulation. Compliance produces highly relevant conduct risk management information for senior management.

Tailored training and updates on specific aspects of regulatory compliance are routinely delivered throughout the year by a combination of Legal & Compliance personnel and external subject matter experts.

A full WFH control environment review was conducted by the Compliance team to provide assurance that standards in this regard remain at the highest level.

Our legal obligations are overseen by a well-qualified in-house legal team.

Regulatory obligations within the financial services sector are significant and the pace of change remains unremitting.

Our growth and increase in profile have resulted in involvement in larger transactions, which has consequent effects on regulatory scrutiny.

Brexit potentially adds additional layers of complexity to the regulatory landscape.

Marginal increase 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.

WFH potentially increases the likelihood of operational events occurring.

We have analysed some significant operational risks within their own principal risk categories in other parts of this analysis, such as operational resilience system enhancements in the Technology risk section.

This year we ensured that the firm had sufficient operational resilience to function effectively and safely in the WFH environment. We made improvements to our operational resilience and risk management including:

- Delivering a comprehensive RCSA programme
- Improvements to our system and process capacity to enable the remote closing of multiple investment banking transactions on the same day
- Advancements to how we manage client asset processes and systems
- Internal Audit recommendations on both our COVID-19 response and our client onboarding process
- Adding operational risk team presence on all ongoing projects to ensure processes and risks are captured, acknowledged and built into the project plan

Notwithstanding a focus on processes and controls throughout the firm and controlled integration into the business of new products, the current WFH/hybrid style of working presents greater scope for operational risk.

Marginal increase in residual risk after mitigating actions.

# Our principal risks

continued


Risk description	Mitigation	Change in the year and residual risk
<p><b>Governance risk</b> <span style="background-color: #f4a460; border-radius: 50%; padding: 2px 5px;">4</span></p> <p>The risk of ineffective, inefficient and unethical management and oversight of the Group by its senior management and Board.</p>	<p>Our corporate governance structure ensures that the Board has sufficient, well-articulated, consistent and timely information to enable decisions to be made with the appropriate level of assurance. The Board Risk Committee, which is dedicated to the evaluation of our risk management framework, along with the other executive risk committees, provides rigorous review and challenge around the key risks that are relevant to the business.</p> <p>As a matter of good governance, to provide assurance in relation to the risks posed by COVID-19 and WFH, the Board instructed Internal Audit to carry out a comprehensive review of our relevant risk management processes and mitigating actions.</p>	<p>No material change in residual risk after mitigating actions.</p>
<p><b>Macroeconomic risk</b> <span style="background-color: #f4a460; border-radius: 50%; padding: 2px 5px;">4</span> <span style="background-color: #f4a460; border-radius: 50%; padding: 2px 5px;">5</span></p> <p>The risk that deterioration in the business and economic environment, or an increase in political instability could adversely affect the financial condition and prospects of our business.</p> <p>The uncertainty following COVID-19, the recession that is likely to ensue and the UK leaving the EU, are all contributing factors to the market volatility we have seen over the past year.</p> <p>Potential risks include:</p> <ul style="list-style-type: none"> <li>• Sterling could be devalued which could further increase the severity and duration of a UK recession, which could negatively impact our investment banking transaction levels</li> <li>• Increased market risk could impact the value of our trading book positions</li> <li>• Changes in laws and regulations as the UK transitions away from the EU legal framework could restrict our ability to carry on doing certain types of business with EU issuers and institutions</li> </ul>	<p>We have built a substantial diversified corporate and institutional client base that shields us from immediate severe financial stress during periods of economic downturn.</p> <p>We generate significant retainer fees which would not generally be significantly impacted by reduced transaction levels.</p> <p>While we carry out business for EU clients, this is a small percentage of our overall revenues. As a result, we do not envisage a material reduction in revenues as a result of the UK's withdrawal from the EU.</p> <p>We have applied for licences and exemptions in EU jurisdictions where these are available and relevant to our business and are considering longer-term solutions in the event of "no-deal" for financial services.</p>	<p>Given the volatility of the markets experienced in the last year and the uncertain outlook both as a result of COVID-19 and Brexit, there is an increase in residual risk after mitigating actions.</p>



Risk description	Mitigation	Change in the year and residual risk
<p><b>Reputational risk</b> <span style="color: orange;">1</span> <span style="color: orange;">2</span> <span style="color: orange;">4</span> <span style="color: orange;">5</span></p> <p>The risk of damage to our reputation due to, for example, a reduction of trust in our integrity or competence. This could be linked to loss of revenue, regulatory censure, litigation, negative publicity, loss of client business (current or potential), reduced staff morale and difficulty in attracting new talent to the business.</p>	<p>The Board sets the Group’s cultural tone by demanding a strong ethical and professional culture as the only acceptable standard.</p> <p>We have robust policies, procedures and controls in place to ensure our activities and behaviour are of a high standard.</p> <p>All new clients and transactions are subject to a rigorous appraisal process by the New Business Committee and, in respect of transactions, further review takes place by the Transaction Review and Risk Committees prior to go-live.</p> <p>We place great emphasis on employing and adding highly experienced senior staff who are closely engaged with clients.</p> <p>Our ability to successfully transition seamlessly to remote working and effectively manage the associated risks, were critical in maintaining continuity of service to our clients and protecting our reputation in the eyes of all stakeholders.</p> <p>Throughout WFH, our staff continue to engage proactively with clients and deliver the highest quality service.</p> <p>We proactively engage with stakeholders and market practitioners as well as monitoring media coverage to understand how our reputation is perceived.</p>	<p>Our robust client base provides evidence that our reputation remains strong, despite an increase in economic uncertainty.</p> <p>We have successfully executed the largest number of deals over a financial year in our history.</p> <p>This year we gained further recognition in the Starmine Analyst and Extel awards.</p> <p>Our track record and reputation have been significant factors in our ability to attract highly respected individuals to the business.</p> <p>No material change in residual risk after mitigating actions.</p>

## Living our values


In recent years we have invested a great deal in building our one-firm culture, which we've distilled down to our four core values of partnership, excellence, dynamism and creativity. These values have really come to the fore this year – uniting and guiding us as we all faced the unprecedented challenge of the COVID-19 pandemic.

 See page 12 for more information.



## Working from home

We were quick to act as COVID-19 hit, taking the decision to move the whole firm to remote working early on and making it happen seamlessly well ahead of the national lockdown.

 See page 27 for more information.



# SUPPORTING OUR GREAT PEOPLE

Our great people are at the heart of the difference we deliver for our clients. From enabling our people to work from home to investing in their wellbeing – we are there for them. Just as they are there for our clients.

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

### Learning and development

We continued our commitment around learning and development, moving programmes and initiatives online. This ranged from focusing on manager excellence to launching an internal coaching programme.

 See page 27 for more information.

### Developing the next generation of talent

Our intern and graduate programmes were a great online success this year. We were determined to continue with this core side of our talent story, despite the challenges of COVID-19 and at a time when others were having to trim or cancel their campus programmes.

 See page 28 for more information.

### Encouraging wellness and resilience

We encouraged employee wellness and resilience through the year. This is a long-standing commitment for our firm, one that's actively endorsed by the leadership team. Wellness goes hand in hand with high performance – we know that our people will only excel for our clients when they feel happy and well in themselves.

 See page 27 for more information.

# Governance

# Board of Directors

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

## Q

bb We asked our Board of Directors to sum up what is at the heart of excelling for clients.

### Committees key

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

## Executive Directors



bb Anticipating and responding quickly to client needs

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

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

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

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



bb Focusing our expertise on client challenges and opportunities

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

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

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

**Background and career:** Ross joined Numis in October 2008, was appointed Head of Equities in 2015 and appointed to the PLC Board July 2016. Ross graduated with a Law degree from Edinburgh University, before joining UBS as a Graduate in 2000. He was part of the No 1 rated Pan-European Small and Mid Cap Sales Team for six years, before spending two years helping to build a UK Institutional Broking business for Kaupthing Singer & Friedlander.



bb A strong foundation of financial strength and capabilities

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

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

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

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



“”  
The highest standards of governance and integrity

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

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

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

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

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

**Committee membership**

**N**



“”  
Helping our clients make better informed decisions

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

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

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

**Background and career:** Luke was CFO of Standard Life Plc (2014-2017), CFO of Lloyd's of London Corporation (2004-2014) and held senior financial roles at Deutsche Bank (2000-2004) and Morgan Stanley (1990-1999).

Luke is currently Non-Executive Chairman of Chesnara Plc and is a Non-Executive Director of Liverpool Victoria Financial Services Limited, DWF Group Plc and Queen Mary, University of London Foundation.

**Committee membership**

**N A R Re**



“”  
Going the extra mile to deliver outstanding service

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

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

**Key strengths:** Catherine's broad range of experience and influence, across both external and internal communications coupled with her strategic thinking and financial expertise in the public markets combine to make her a highly regarded Director and valued contributor to the Board. Catherine's excellent communication skills is an important attribute as we continue our focus on enhancing our employee engagement responsibilities. As designated workforce employment engagement Non-Executive Director, she provides the Board with valuable insight and understanding of our employee sentiment and engagement levels. The feedback process provides the Board with a unique perspective and insight on the issues under discussion and which are important to our employees.

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

Catherine is Treasurer to TRH The Prince of Wales and the Duchess of Cornwall, is a director of Walhampton Limited and is due to step down as a Trustee of the Diageo Pension Scheme at the end of 2020.

**Committee membership**

**N A R Re**



“”  
Enabling and encouraging our people to excel for our clients

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

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

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

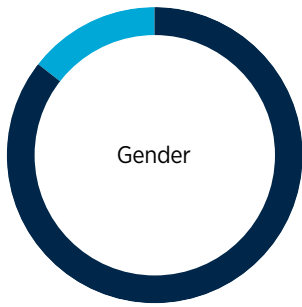
**Background and career:** Robert was a solicitor with the City Law firm Macfarlanes from 1979 to 2013, serving as senior partner from 1999 to 2008. Robert is Chairman of Tulchan Communications LLP

**Committee membership**

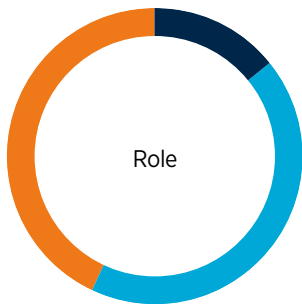
**N A R Re**

# Corporate Governance at a glance

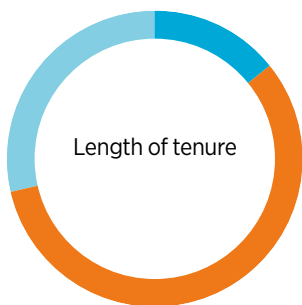
The Board supports the QCA Code's corporate governance principles.



Male	6
Female	1



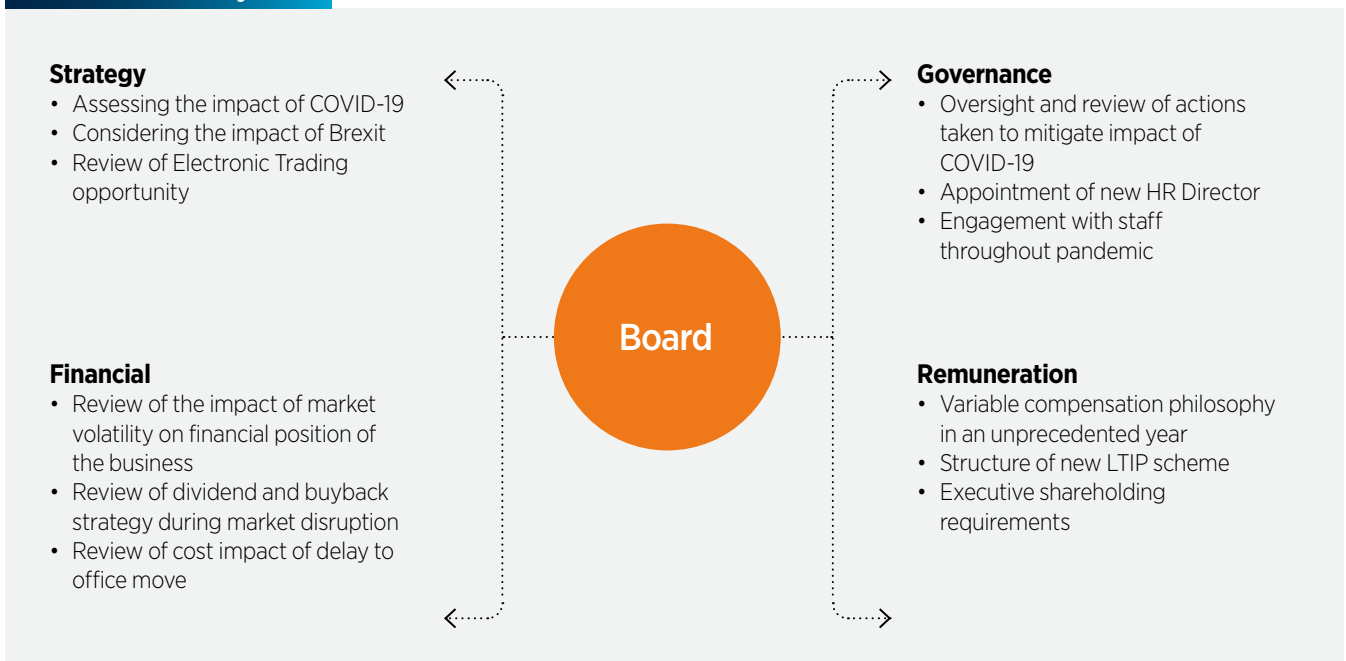
Chair	1
Executive Directors	3
Non-Executive Directors	3



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



## Focus areas this year



## Composition of the Board and Committees of the Board 2020

	Position	Board		Committee membership					
		At 30 September 2020 or retirement if earlier	Maximum possible attendance	Meetings attended	Nominations Committee	Audit Committee	Risk Committee	Remuneration Committee	Considered Independent
Alan Carruthers	Chairman (Non-Executive)		7	7	* ✓				✓
Alex Ham	Co-Chief Executive Officer		7	7					
Ross Mitchinson	Co-Chief Executive Officer		7	7					
Andrew Holloway	Chief Financial Officer		7	7					
Luke Savage	Non-Executive Director		7	7	✓	* ✓	* ✓	✓	✓
Robert Sutton	Non-Executive Director		7	7	✓	✓	✓	* ✓	✓
Catherine James	Non-Executive Director		7	7	✓	✓	✓	✓	✓

\* Chairman.

Number of meetings in the year

PLC Board – 7

Risk Committee – 6

Audit Committee – 4

Remuneration Committee – 4

Nominations Committee – 3

# Corporate Governance Report & Statement of Compliance 2020



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

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

The Board of Directors continues to adhere to and measures itself against the principles of the QCA Code in terms of the rules and spirit of good corporate governance. The standards of good governance and standards of good practice in relation to Board leadership and effectiveness, corporate culture based on ethical values and behaviours, remuneration, accountability and its relations and communication with shareholders/stakeholders is at the forefront of Numis’ philosophy. The Board supports the QCA Code’s corporate governance principles and believes they provide a mechanism that is sufficiently robust to add real value for Numis as well as flexibility to reflect the different governance needs and abilities of a quoted business like Numis.

The Board believes that it complied in full with all of the principles of the QCA Code. A copy of the QCA Code is available from [www.theqca.com](http://www.theqca.com).

### **Dear Shareholder**

I am pleased to present the Board’s Governance Report for the year ended 30 September 2020.

The Board’s primary objective remains to drive our strategy, ensuring that we can deliver the sustainable growth and success of our business. To achieve this Numis seeks to deliver growth in the medium to long term to enhance shareholder value and this we believe is achieved through having an effective governance framework and an efficient and dynamic management organisation. It is therefore essential for the Board to be highly engaged, able to support and challenge senior management and be committed to making the hard decisions required to achieve results that are aligned to the risk profile of the business and our values of best practice in governance, financial controls, risk and change management.

A strong governance framework provides an essential foundation for Numis to achieve its ambitions for sustainable growth and shareholder value. Promoting confidence and trust with shareholders, stakeholders and staff is key to delivering on our responsibility to create sustainable growth and shareholder value, whilst also reducing or mitigating risk. Our guiding values of partnership, creativity, dynamism and excellence in performance are fundamental to Numis’ corporate governance policy. The corporate governance framework which Numis operates is proportional to the size, risks, complexity and operations of the business and reflects the Group’s core values. To achieve the Group’s goals the Board remains committed to continue to develop best practices throughout the business. Our senior managers and Directors, lead by example, and set standards for behaviours and conduct expected of all staff in their actions within the business and in dealings with clients and stakeholders of partnership, excellence, dynamism and creativity.

The Board met on a number of occasions informally by phone and online since the COVID-19 pandemic ensuring the business was well placed to respond. The Board collaborated with senior managers and Directors to review in-depth scenario planning, resulting in the decision to move the whole firm to remote working early on, ahead of the national lockdown. It was an outstanding team effort for everyone to switch to working from home (WFH), seamlessly. This action provides a valuable snapshot of governance in action. A detailed overview of this governance, the teams involved and the individual decisions comprising our overall response to the COVID-19 pandemic can be found in the Risk Report pages 38 to 40.











The Governance section that follows outlines the methodology of our corporate governance framework, providing an insight to the workings of the Board and its Committees.



## Governance Structure & Strategy

### QCA 10 Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication that helps to promote confidence and trust effective risk management, considering both opportunities and threats, throughout the organisation

Strategy	Reference
<b>Deliver growth</b>	
1. Establish a strategy and business model which promote long-term value for shareholders	 <b>Read more on pages 62 to 65</b>
2. Seek to understand and meet shareholder needs and expectations	 <b>Read more on pages 22 to 25</b>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	 <b>Read more on pages 62 to 65</b>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	 <b>Read more on pages 38 to 41</b>
<b>Maintain a dynamic management framework</b>	
5. Maintain the Board as a well-functioning, balanced team led by the Chairman	 <b>Read more on pages 62 to 65</b>
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	 <b>Read more on pages 62 to 65</b>
7. Evaluate Board performance based on clear and relevant objectives; seek continuous improvement	 <b>Read more on pages 60 to 65</b>
8. Promote a corporate culture that is based on ethical values and behaviours	 <b>Read more on pages 54 to 61</b>
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	 <b>Read more on pages 62 to 69</b>
<b>Build trust</b>	
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	 <b>Read more on pages 20 and 21</b>

### Strategy

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

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

# Corporate Governance Report & Statement of Compliance 2020

continued

## Leadership


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


## Our values and culture

Since joining the Board in 2017 as Chairman I have had the pleasure of meeting with as many colleagues as possible, both managers and employees, across a number of sectors where we operate. I have been impressed with the hard work and commitment of our people in making us a trusted and respected partner in providing bespoke investment banking services. Given this role, the Company's core values of partnership, creativity, dynamism and excellence in performance remain integral as we seek to safeguard the business now and into the future.

The Board remains committed to promoting a culture with these core values at the heart, recognising that the Company will only continue to create value for its key stakeholders and benefit society if it can hold up to the most intense scrutiny. To remain relevant, successful and sustainable, the Company must demonstrate the highest possible standards; the conduct and behaviour of our people is as important as the products and services that we provide.

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

 **For engaging with our key stakeholders please see page 22**

 **For operating responsibly please see page 26**

## Employee Engagement

The Board appointed Catherine James, Non-Executive Director, as the champion for employee engagement and her appointment to this important role continues to provide the Board with valuable insight and understanding of our employee sentiment and engagement levels, especially at this time. Feedback to the Board discussed included emerging key themes including increased Town Hall meetings to improve communications, succession planning and leadership development, training opportunities, technology developments and the work environment, plus actions for programmes on personal development, office infrastructure and the future strategy of the business.

The imposed remote working in March this year has changed the way our staff work and interact with each other and our clients. Zoom meetings have now become part of our daily lives. Regular

Zoom Town Hall meetings, led by the Co-CEOs, allow staff to interact in a virtual space and feedback directly to senior management on the evolving response to COVID-19, plus update employees on the progress of the business, answer their questions directly and hear their feedback on a range of topics.

Working From Home Survey – completed by all staff regarding their working experiences and acting on outcomes on how to better facilitate and improve the working environment. We have also introduced a number of measures to try and ensure the physical and mental wellbeing of our staff by considering working conditions, provided equipment to allow staff to work effectively, comfortably and safely from their chosen environments and number of wellness initiatives for them and their families.

We also introduced regular online Town Hall style meetings to:

- Whilst some roles within the business were impacted by remote working and were no longer utilised, we took the decision to maintain our entire workforce, to redeploy staff underutilised during remote working temporarily into new roles. We also did not access the furlough scheme and ensured all our staff were paid in full throughout the pandemic
- New Office Survey – a Staff Committee was established to engage the views of a cross section of staff so that they had a say and influence on the design and layout of the new working environment. The results of the survey are key in shaping Numis' new working environment and we anticipate moving into our new offices during the second half of 2021

These engagement forums have provided the Board with insightful employees' views and feedback. These engagement mechanisms are discussed in Board meetings and form a part of the Board's decision-making. The Board will continue to monitor the effectiveness of informal and structured programmes of employee engagement during the coming year to review our progress, improve oversight and ensure employees' views are integrated into the work of the Board and the strategy of the business while supporting our employees' wellbeing.

## Board meetings

Board meetings are an important mechanism through which the Directors discharge their duties, particularly under s.172 of the Companies Act 2006. The Board is responsible to the shareholders for the management of the Company and meets formally seven times a year and on an ad-hoc basis as required. The formal meetings are scheduled in advance at the start of the financial year and a formal agenda of matters for discussion is circulated in advance of each meeting. This agenda includes reviewing financial performance, assessing and reviewing the Group's strategy in the context of a broader market outlook, future forecasting, an update on investor relations and an update on any regulatory or compliance matters. All key operational and investment decisions are subject to Board approval. The Board provides overall strategic direction to the executive management by monitoring the operating and financial results against budgets and targets; reviewing the performance of management; assessing the adequacy of risk management systems; and monitoring their application.

### Composition of the Board

The Board comprises four independent Non-Executive Directors: Alan Carruthers (Non-Executive Chairman), Catherine James, Robert Sutton and Luke Savage. The Non-Executive Directors provide a minimum time commitment of between 18 – 22 days per annum to the business and have during this period of volatility made themselves available at short notice to discuss a range of topics and I thank them for their commitment and enthusiasm. They as independent Non-Executive Directors assess, challenge and monitor the Executive Directors' delivery of strategy within the risk and governance structure as agreed by the Board, plus review the integrity of the Company's financial information, recommend appropriate succession plans, monitor Board diversity and set the Directors' remuneration.

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

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

The Co-CEOs and Executive Directors have responsibility for the business operations of the Group and are responsible for implementing the strategy of the Board, execution of that strategy and managing the day-to-day business activities of the Company. The Non-Executive Directors are responsible for bringing independent judgement to Board decisions and add perspectives beyond the day-to-day operations. This includes making recommendations to the Board in respect of the execution of the strategy.

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

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved through its own decision-making and by delegating responsibilities to the Board Committees and authority to manage the business to the Co-CEOs. The Board has collective responsibility for the execution of the strategy and day-to-day management of the Company's business is delegated, with the Board retaining responsibility for overseeing, guiding and holding management to account.

The Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. All Directors receive regular updates and training on legal, regulatory and governance issues. External advisers and legal counsel present to the Board regularly on thematic topics, providing training that is relevant to the business and to keep them abreast with developments of governance and AIM regulations.

All Directors have access to the Company's NOMAD, Company Secretary, lawyers and auditors (internal and external) and are able to obtain independent advice from other external professionals as and when required. Internal and external training and development programmes have been designed and tailored to the specific requirements of the Directors to enhance their existing skills and are periodically revised to ensure training remains current and relevant. In addition, there are regular "deep dives" from across the business at Board and Committee level to ensure the Directors' understanding of the operational aspects and challenges faced by the business remains current.

Biographical details, skills and experience of each Director can be found on pages 50 and 51.

### Role of the Board

The Board is responsible for establishing the Company's values, strategy, promoting its culture, overseeing its conduct and for promoting the success of the Company for the benefit of its members and stakeholders. The Board is cognisant that it has a wider duty to a broad community of stakeholders whose support is essential and that the business has an impact on colleagues, customers, shareholders, suppliers and the communities in which it operates. Pages 22 to 25 of the Strategic Report highlight how the Board and has sought to effectively consider and engage with our shareholders and stakeholders.

All Directors of the Board are required to attend each of the scheduled Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their responsibilities and duties as statutory directors. All Directors are properly briefed to enable them to discharge their duties, via regular update calls, the provision of detailed management accounts, Board papers and Board packs which are distributed several days in advance of formal scheduled meetings. There were seven formal scheduled director meetings of the Board convened in 2020. Each meeting had a planned agenda of business for consideration/discussion.

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

# Corporate Governance Report & Statement of Compliance 2020

continued

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

Matters routinely discussed at the PLC Board meetings include:

- The Group's strategy and associated risks
- COVID-19 impacts and mitigation actions
- Acquisitions, disposals and other material transactions
- Financial performance of the business and approval of annual budgets, the half year results, Annual Report and Accounts, dividends and regulatory reporting
- Business updates
- Brexit and its impact (financial and non-financial)
- Office Move and property strategy
- Appointments to the NSL Board
- Risk management strategy and risk appetite/profile
- Remuneration policy
- Evaluation of its performance and that of its Committees
- Communication with shareholders
- Actual or potential conflicts of interest relating to any Director
- Changes relating to the Group's capital structure
- Annual General Meeting

## Board meetings and process

The Board held 7 scheduled meetings during the year, and individual attendance is set out on page 53. Additional scheduled meetings were held as and when required, for example in response to COVID-19 lockdown measures and remote working.

## Start of the year

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

## Agenda

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

## Board papers and distribution

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

## Before the meeting

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

## After the meeting

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

## Board independence

The Board reviews the independence of its Non-Executive Directors as part of its annual Board Review. The Chairman was considered to be independent on appointment and is committed to ensuring that the Board comprises a majority of independent Non-Executive Directors who objectively challenge management. Numis considers there to be sufficient independence of the Board and that all the Non-Executive Directors are of sufficient competence and calibre to add strength, objectivity and constructive challenge to the Board, bringing considerable experience in terms of their respective knowledge and expertise.

Where necessary, the Company facilitates Non-Executive Directors obtaining specialist external advice from appropriate advisers as required.

## Committees of the Board

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

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

### Audit Committee

The Audit Committee (the “Committee”) is an independent Committee of the Board of Directors responsible for the overall financial reporting of the Company and the Group. It receives reports from the Group’s management relating to the Group’s risk exposures and mitigating controls as well as detailed findings arising from internal and external audit reviews. The Committee delivers a report on its activities to the Board at each formal Group meeting, appraising the Board on issues discussed with focus on the effectiveness of the internal controls and their operation, as well as issues of risk management and mitigating actions. Additionally, the Committee reports on the Group’s full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards.

In addition, it reviews the scope of internal and external audit, their effectiveness, independence and objectivity taking into account relevant regulatory and professional requirements. The Committee has direct and unrestricted access to the internal audit function and external auditors.

### Risk Committee

The Risk Committee (the “Committee”) is an independent Committee of the Board of Directors that has responsibility for the risk framework, internal control environment and for assessing the appropriateness of the risks that the Group proposes to take in executing its strategy. The Committee makes recommendations to the Board as to risk appetite and tolerance, taking account of the current and prospective macroeconomic and financial environment, drawing on financial stability assessments.

Additionally, the Committee considers Numis’ risk management policies, operations and oversight of the business’ risk management framework and will assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the business, the risk management and compliance framework and the governance structure that supports it.

The Audit Committee Report and the Risk Committee Report can be found on pages 66 and 70 of this Annual Report.

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

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

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

### Remuneration Committee

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

During the year the Board engaged external remuneration consultants, FIT Remuneration Consultants LLP, to assist the Committee and guide the Committee as an independent adviser around the increasing regulation, disclosures and enhanced corporate governance obligations especially regarding pay and reward of Executive Directors. The additional insight and experience of these external advisers has been especially helpful in delivering a new LTIP for senior Executives.

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

A copy of the Remuneration Committee’s Report can be found on pages 73 to 81 of this Annual Report.

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

### Nominations Committee

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

# Corporate Governance Report & Statement of Compliance 2020

continued

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

## Development and support

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

## Board evaluation

Good governance is an essential factor in running a successful company. It builds upon strong foundations of legal and regulatory compliance by adding robust accountability, transparency and ethical behaviours. During the year, an evaluation of the performance of the Board, its Committees and its members was undertaken in line with the Committee's Terms of Reference. The evaluation process was conducted internally, facilitated with the assistance of our internal auditor guiding us in refreshing the questionnaire based evaluation process.

Numis takes governance seriously and supports the continuous improvement of its Board to lead the Company in delivering its objectives. Numis' Board is committed to learning and improving and undertakes a regular Board evaluation process as part of its commitment to achieving these goals. The process, we hope, will continue to reinforce that Numis' Board and Committees continue to act and oversee the business with integrity, honestly and creatively, in a collaborative management style which is inclusive and supports good culture and is a key factor of Numis' success.

## Board evaluation process

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

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

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

Following the 2019 Board Evaluation, each Director's performance, including the Co-CEOs, CFO and Chairman, has been internally reviewed and evaluated. The results of this process were reported to the Board which concluded that the Board and all of its Committees continue to operate in a constructive and dynamic way, which is collaborative and effective, demonstrating a passion for the business which is innovative and entrepreneurial.

Some of the main themes and recommendations resulting from the 2019 Board Evaluation include:

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

The Board has continued throughout the year to measure progress against the recommendations resulting from the 2019 Board evaluations and will continue to assess its effectiveness in implementing new processes to achieve the desired targets.

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

### Relations with shareholders and other stakeholders

The Board believes that engaging with our shareholders and wider stakeholder groups through regular and constructive dialogue is central to delivery of our strategic objectives and building a sustainable business. By demonstrating how the Board has engaged with and have regard to stakeholders and other factors through inclusive and collaborative decision-making, Numis can ensure that we fulfil our obligations to those impacted by the business. Including our stakeholders in key business decisions is the right thing to do, and is a key driver in delivering value creation over the longer-term.

During 2020 we increased our focus on stakeholder engagement and in efforts to better consider the issues, factors and stakeholders relevant in complying with section 172, the Board determined our key stakeholder groups as employees, shareholders, clients, regulators and suppliers. In addition, environmental and community matters are also key areas of importance and in understanding our stakeholders and their priorities better, the Board has considered the potential impact of decisions on each stakeholder group and take account of their needs and concerns, as a part of Board discussions and decisions.

We engage actively with each of our stakeholder groups in various ways. The common aim is to be open and collaborative so as to build strong long-term relationships where everyone involved can share in the Group's success. More information on our stakeholder engagement can be found on page 22 of this Annual Report.

### Whistleblowing

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

### Trading subsidiary Board

The Board of the main trading subsidiary, Numis Securities Limited, chaired by Alex Ham and Ross Mitchinson, deals with the implementation of business strategy and day-to-day operational matters. It met 8 times during the year and receives information with respect to the financial performance of the Group together with departmental reports, risk information and other relevant items. This year has provided extraordinary challenges for the business and the executives of the trading subsidiary have worked tirelessly through the pandemic to keep the Board, staff, clients, shareholders and stakeholders updated on COVID-19 related responses and considered the financial and non-financial impacts on those communities.

### Internal control

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

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

### Environment and climate change

In my statement in the strategic section of the Annual Report, I committed to reinforcing, intensifying and raising awareness of environmental, social and governance matters. In the Directors' Report on page 84 you will see our reporting on greenhouse gas emissions. This is Numis' first year to report on carbon emissions under Emissions and Energy Consumption Regulations but it is a topic together with corporate ESG that the Board considers as high priority. Numis will be reflecting on the experience of the lockdown period to review all our activities: travel, recycling, resource usage and impact on society when reviewing energy and ESG policies.

The Board will be increasing focus in this area, as we seek to introduce new initiatives, improve our environmental reporting and do whatever we can to safeguard our environment.

### Country-by-country reporting

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

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

This report was approved by the Board on 16 December 2020 and signed on its behalf by:



**Alan Carruthers**  
Chairman  
16 December 2020

# Nominations Committee Report



Ensuring the Numis Board and senior leadership team has the right combination of talent, experience and knowledge remains key to the success of our business.

### Members of the Committee

- Alan Carruthers (Chairman)
- Catherine James – Independent Non-Executive Director
- Luke Savage – Independent Non-Executive Director
- Robert Sutton – Independent Non-Executive Director

For full biographies see pages 50 and 51.

### Key activities

- Reviewing the succession/crisis planning for senior staff under COVID-19
- Reviewing the Board evaluation/effectiveness
- Approving appointment of statutory Directors to Numis Securities Limited
- Reviewing employee engagement and outcomes
- Reviewing terms of reference and agreeing the agenda planner for 2021

### Dear Shareholder

As Chairman of the Board and of the Nominations Committee I am pleased to present the Nominations Committee report for the year ended 30 September 2020. The Nominations Committee continued its important role in leading the process for appointments, ensuring plans are in place for orderly succession to the Board and senior management positions, and overseeing the development of a diverse pipeline for succession. Ensuring the Board has the combination of talent, experience and knowledge needed to lead the Group and support the development and delivery of our strategy remains key to the success of our business. Identifying and recommending suitable candidates for appointment to the Board and its subsidiaries ensures the composition of the Board and its Committees continues to meet the Company’s needs.

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

The process adhered to when making Board appointments is led by the Nominations Committee, which then makes a recommendation to the Board. During this financial year there were no new appointments to the PLC Board. However, the Committee recommended and managed the appointment of two statutory appointments to Numis Securities Limited. A robust detailed recruitment and selection process was undertaken by a third party in relation to one of those appointments, adhering to a transparent Board appointments procedure. The other appointment was managed internally following the appropriate composition of a skills and experience analysis and in line with the internal succession plan. Additionally, formal and informal interviews led by the Chairman and selected Non-Executive Directors affirmed the internal recommendation and appointment of each candidate.

### Committee overview

The Committee consists of Independent Non-Executive Directors and meets as necessary to discuss appointments to the Board. The Chairman of the Board is also the Chairman of the Committee, and the Assistant Company Secretary acts as the Secretary of the Committee. On invitation, the Co-CEOs, CFO and HR Director also attend meetings, but are not involved in decisions relating to their own succession.

The Committee’s full terms of reference, which are reviewed periodically by the Committee and submitted to the Board for approval, are available on the Company’s website [www.numis.com](http://www.numis.com)



### Committee membership

During the financial year, the Committee met three times, sometimes at short notice, with full attendance by all committee members. The meetings held were to consider: succession-planning; Board composition and the refreshing of the Board; succession planning at Board and senior management level; Executive Director development and the composition of the Committee and other Board Committees.

A report on the Nominations Committee meetings and activities are reported to the PLC Board at each scheduled meeting of the Board. A table of Board and Committee meetings scheduled and information on attendance is set out on pages 53.

#### Key responsibilities and role of the Committee

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

- Board and Committee membership – reviewing the balance, skill and composition in terms of competency, skills, experience, background and diversity under regular review in response to changing business needs
- Making recommendations to the Board as necessary on succession planning at Board level and overseeing succession planning processes for the Board and senior management
- Supporting and challenging senior management development and succession plans to ensure the Executive team is equipped to oversee governance, financial controls and risk management aligned to the business strategy
- Identifying the particular competency and experience base required for a specific Board appointment and conducting the search and selection process adhering to the formal Board appointments procedure, ensuring that there is a formal, rigorous and transparent procedure for the appointments
- Making recommendations to the Board on all proposed new appointments to the Board, elections and re-elections of Directors at AGMs, assessing and making recommendations to the Board on the independence of all Directors
- Reviewing Board and Committee performance – supervising the Board performance review process, and overseeing any remedial action concerning the composition of the Board and its Committees required as a result of the review
- Considering various governance matters, including compliance with the UK QCA Corporate Governance Code, the UK Senior Managers and Certification Regime (SMCR) and/or other relevant regulatory regimes

### Nominations Committee activity

Numis was quick to react to the extraordinary events of this year's pandemic to ensure that our people and the business were both safe and supported. Ahead of Government guidance, we invoked a remote work from home (WFH) strategy for staff, on 13 March 2020. Maintaining communication and connectivity with employees, clients and communities in these unprecedented times has been key to supporting and driving the business forward. The Committee was involved and kept abreast of succession planning and mapping of roles throughout this period. This included a refresh of key succession roles at the peak of COVID-19 – to ensure that appropriate support/succession planning with analysis of key roles in the business had been undertaken in case of a crisis where a key person/senior executive is taken ill and/or a fatal event occurs. This review was conducted in conjunction with the HR Director and legal, risk and compliance teams collaborating to produce a COVID-19 Key Risks and Mitigation Actions paper, covering succession.

The Committee will continue to monitor succession related to COVID-19 risk along with other risks throughout the coming year.

The Committee also reviewed the composition of the Numis Securities Limited Board of Directors, to ensure that the trading entity has the correct balance of skills, experience and knowledge relevant to Numis' business strategy and ambitions. Effective succession planning for key senior personnel is a vital Committee role ensuring that Numis has the resource and range of talent to drive the business to achieve its strategy and ambitions. The development of a pipeline of high-calibre candidates from within the business has resulted from Numis mapping succession candidates and opportunities across all senior roles. Senior management mentoring and initiatives for high-potential talent to broaden their skills and experience to prepare them for future senior roles is a key focus of the Committee. Following a comprehensive review, undertaken in conjunction with a focus on the enhanced responsibilities of the new Senior Managers Certificate Regime (SMCR), a change in composition to the Board of the trading entity was recommended during the last quarter of 2019 and James Taylor was appointed to the Numis Securities Limited Board.

Additionally, a new Head of Human Resources was appointed as a statutory director of Numis Securities Limited, highlighting the importance placed by Numis on this role. The Committee was instrumental in agreeing the scope of the position and engaging and dealing with recruitment consultants to identify the most talented candidate. The Committee deliberated on competency, experience and skill set required for this appointment and conducted a rigorous and transparent search and selection process adhering to the formal Board appointments procedure. This appointment was in line with our ongoing commitment to ensure that Numis has the right calibre of talented and experienced management to drive our high-performance organisation, execute and achieve our strategy, and deliver sustainable long-term value for our shareholders and stakeholders.

# Nominations Committee Report

## continued

Last year, the Committee appointed Independent Non-Executive Director Catherine James as the Board’s Employee Engagement Director. The Board and Committee established the agreed approach to engagement; the methods of gathering and documenting employee views, and how feedback is presented to and considered by the Board. Throughout the year, this engagement continued, with Catherine’s sessions moving seamlessly online through lockdown. The engagement has provided the Board with valuable feedback and insights on the Numis culture and employees’ views and concerns, and as a direct result a number of initiatives have been implemented. We thank Catherine for her enthusiasm for this role and her encouragement to stimulate discussion and debate so that meaningful dialogue between the Board and our employees remains relevant. More information can be found in the stakeholder engagement overview on pages 22 to 25.

During the year, an evaluation of the performance of the Board, its Committees and its members was undertaken in line with the Committee’s terms of reference. The evaluation process was conducted internally, facilitated with the assistance of our internal auditor guiding us in refreshing the questionnaire-based evaluation process.

The Committee deliberated on engaging external resource facilitation, acknowledging there is some benefit in an external review of its Board and Committees, but agreed that the overall benefit versus cost may not be appropriate at this time, given the Board and its Committees continue to function well with skills, balance and effectiveness scoring high in the evaluation process. Therefore, the decision was taken to continue to conduct the evaluation of Board and Committee Directors’ performance in-house for the time being.

The process, we hope, will continue to reinforce that Numis’ Board and Committees act and oversee the business with integrity, honesty and creativity and in a collaborative management style. This supports our dynamic, inclusive culture and is a key factor in the firm’s success.

The new format of the internal evaluation process is more detailed and analytical and has facilitated shaping the Committee’s areas for key focus.

### Board evaluation process

The Board and Committee review process consisted of the following key elements:

- **December** – circulation of updated questionnaire-based Board and Committee evaluation process.
- **January** – completed forms returned to the Chairman.
- **February** – results/analysis of the Board and Committee observations feedback to the Chairman.
- **March** – one-to-one confidential interviews undertaken with all Board and Committee members.
- **May** – a discussion document, including strengths, challenges, areas of focus and recommendations, distributed to all Board members, and discussion of themes, priorities, recommendations for the year ahead documented. These actions were then measured and reviewed against progress on actions arising from the internally-run performance review undertaken the year before.

The Committee will continue to periodically consider the benefits of engaging external resource to assist in its process of evaluating the Board and its Committees and will feedback its recommendations to the Board as the year progresses.

### Election and re-election of Directors for 2021 AGM

The Committee considers the results of the evaluations of individual Directors to assist in determining whether to recommend to the Board the election and/or re-election of Directors at every AGM, as required in accordance with the Company’s Articles of Association. The Committee has considered the mix of skills, knowledge, experience, competencies and background of the members of the Board and considers that it has the range of skills, expertise, knowledge and attributes required to lead and drive this entrepreneurial and dynamic business, while adhering to high standards of corporate governance and independence.

One third of all Directors have to submit themselves for re-election at the 2021 AGM. The Committee is pleased to recommend its support of all Directors putting themselves forward for re-election at the AGM in 2021, in accordance with our Articles of Association and on considering the Board Evaluation and performance process. Biographies of the Directors standing for re-election can be found on pages 50 and 51 with further detail accompanying the Notice of the AGM found on pages 136 and also on the Company's website: [www.numis.com](http://www.numis.com)

The Committee's terms of reference were reviewed and updated as to SMCR implementation and best practice during November 2019 and the relevant changes were adopted and approved. Following a further annual review, the Committee agreed that the current terms of reference are fit for purpose and appropriate for the business and do not require any additional amendments at this time.

#### **Board Diversity Policy**

The Committee focused on senior management development and succession – holding a number of unscheduled meetings in support of the search for senior appointments and continuing to support the ongoing quality, development and capabilities of our senior talent. As a business, we are committed to maintaining a diverse workforce at all levels across the Company. More information on how we do this, including a description of the policies relating to diversity and how they have been implemented, can be found in the operating responsibly overview on pages 26 to 30.

The Directors recognise the importance of diversity, in all of its forms, for the Board, and understand the significant benefits that come with having a truly diverse Board. The Board believes that diversity is a wider issue than gender, and includes variations in experience, skills, personal attributes, culture, ethnicity and background.

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

The Nominations Committee's performance was reviewed within the framework of the Board evaluation review and the findings of the evaluation confirmed that the Board Committees continue to operate effectively. The Committees have the right balance of requisite skills, experience and knowledge, diversity of gender, social and ethnic backgrounds, cognitive and personal strengths to provide an appropriate level of constructive challenge to facilitate the Board and business to achieve its strategy. Additionally, each member of each Committee continues to devote the appropriate time requirements for unscheduled meetings to support key Board and senior management appointments during the year.

#### **Priorities for 2021**

The Committee is dedicated to the development of talent and capabilities and will continue to review succession plans for the Board and more broadly in relation to key senior roles across the business. Numis' strategic ambition to build the investment bank of a generation requires a highly talented pipeline and development initiatives for Directors. Diversity and inclusion is a key focus here. Our commitment to driving the benefits of a diverse Board, senior management team and wider and more inclusive work force is underpinned in our approach to diversity and inclusion and is a core part of our ongoing growth and success.



**Alan Carruthers**  
Chairman – Nominations Committee

# Audit Committee Report



To support our success as a responsible high-performance firm, the Audit Committee has enhanced focus and accountability relating to both financial reporting and key risks for Numis.

### Members of the Committee

- Luke Savage (Chairman)
- Catherine James – Independent Non-Executive Director
- Robert Sutton – Independent Non-Executive Director

Detailed information on the experience, qualifications and skills of all Non-Executive Directors can be found on pages 50 and 51.

### Key activities

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

### Dear Shareholder

As Chairman of the Audit Committee I am pleased to present the Committee’s report for the year ended 30 September 2020. The Committee assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders, the Company’s systems of internal control and risk management, the internal and external audit process, and the process for compliance with relevant laws. Additionally, the Committee fulfils a vital role in the Company’s governance framework, providing valuable independent challenge and oversight across the Company’s financial reporting and internal control procedures. Ultimately, it ensures that shareholder interests are protected and the Company’s long-term strategy is supported.

As Chairman, I provide regular reports to the Board on the activities of the Committee and how we have discharged our duties.

The decision to separate the activities and function of the Audit & Risk Committee was made last year. I am pleased to report that by separating the roles, we have achieved enhanced focus, concentration and accountability relating to both financial reporting and financial key risks to the business which are current and relevant to Numis. The Committee has continued to work closely with other Board Committees on relevant issues affecting the business through this more granular understanding of financial risk, exposures, risk management and strategic risk issues. Operational risk, control developments, strategic developments and the assessment of COVID-19 implications has also been key focus areas.

The Committee is also responsible for making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor. The Committee’s duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the external auditor.

The Committee consists entirely of Independent Non-Executive Directors. The Committee meetings are attended by the Chief Financial Officer (CFO), Chief Risk Officer & General Counsel, the Head of Compliance, the Head of Financial Risk plus the lead partner and representatives from KPMG LLP (“KPMG”) our Internal Auditor and the lead partner and representatives from PricewaterhouseCoopers LLP (“PwC”) our External Auditor. Others invited to attend on a regular basis include the Co-CEOs and members of senior management. Members of senior management are invited to attend for those items that are relevant to them and where they provide additional specialist technical knowledge and insight on matters under discussion.

The Committee met during the year with the representatives from both our internal and external audit firms without management present. This direct access allows a discussion forum where any concerns can be raised outside the formal meetings of the Committee. In addition, I have met privately with the CFO, Chief Risk Officer & General Counsel, Head of Compliance and Head of IT & Operations to gain deeper understanding and insight of Numis' business in order to facilitate meaningful dialogue during Committee meetings. This comprehensive approach enhances the Committee's knowledge so that it can support the business in gaining an in-depth understanding of specific areas. The Committee undertakes an essential role in the Company's framework, providing valuable, independent challenge and oversight across the Company's financial reporting and internal control procedures. This oversight provide reassurances to shareholders and stakeholders that their interests are protected and the Company's long-term strategy is supported.

The Committee's performance was reviewed as part of the 2020 Board Evaluation process, which is covered on page 60. The review found that the Committee functions effectively and that issues are dealt with in a thoughtful, clear and rigorous manner and the Committee has continued to provide oversight and challenge regarding the principal financial risks faced by the business during this year.

The Board is satisfied that the Committee as a whole has competence and sufficient recent and relevant experience and that the Committee members possess an appropriate level of independence and offer a depth of financial, risk systems and controls and commercial experience to discharge its function effectively. The Committee's full terms of reference, which are reviewed periodically by the Committee and submitted to the Board for approval, are available on the Company's website [www.numis.com](http://www.numis.com).

#### Key activities

The Audit Committee's primary function this year has been to focus on supporting the Board in assessing the integrity of the Group's financial reporting; monitoring the reviewing of the Company's financial statements and announcements relating to the financial performance and governance of the Group, and reviewing the Company's internal financial controls and systems of internal control.

Additionally, managing the relationship with our internal and external auditors has been key during the lockdown period and beyond, as the audit of financial reporting and our systems and controls continues to be conducted remotely. The integrity of reporting and resilience of our systems and controls have been sustained as we responded to new methods of working. Assurances from our audit teams in their interrogation and testing of the quality and accuracy of our data and information has been a collaborative team effort with our audit partners.

For this reporting period we have incorporated a number of financial reporting updates, notably the Directors' statement of compliance with the requirements of Section 172 of the Companies Act, and the application IFRS 16 "Leases". The Committee has naturally paid close attention to these new areas.

The key responsibilities of the Committee are summarised below:

#### Financial reporting

- considering significant financial reporting judgements
- reviewing the annual report and financial statements and half and full year results
- considering the impact of new accounting standards
- monitoring the integrity of the financial information containing in the interim and financial statements
- reviewing the impact of the office move on financial reporting

#### External audit

- reviewing the effectiveness, objectivity and independence of the external audit and reappointment of the external auditor – as authorised by shareholders at the 2019 AGM, and determining the level of remuneration for the external auditors on behalf of the Board
- reviewing non-audit services provided by the external auditor to ensure they are appropriate and proportionate for the size of the business

#### Risk management and internal control

- considering the effectiveness of the Group's systems of risk management and internal control, including all material controls

#### Internal Audit

- approving the internal audit's risk assessment, internal audit charter and annual audit plan
- considering the results and findings of internal audit's work
- monitoring and reviewing the effectiveness of the Group's internal audit function in the overall context of the Group's internal controls and risk management

# Audit Committee Report

## continued

### Audit Committee meetings

During the financial year the Committee held four scheduled meetings with full attendance by all members of the Committee at each meeting. A table of Board and Committee meetings scheduled and information on the attendance of those meetings is set out on page 53.

The Committee is integral to Numis' governance framework through its oversight of the Group's financial reporting, risk management and internal controls, and internal and external audit.

The Committee has dedicated significant time during the year to reviewing:

- the operational impact of COVID-19
- the operating effectiveness of enhanced controls designed for remote working and overall operational resilience
- regulatory developments and their impact on the Group, including financial controls
- Client Money and Custody Asset Rules (CASS)

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

Presentations on key financial reporting, operational risks, legal, compliance and audit matters are delivered to the Committee by management. The Committee has the opportunity at these meetings to challenge management on the controls and processes and determines their effectiveness and whether additional controls and mitigations are appropriate for the business.

### Key areas of focus

Key updates and areas of particular focus during 2019/2020 included:

- Updates from the Group Finance function on significant financial accounting, reporting and disclosure matters including new disclosures relating to the adoption of IFRS 16 "Leases" for the first time and ensuring the accounting standard is appropriately applied
- The section 172 disclosure requirement applies for the first time requiring additional commentary on how the Directors of the Group have considered the matters set out in section 172 of the Companies Act
- Regular standing items of business for review and approval including clarity of the disclosures relating to accounting judgements and estimates
- Monitoring the integrity of the financial information contained in the interim and annual financial statements with focus on key accounting policies, appropriateness and any changes to the accounting policies of the Group including any judgements and estimates and financial controls framework
- Maintaining the relationship with the external auditor, including monitoring their independence and effectiveness
- Monitoring and reviewing the effectiveness and independence of the Company's internal audit
- Reviewing the scope of the annual audit and agreement with the external auditor of the key areas of focus
- Reviewing the effectiveness of the internal audit function and reviewing all significant internal audit recommendations and overseeing progress in addressing these

I am pleased to report that this year the Committee continued to see improvements in the quality of materials provided and presented to the Committee meetings. It has overseen and supported the development of improvements in the internal systems and controls infrastructure. This includes the financial control systems infrastructure, processes and systems relating to the management of client money and assets, and improvements to access management control systems, where implementation of additional controls is in progress.

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

The Committee also considers by way of meetings and reports, the appointment, remuneration and work of the external and internal auditor. PwC have provided external audit services to the Group since 2005. The Committee has periodically considered the need for the rotation of the audit firm and is satisfied with the performance of the auditor and does not consider it necessary to put the external audit out to tender.

The audit partner changes every five years in accordance with professional guidance and this year Mr M Wallace is the newly appointed audit partner who was appointed following the exit of Mr D Meek due to the expiry of his tenure. There are no contractual obligations restricting the choice of external auditors.

Conducting this year's audit has in particular provided new challenges. PwC have continued to respond to the audit challenges COVID-19 has presented and tailored their audit to make certain changes in approach without compromising the quality of the audit. In particular, there has been greater emphasis on testing IT systems including the recently implemented Inferno settlements system. The audit has been designed to constructively challenge management for the benefit of the Audit Committee and the shareholders. PwC's systems, staff and technology remain operationally robust with trusted processes and systems in place to undertake remote audit services. The audit plan included an analysis of PwC's assessment of significant audit risks and their audit strategy adopted to enable focus on areas requiring special audit attention under the extraordinary event of COVID-19. This provided assurance and confidence to the Committee of the integrity of the audit. The level of testing undertaken for this year's audit was specifically tailored to each risk, product and process, and varied depending on materiality and risk.

Having considered the above factors, the Committee recommends to the Board and shareholders that PwC be reappointed as auditors at the 2021 Annual General Meeting. PwC have agreed to offer themselves for reappointment as auditors of the Group in accordance with section 487(2) of the Companies Act 2006 and a resolution requesting approval of their appointment and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting, scheduled for 9 February 2021.

KPMG LLP were appointed to the position of internal auditor in October 2018 and they continue to provide the Committee and Board with assurance that Numis' internal controls and risk management framework and systems are robust and appropriate for our size and complexity of business. KPMG's expertise focuses on regulatory pressure points, regulatory hot topics and areas of key risk for the business. Internal audit provides the Committee with independent, objective assessment of ongoing risk management, so the Committee has assurances that Numis' risk management framework, internal governance and compliance processes, systems and controls to support the business are robust, fit for purpose and best practice.

#### **Committee effectiveness**

In March 2020, the Board conducted an evaluation of the Committee's effectiveness, which was facilitated internally. Questionnaires and face-to-face meetings covered topics such as composition, meeting effectiveness and engagement with the internal audit function and with the external auditors PwC. The findings of the evaluation confirmed that the Committee continued to operate effectively, is comprised of skilled, experienced, knowledgeable members and responses indicated that meetings were well structured with an appropriate level of constructive challenge provided by all members.

The evaluation process identified that the Committee has made good progress in relation to increasing the focus on financial risk reporting.



**Luke Savage**  
Chairman – Audit Committee

# Risk Committee Report



In this most extraordinary of years, the Committee has played a critical role in the firm’s forward-thinking approach to risk management and our ability to be agile and flexible in our responses to supporting our clients through these challenging times.

**Members of the Committee**

- Luke Savage (Chairman)
- Catherine James – Independent Non-Executive Director
- Robert Sutton – Independent Non-Executive Director

Detailed information on the experience, qualifications and skills of all Non-Executive Directors can be found on pages 50 and 51.

**Key activities**

- Review and approve risk management framework
- Monitor and interrogate the Group’s risk management and internal controls
- Determine and assess the appropriateness of the risks of the Group with regard to risk appetite and tolerance
- Ensuring appropriate governance in relation to the implementation of the Senior Managers and Certification Regime (SMCR)

**Dear Shareholder**

I am pleased to present my report as Chairman of the Risk Committee for the year ended 30 September 2020, explaining how the Committee has discharged its risk oversight responsibilities. The Audit & Risk Committee responsibilities were separated and the Risk Committee was established in February 2019 to facilitate and enhance our focus on risk management. In this most extraordinary of years, the Committee has played a critical role in the firm’s forward-thinking approach to risk management and our ability to be agile and flexible in our responses to supporting our clients through these challenging times. Numis’ commitment to a strong and effective risk management framework and adherence to robust internal and external governance controls has supported our ambition to achieve sustainable long-term value for our clients, shareholders and stakeholders, while protecting their interests.

The Committee’s role in assessing the key risks of the business and determining the risk appetite and mitigants to effectively manage identified risks is essential to Numis’ success and reputation. Our strong risk management framework ensures clear and transparent decision-making, which takes account of both risk and reward in pursuit of our strategy objectives.

The Committee has made significant headway in enhancing our risk management framework, which supports effective risk management and a strong risk culture. The management of risk is embedded in our culture and our employees ensure that this risk based culture is built into our working practices. Numis’ risk framework sets out our approach to risk management together with the key arrangements for managing the risks through internal controls. We see effective risk management as central to our corporate governance and achieving our strategic objectives while remaining within our risk appetite.

The Committee consists entirely of Independent Non-Executive Directors. The Committee meetings are attended by the Chief Financial Officer, Chief Risk Officer & General Counsel, the Head of Compliance, the Head of Financial Risk plus the lead partner and representatives from KPMG LLP (“KPMG”) our internal auditor and the lead partner and representatives from PricewaterhouseCoopers LLP (“PwC”) our external auditors. Invites to attend on a regular basis include the Co-CEOs and members of senior management. Members of senior management are invited to attend for those items that are relevant to them and where they provide additional specialist technical knowledge and insight on matters under discussion.

The Board is satisfied that the Committee as a whole has both the competence and sufficient recent and relevant risk management experience and that the Committee members possess an appropriate level of independence and commercial experience in the sector in which the Company operates, to discharge its function effectively.



The Committee seeks to support the Board in assessing the appropriateness of the risks that the Group proposes to take in executing its strategy given the environment in which the Group is operating in. In addition, the Committee takes into account the current and prospective macroeconomic and financial environment (including potential emerging risks), and draws on financial stability assessments to inform it in recommending risk appetite and tolerance limits.

The Committee's oversight and challenge of the risk management framework provides reassurance and safeguards that risk assessments are regularly analysed and reviewed, and ensures they are relevant, robust and aligned to the risk strategy of the business and in the best interests of our shareholders and stakeholders.

### Key activities

During 2020 the Committee focused its attention on the most significant risks facing the business. The most notable risk event during the year has been the unprecedented COVID-19 global pandemic. Details of the significant risk management efforts and continued response in relation to this event and our migration to a working from home (WFH) strategy are set out in the Managing risks overview on pages 38 to 41.

Areas of key focus and oversight for the Committee during this financial year included:

- COVID-19 and remote working key risks/mitigating actions.
- Reviewing the nature and extent of the key risks of the Group and risk appetite ensuring the Group has an appropriate and effective risk management and internal control framework; and identifying and considering future and emerging risks, regulatory developments and relevant mitigants.
- Reviewing the Group's financial risk, operational risk, market risk and regulatory risk exposures.
- Reviewing key legal and compliance issues. This included overseeing the Group's preparations for the introduction of the Senior Managers and Certification Regime (SMCR) which applied to the Group with effect from 9 December 2019 and successful implementation.
- Reviewing and enhancing controls in relation to our new Electronic Trading product.
- Management of liquidity risk and margining.
- Contingency planning to manage the impact of a no-deal Brexit on the business.
- Monitoring operational resilience and cyber security.
- Reviewing and challenging the Group's internal capital adequacy and liquidity processes.
- Reviewing the Group's conduct and culture monitoring arrangements and promoting a risk-aware culture.
- Reviewing resourcing within the second and third line of defence.

- Reviewing the firm's control environment and tracking any remedial actions.
- Reviewing the Group recovery, resolution and wind-down plans.
- Providing input to the Remuneration Committee on the alignment of remuneration to risk performance.
- Considering the risks arising from strategic initiatives and advising the Board accordingly.

### Risk Committee meetings

During the financial year the Committee held six meetings in response to the elevated risk environment and in order to provide assurances to the Board regarding appropriate controls; rigorous oversight of principal risks, including financial, conduct, regulatory and strategic risks; and verification of the continued adequacy and effectiveness of the internal risk and control management systems, as staff mostly worked from home.

I am grateful to my fellow Committee Directors and the senior management and staff of Numis who made the time to attend each scheduled meeting and provided detailed and comprehensive reports to the Committee on risk management issues while maintaining focus on their respective day jobs. There was full attendance by each Committee member for all six meetings of the Committee during the financial year.

A table of Board and Committee meetings scheduled and information on the attendance of those meetings is set out on pages 50 and 51.

The Committee considers at each meeting an agenda that is risk based and focused on the key and emerging risks impacting our business. The internal audit function plays an essential role in supporting the Committee through assurances that, following deep dive reviews of business areas, material controls including financial, operational and compliance controls and risk management systems are appropriate and operate effectively. Where enhancements to improve existing controls are agreed, recommendations are communicated to the relevant business area for implementation and the necessary action is taken and progress monitored. This regular monitoring of the internal control framework allows timely identification of issues and formal tracking of remediation actions. Instances where the effectiveness of internal controls was considered insufficient were discussed during the year, either by the Committee or the full Board and appropriate action taken to enhance processes.

# Risk Committee Report

## continued

The agenda for each meeting is prepared in collaboration with the Chief Risk Officer and Chief Financial Officer with attention and focus on agreed items contained in the annual agenda planner of matters for discussion as well as tackling ad-hoc key risk events.

Reports and dashboards highlighting and monitoring changes in the key risks impacting the business, including compliance matters, the financial controls framework and internal controls process and systems, are considered and debated. These formal Committee reports and dashboards provide the Committee with analysis, and indicators regarding the risk appetite of the business and presentations on key financial reporting, operational risks, legal, compliance and emerging risk are delivered to the Committee by management. The Committee has the opportunity at these meetings to challenge management on the controls and process and determines their effectiveness and whether additional controls and mitigants are appropriate for the business.

An essential role of the Committee is to reinforce attention to the three lines of defence in the management of risk so that there are clear defined roles and responsibilities within the risk framework to identify ongoing risk and effectively manage the key risks of the business. By maintaining this attention, the Committee can be assured that the framework to support the management of risk is robust and embedded in the business and its culture. Numis' chosen business model drives many of the key and emerging risks and, as a consequence of the pursuit of these business objectives, the Committee proactively identifies and understands the risks that the business is exposed to and manages those risks appropriately.

In March 2020, the Board conducted an evaluation of its effectiveness. The findings of the evaluation confirmed that the Committee continued to operate effectively, is comprised of skilled, experienced, knowledgeable members and responses indicated that meetings were well structured with an appropriate level of constructive challenge provided by all members.

The evaluation process identified that the Committee has made good progress in relation to increasing the focus on risk reporting and emphasising accountability for risk at business sector level.

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



**Luke Savage**  
Chairman – Risk Committee

# Remuneration Committee Report

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



We adhere to a remuneration policy that encourages and rewards the right behaviours and values in line with our high-performance client-focused culture.

## Members of the Committee

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

Detailed information on the experience, qualifications and skills of all Non-Executive Directors can be found on pages 50 and 51.

## Key activities

- Reviewed the effectiveness of the Group's remuneration strategy and policy
- Assessed performance against targets relating to incentive plans
- Reviewed the approach to distribution of variable compensation to staff
- Designed and approved the operation of a new ongoing long term incentive plan for the Executive Directors from FY21

## Dear Shareholder

As Chairman of the Remuneration Committee I am pleased to present the Committee's report for the year ended 30 September 2020.

This report provides a comprehensive picture of the structure and scale of our remuneration framework and its alignment with the business strategy. Numis is passionate about its talented staff and adheres to a remuneration policy that encourages and rewards the right behaviours, values and culture, whilst also seeking to retain our high-performance culture.

Achieving the right balance of risk and reward in these circumstances has required significant deliberation to ensure Numis has a policy that is designed to clearly align the remuneration for Executive Directors with Company performance after taking into account an assessment of financial, non-financial and personal performance. This supports our objective of having a simple and transparent structure for executive remuneration with a focus on sustainable long-term performance. Our approach to remuneration has been to ensure that the framework should be simple, transparent and fair for both participants and shareholders alike. The framework is designed to reward the achievement of long-term sustained business results that support our strategy, culture and values. Conduct and how performance has been achieved and forms a key part of how remuneration levels are determined.

## Performance for FY20

As set out in the Chairman's Statement, it has been a challenging year, not least dealing with the impact of COVID-19 on our business and making sure our employees are safe, but also on the markets and clients we serve. Notwithstanding the difficult external environment, the management delivered an exceptional financial out-turn for the Company. The extreme market volatility had benefits to different parts of our business at different times during the course of the year, which meant we had to react quickly to deliver the best outcomes for our clients during challenging times. Overall, revenues for the full year were up by 39% and profits more than doubled. As well as the delivery of an excellent financial performance, the Executive Directors led the business in exemplary fashion during this unprecedented period. This was achieved whilst maintaining our accepted compliance and risk profile.

This exceptional performance resulted in annual bonuses which are substantially higher than those earned last year. The Committee believes that the final outcomes set out on page 78 are fair and appropriate in light of the performance delivered in the year.

# Remuneration Committee Report

## continued

### Remuneration policy changes for FY21

The Committee spent considerable time this year reviewing the current remuneration policy and, in particular, our long-term incentive provision. As set out in more detail in the report, the award made to the Co-CEOs in 2016 is due to expire in September 2021 and thus it is necessary to consider an appropriate replacement scheme to incentivise and reward our Executive Directors for continuing to drive the business forward. After much consideration the Committee has approved the following changes to the remuneration policy and operation for FY21:

- **Base salaries** – the Committee considered it was the appropriate time to recognise the development and strong performance of all three Executive Directors and, therefore, base salaries will increase to £475,000 for the Co-CEOs and £275,000 for the CFO.
- **Long-term incentive** – from 2021, LTIP awards will be structured as annual grants of performance shares which will be subject to performance measures assessed over three years, with a further one year holding period. This provides better focus on continued, sustainable growth and avoids the implementation risk associated with one-off grants, which is of particular concern in the current environment. The initial awards will be subject to absolute TSR measures as set out on page 76 with performance assessed at the end of the performance period and underpinned by satisfactory financial, compliance, culture and risk considerations including an assessment of Numis' financial performance when measured against its peers, over the performance period. Comprehensive malus and clawback provisions will also be included.
- **Shareholding requirements** – to coincide with the new LTIP plan, we will be introducing market-leading levels of shareholding requirements for the Executive Directors. Under the new policy, the Co-CEOs will be required to retain 500% of salary in shares, whilst the CFO will need to hold 200% of salary. The shareholding requirement will also continue for one-year post-cessation.

The changes set out above were the subject of prior consultation with a number of our major shareholders who are supportive of the approach. The Committee believes the new remuneration policy is better aligned with Numis' business strategy and is in the best interests of the Company, its shareholders and stakeholders.

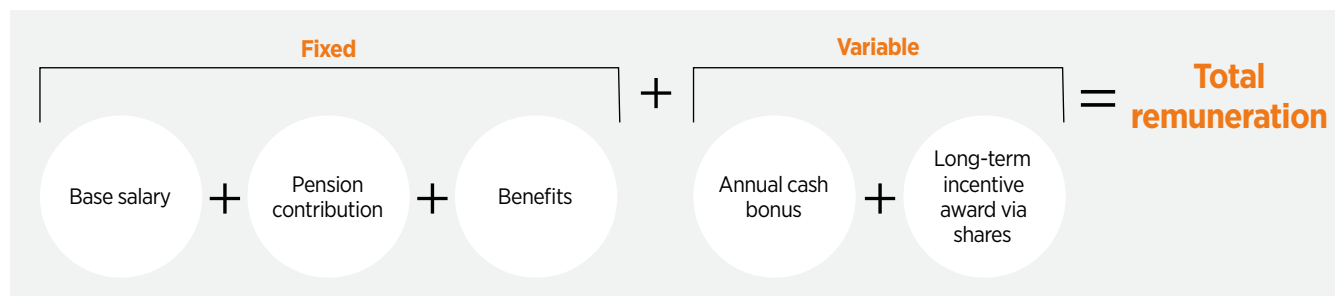
The Committee is committed to an open and transparent dialogue with its shareholders and I will be available to answer questions at the Annual General Meeting about our remuneration policy.



**Robert Sutton**  
Chairman – Remuneration Committee

## The remuneration policy

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



In assessing overall remuneration, the Committee looks at appropriate benchmark data which, in the main, comprises unlisted companies as the closest comparators are typically either privately owned or divisions of larger banks. While seeking to reflect developments in good practice for listed companies, it needs, therefore, to balance this against practice in other companies with which it competes for talent. Overall, the Committee feels that it has struck an appropriate balance and that the arrangements are in the interests of shareholders due to:

- A significant proportion of pay being performance related.
- Operating a flexible bonus policy which is truly variable and linked to appropriately stretching objectives.
- Going forwards, a more conventional LTIP will operate which only vests for the delivery of superior absolute returns to shareholders as measured through total shareholder return (i.e. share price plus reinvestment of dividend).

Fixed compensation comprises principally:

- **Base salaries** – normally reviewed annually by the Committee taking into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and their level of responsibility. Information on market conditions and competitive rates of pay is provided by independent external advisers in order to aid the Committee's determination of fixed compensation levels but is considered as part of a broader review rather than as the driving factor in any changes.
- **Pension** – an employer contribution to a defined contribution pension saving scheme of 7% of base salary which is aligned with that provided to the wider workforce.
- **Benefits** – an entitlement to insured death in service benefits of four times base salary.

The policy for variable compensation is to recognise corporate performance and individual achievement of objectives through a discretionary bonus and through the use of long-term share incentives:

- **Annual Bonus** – the discretionary bonus pool is determined by the Committee each financial year with specific reference to the Group's profit before variable pay and tax, typically by capping the aggregate pool to an agreed percentage of this profit measure and also reviewing the resulting compensation ratio of the Group to ensure this is acceptable with reference to the Board's parameters, historic ratios and market benchmarking. The Committee is able to establish clear targets when setting the aggregate pool available for variable compensation at the Group level, rather than at individual level, acknowledging that a certain degree of flexibility is required at different stages of the business cycle. The Committee has the authority to apply deferrals to the annual cash bonus. Such deferrals are expected to take the form of a share award which requires three further years of service in order that the award vests in full and are likely to be required in future years to ensure compliance with IFR/IFD regulations. Clawback provisions are applied in accordance with regulatory guidelines and best practice. The Executive Directors and other senior executives assess individual performance through clearly defined objectives and a structured process of review and feedback. In particular, the aggregate fixed and variable remuneration by individual is determined with regard to the performance of the individual, performance of the area, sector or function of the business in which the individual works or for which the individual is responsible, the profitability of the Group and levels of reward for comparable roles in the external market.

# Remuneration Committee Report

continued

- Long Term Incentive Plan** – from 2021, the LTIP will now cover the three Executive Directors and will involve the annual grant of performance shares which will vest after three years subject to continued service and the achievement of suitably stretching performance conditions. The awards are subject to a further one year holding period during which vested awards cannot be sold. Malus and clawback provisions are in place for reasons of material misstatement, error in calculation, material failure of risk management, material risk or compliance failure or serious reputational damage to the business. The award levels will be up to 400% of salary for the Co-CEOs and up to 200% of salary for the CFO. The initial awards will be subject to challenging absolute TSR growth measures as set out below:

Performance target	% of award vesting
Below 6% p.a.	0%
6% p.a.	25%
6% - 20% p.a.	Between 25% and 100% on a straight-line basis
20% p.a.	100%

TSR growth will be calculated as the difference between the three-month average return index (which captures the share price movement plus the value of dividends reinvested on the ex-dividend date) immediately before the start of the performance period and across the final year of the performance period. The above CAGRs are, therefore, assessed over the weighted average performance period of 2 years 7.5 months.

Awards will also be subject to an underpin whereby the Committee will need to be satisfied that vesting is warranted based on financial, compliance, culture and risk performance over the performance period including an assessment of Numis' financial performance when measured against its peers, over the performance period.

The Committee retains standard discretions in terms of the ability to amend or adjust the performance conditions if an event occurs which means the original measure is no longer appropriate. The Committee may use alternative measures (including financial, value creation or non-financial measures) for future awards to the extent they are appropriate in terms of the strategic objectives of the business at that time. Standard good leaver terms would apply for injury, disability, death, redundancy, retirement with the agreement of the employer, transfer of business unit outside the Group or any other reason at the Committee's discretion. Awards for good leavers will normally continue to vest on the normal vesting date subject to the assessment of performance and will be time pro-rated for service rendered, unless the Committee determines they should vest early and/or should not be time pro-rated.

- Shareholding requirement** – Executive Directors will be expected to retain at least 50% of all incentive awards which vest (net of tax) until the shareholding guideline is met. For the Co-CEOs this is 500% of salary and for the CFO is 200% of salary. Progress against the shareholding requirement will be reviewed by the Remuneration Committee annually. The shareholding guideline will continue to apply for one-year post-cessation.

## Non-Executive Directors' remuneration

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

## Remuneration principles used in recruitment

The Company may compensate employees for remuneration forfeited as part of the recruitment process (where the amounts in discussion are reasonable and where written proof is provided in support of forfeiture). The Committee will consider the preferred delivery vehicle for such awards, which may include the Group's Long Term Incentive Plan ("LTIP") or Restricted Stock Unit share plan ("RSU") as considered appropriate. In the minority of cases where cash amounts may be issued as part of the award, the cash component is subject to a 2-year gross clawback in the event the employee leaves our employment. We take reasonable steps to ensure remuneration commitments are not more generous in either amounts or terms than variable remuneration offered by the existing employer. In a small number of cases, where remuneration is more generous, its structure is performance dependent and is awarded on an exceptional basis after due consideration of alternative hires and anticipated benefit to the business.

## Directors' service contracts

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

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

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

The tables right provide details of service contracts of the Executive Directors and Non-Executive Directors who served during the year ended 30 September 2020.

**Table 1**  
Directors' service contracts – Executive Directors

	Date of appointment	Nature of contract	Notice period from Company	Notice period from Director	Next re-election
Alex Ham	1 July 2016	Rolling	6 months	6 months	2022
Ross Mitchinson	1 July 2016	Rolling	6 months	6 months	2021
Andrew Holloway	8 January 2018	Rolling	6 months	6 months	2023

**Table 2**  
Directors' service contracts – Non-Executive Directors

	Date of appointment	Next re-election	Notice period
Alan Carruthers	21 March 2017	2022	1 month by either party
Robert Sutton	7 May 2014	2021	1 month by either party
Catherine James	20 May 2014	2021	1 month by either party
Luke Savage	5 February 2019	2022	1 month by either party

#### Settlement agreements

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

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

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

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

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

The Committee continues to monitor the regulatory environment and consider its impact on the Group's remuneration policies including IFR/IFD which has recently been the subject of an FCA consultation.

# Remuneration Committee Report

continued

## Annual Report on Remuneration

### Executive Director remuneration for the year

The total remuneration for each of the Directors who held office during the year ended 30 September 2020 was as follows:

Executive Directors	Salaries £'000	Benefits £'000	Pension allowance £'000	Fixed remuneration £'000	Short-term cash incentives £'000	Long-term incentives £'000	Total variable remuneration £'000	Total remuneration £'000
<b>Alex Ham</b>								
<b>2020</b>	<b>400</b>	<b>1</b>	<b>28</b>	<b>429</b>	<b>3,100</b>	<b>-</b>	<b>3,100</b>	<b>3,529</b>
2019	400	1	28	429	1,000	-	1,000	1,429
<b>Ross Mitchinson</b>								
<b>2020</b>	<b>400</b>	<b>1</b>	<b>28</b>	<b>429</b>	<b>1,600</b>	<b>-</b>	<b>1,600</b>	<b>2,029</b>
2019	400		28	429	500	-	500	929
<b>Andrew Holloway</b>								
<b>2020</b>	<b>233</b>	<b>1</b>	<b>16</b>	<b>250</b>	<b>450</b>	<b>-</b>	<b>450</b>	<b>700</b>
2019	225	1	16	242	200	722	922	1,164

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

#### Salaries and pension

The Committee conducted a thorough review of the basic salaries paid to the Executive Directors. The Committee recognised the need to review benchmarking data in respect of both listed financial service companies of a comparable size and unlisted competitors who operate in the investment banking industry. The Committee concluded that salaries should be increased for 2021 by £75k for the co-CEOs and by £40k for the CFO. In line with best practice, the Executive Directors' pension contribution rate of 7% of salary is the same as the percentage contribution provided to all staff.

#### Variable remuneration awards

The Committee determined the aggregate bonus pool as an agreed percentage of profit and with further reference to the overall compensation ratio of the Group. Thereafter, the Committee allocated a proportion of the Group's discretionary bonus pool to the Executive Directors based on a broad view of performance.

For the year ended 30 September 2020, this proportion was based on performance against KPIs and strategic objectives, and personal objectives underpinned by the values of Numis. In addition, the Committee considered the unprecedented circumstances faced by the firm this year and leadership displayed in navigating the business through exceptional circumstances.

When making a determination on bonus the Committee considered the following financial KPIs:

- Revenue per head – performance was higher than budget and represented a 36% increase on FY19
- Equities revenue – represented a 43% increase on FY19, representing a record performance for the division
- Advisory revenue – represented an 11% decrease on FY19, reflecting the pipeline disruption attributable to COVID-19
- Earnings per share – represented an increase of 240% on FY19, reflecting the strong revenue performance as well as disciplined cost control

Non-financial KPIs were also reviewed, including the development of the corporate client base which has an average market capitalisation of more than £1bn for the first time and market share in UK ECM which was flat on the prior year.

In addition to the business KPIs, the Executives Directors were assessed on personal KPIs and reviewed against each of the corporate values of the firm. The Committee assessed and recognised the personal contribution of the Co-CEOs to our largest fee earning transactions over the course of the year.

When making the final determination of bonus outcomes the Committee was mindful of stakeholder experience over the past financial year. In particular the Committee recognised the Executive Directors demonstrated clear leadership and made a commitment early in the pandemic to not access any of the various government funded COVID-19 support schemes. No staff were furloughed and tax payments were not deferred; in addition, the dividend was paid in accordance with the policy. Overall the outcomes are considered appropriate in light of the excellent financial performance delivered, the strategic progress of the business and the wider backdrop.



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

There were no long-term incentive awards granted in the year to Executive Directors.

### Non-Executive Directors' remuneration

Non-executive Directors	Board fees £'000	Chairman fees £'000	Committee Chairman fees £'000	Total fee 2020 £'000	Total fees 2019 £'000
Alan Carruthers	60	115		175	175
Catherine James	60			60	57
Luke Savage <sup>1</sup>	60		15	75	62
Robert Sutton	60		10	70	68
Geoffrey Vero <sup>2</sup>				-	20

<sup>1</sup> Luke Savage joined the Board on 5 February 2019.

<sup>2</sup> Geoffrey Vero stepped down from the Board on 5 February 2019.

Non-Executive Director fees were last reviewed in 2019, taking into account relevant market data and the increased time commitment devoted to the business in the year. There were no increases for FY20 and there are no planned increases for FY21.

Non-Executive Directors do not participate in decisions concerning their individual fees and are not permitted to participate in any of the Company's incentive arrangements. Non-Executive Directors are permitted to maintain a shareholding in the business if they so wish and subject to Numis' personal dealing policy and PDMR rules. Table 5 on page 85 details the shareholding of the Non-Executive Directors who served on the Board during the year.

### Outstanding Long-term incentive awards

Awards shown in Table 4 set out the Executive Directors' outstanding long-term incentive awards. This includes awards granted to Andrew Holloway under the RSU Plan and awards to Alex Ham and Ross Mitchinson made under the LTIP 2016 Plan. The full details of these awards, including the respective performance measures and targets are disclosed in last year's Remuneration Committee Report [www.numis.com](http://www.numis.com). The LTIP 2016 Plan awards were granted in 2016 as two separate awards with differing performance conditions attached which are summarised below:

#### Basic award

- The basic award is subject to continued service throughout as well as the achievement of a number of subjective performance conditions. The satisfaction of these performance conditions is judged solely by the Group's Remuneration Committee and is subject to the requirement that vesting shall not occur at all unless the grantee has displayed no material failings during the vesting period. That is to say that, in the opinion of the Remuneration Committee, the grantee has displayed no material failings in control process or transgressions of risk tolerance and no material shortcomings in conduct or behaviour.

### Performance award

- The performance award is subject to continued service throughout as well as the achievement of specific performance targets relating to the Company's share price. The award is split into four tranches with each tranche requiring the average share price of the Company to reach or exceed a separate target level over a consecutive 90 day period within the five years following grant date in order for that tranche of the award to become eligible to vest. If the average share price of the Company does not reach or exceed the target level for a particular tranche then that tranche of the award shall lapse. Each tranche is also subject to two further tests that include the same subjective performance assessment as is applied to the basic award and a further comparative underpin to ensure Numis has not materially underperformed a relevant group of comparator companies.

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

# Remuneration Committee Report

continued

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

Director	Normal vesting profile from grant date	Outstanding as at 1 October 2019 <sup>1</sup>	Granted during the year	Vested during the year	Forfeited during the year	Outstanding as at 30 September 2020
Date of grant	Anniversary	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
<b>Andrew Holloway<sup>1</sup></b>						
19 January 2016	2nd, 3rd and 4th anniversary	7,956	-	(7,956)	-	-
15 December 2017	1st, 2nd and 3rd anniversary	31,746	-	(10,582)	-	<b>10,582</b>
21 January 2019	1st, 2nd and 3rd anniversary	300,000	-	(100,000)	-	<b>200,000</b>
						<b>210,582</b>

Notes:

1 Appointed with effect from 8 January 2018.

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

Director		Outstanding as at 1 October 2019	Granted during the year	Transfer	Outstanding as at 30 September 2020
Date of grant		No. shares under option	No. shares under option	No. shares under option	No. shares under option
<b>Alex Ham</b>					
5 September 2016	Basic award	592,193	-	-	592,193
5 September 2016	Performance award				
	Performance conditions not yet achieved	592,192	-	-	592,192
	Performance conditions achieved, service condition remains	2,368,771	-	-	2,368,771
		<b>3,553,156</b>	<b>-</b>	<b>-</b>	<b>3,553,156</b>
<b>Ross Mitchinson</b>					
5 September 2016	Basic award	592,193	-	-	592,193
5 September 2016	Performance award				
	Performance conditions not yet achieved	592,192	-	-	592,192
	Performance conditions achieved, service condition remains	2,368,771	-	-	2,368,771
		<b>3,553,156</b>	<b>-</b>	<b>-</b>	<b>3,553,156</b>

Note

The options awarded under the LTIP 2016 Plan shown in Table 4 have an exercise price of nil, a vesting date of 5 September 2021, an expiry date of 5 September 2026 and a performance period of five years.

Table 5 on page 85 details the shareholding of the Executive Directors who served on the Board during the year.

### Membership and key responsibilities

I am supported in my role as Chairman of the Committee by Catherine James and Luke Savage, both of whom are independent Non-Executive Directors. The Committee is comprised solely of independent Non-Executive Directors. The experience and areas of expertise of the Committee members can be viewed in the Directors' biographies set out on pages 50 and 51 and the Terms of Reference for the Committee, which are reviewed annually and referred to the Board for approval, are available on the Company's website <https://www.numis.com/Investors/Board-and-Main-Committees>

### Remuneration Committee responsibilities

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


In the year, the Committee appointed FIT Remuneration Consultants LLP ("FIT") to provide independent external advice on executive remuneration and the development of the new remuneration policy. FIT is a signatory to the Remuneration Consultants' Group Code of Conduct. The Committee has reviewed the nature of the services provided by FIT and is satisfied that no conflict of interest exists in the provision of these services. The Company received no other services from FIT during the year.

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

- The annual review of the Group's overarching remuneration policy and principles applied to the Group and approving revisions/updates to the policy and incentive arrangements across the Group
- Setting a strategy that ensures the most talented leaders are recruited, retained and motivated to deliver results
- Considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation
- Reviewing the effectiveness of the Group remuneration framework
- Determining the terms of employment and remuneration for the Senior Executive Group including recruitment and termination arrangements
- Approving the design, targets and total payments/awards for performance related pay schemes operated by the Group
- Assessing the appropriateness and subsequent achievement of performance targets relating to the incentive plans for senior staff of the Group
- Reviewing external survey and bespoke benchmarking data in respect of salary and total compensation
- Recommending salary levels for 2021 and bonus payments for 2020 across the Group

### Committee effectiveness

In January 2020, the Board conducted an evaluation of its effectiveness, which was facilitated internally. Questionnaires and face-to-face meetings which covered topics such as composition, meeting effectiveness and engagement with the Executive Board and each of the Committees of the Board were considered. The findings of the evaluation confirmed that the Remuneration Committee continued to operate effectively, that the Non-Executive Directors remain independent and objectively and constructively challenge management. In view of the agenda for the year it was agreed FIT should be appointed to assist with updating the Group's Remuneration policy, in particular Executive compensation arrangements.



**Robert Sutton**  
Chairman – Remuneration Committee

# Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

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

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

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

## Directors' confirmations

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

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

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

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 85. Having made enquiries of fellow Directors and the Company's auditors, each of the Directors confirms that:

- To the best of each Directors' knowledge and belief there is no information relevant to the preparation of the report of which the Company's auditors are aware; 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.

For and on behalf of the Board



**Andrew Holloway**  
Chief Financial Officer & Company Secretary  
16 December 2020

# Directors' Report

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

The Directors serving during the year ended 30 September 2020 and up to the date of signing the Financial Statements present their report on the affairs of Numis Corporation Plc (the Company) and its subsidiaries (collectively called the Group), together with the Company Financial Statements and audited consolidated Financial Statements of the Group and the associated independent auditors' report, for the year ended 30 September 2020.

Numis is a UK AIM-listed public limited company incorporated and domiciled in the United Kingdom.

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

## Parent company

The Company acts as a holding company and details of its subsidiary undertakings are shown in note 15 of the consolidated Financial Statements. The Company's standalone Financial Statements have been prepared in accordance with IFRS as adopted by the EU and form the basis of any future distribution.

## Dividends

The Directors are recommending a final dividend of 6.5p per share (2019: 6.5p) which, together with the interim dividend of 5.5p per share already declared and paid, makes a total for the year ended 30 September 2020 of 12p per share (2019: 12.0p). Subject to approval at the Annual General Meeting, the final dividend will be paid on 12 February 2021 to shareholders on the register of members at the close of business on 18 December 2020.

## Going concern

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

## Post-balance sheet events

Details of post-balance sheet events are set out in note 32 to the consolidated Financial Statements.

## Relations with shareholders

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

Due to current Government guidance on public gatherings, Numis' Annual General Meeting will be a closed meeting and shareholders will not be permitted to attend the meeting in person. Shareholders will be able to email questions to the Board ahead of the meeting.

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

## Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP will be placed before the Annual General Meeting of the Company on 9 February 2021.

## Employment policy

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

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

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

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

Further details on how the Directors have engaged with and have regard to our employees' interests during the financial year are expanded upon in the Corporate Governance Report.

## Change of control

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

## Political donations

During the year the Group made no political donations (2019: nil).

## Engagement with suppliers and customers

How the Directors have fostered business relationships with stakeholders is outlined on page 61 of the Corporate Governance Report.



**For more information see page 22**

# Directors' Report

continued

## Energy and carbon emissions

Numis recognises it has a responsibility to help protect the environment and respond to the global climate crisis. This means minimising the environmental impact of our operations. As part of our efforts to minimise our carbon footprint, this is Numis' first year to report on carbon emissions under UK Streamline Energy & Carbon Reporting Regulations (SECR). Numis' business is mostly conducted from our office in London and New York and as an office-based business our activities are generally not regarded as having a high environmental impact.

## Energy use and emissions

Numis SECR 2019-2020	Energy (rounded) kWh	Factor kgCO <sub>2</sub> e/kWh	Emissions teCO <sub>2</sub> e	Percent
<b>Energy and emissions</b>				
Electricity – Paternoster Square	586,700	0.255600	150.0	99.3%
Travel – car mileage claims	4,700	0.236294	1.1	0.7%
<b>Total</b>	<b>591,400</b>		<b>151.1</b>	<b>100.0%</b>

## Intensity ratio: emissions pre FTE

Business metric: FTE	259.2
Intensity ratio units	kgCO <sub>2</sub> e/FTE
Intensity ratio value	0.583

## Intensity ratio

The emissions intensity ratio is based on UK FTE levels of 259.2 over the reporting year. FTE is a relevant business metric providing a useful intensity ratio which can be calculated on a consistent basis using an accepted average calculation basis.

Numis will be reflecting on the experience of the lockdown period to review all our activities; travel, recycling, resource usage and impact on society when reviewing energy and ESG matters. We have implemented processes to manage environmental risks to reduce, reuse and recycle, wherever possible, waste materials within our place of business. We are working to identify and focus on where we can make the biggest positive difference and some of the existing sustainability initiatives include:

## Energy efficiency actions undertaken

Reducing SECR emissions with energy efficiency actions:

- Roll out of low energy, high efficiency processors and screens with use of hibernation
- Installation of high efficiency lighting for Numis fitouts
- Management of lighting in line with occupancy to minimise energy use
- Encouragement of video conferencing to reduce business travel

Numis will be moving to new office space in 2021 and the new building's green credentials and carbon efficiency rating were an important factor in Numis' decision to choose the space. We will in future expand our reporting on these important issues and will be adhering as far as we can to standards to describe the impact of climate related risks and opportunities on the business.

## Indemnities and insurance

Directors' and Officers' liability insurance is maintained by the Group for all Directors and officers of the Company and the Group. To the extent permitted by law, and in accordance with its Articles of Association, the Company indemnifies its Directors in respect of any loss, liability or expense they incur in relation to the Company or any associated company of the Company. The indemnity was in force during the year and up to the date of approval of the Financial Statements.

## Share capital and share premium

There were no changes in authorised or issued share capital of the Company during the year. Further detail of the Company's share capital is set out in note 24 to the consolidated Financial Statements.

## Financial instruments

Details of the financial risk management objectives and policies of the Group and risk exposures of the Group are included on pages 124 to 132 of the Financial Statements.

## Directors' conflicts of interest

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

## Directors and their interests

The Directors serving during the year ended 30 September 2020 together with their interests in the ordinary shares of 5p each (ordinary shares) of the Company, excluding share incentive plan awards granted but not yet vested are detailed in Table 4 on page 80. There have been no changes in the interests of the serving Directors in ordinary shares or options over ordinary shares during the period 30 September 2020 to 16 December 2020.

### Substantial shareholders

Except for the Directors' interests previously noted, the Directors have been notified of substantial shareholders, detailed in Table 6 on page 85, who are interested in 3% or more of the Company as at 30 September 2020.

### Purchase of shares

The Company has an established Employee Benefit Trust (the Trust) in respect of the Group's share plans which is funded by the Group and has the power to acquire ordinary shares from the Company or in the open market to meet the Group's future obligations under these schemes. During the year ended 30 September 2020 the Trust purchased an aggregate of 1,563,530 (2019: 1,665,071) ordinary shares of the Company having a nominal value of £78,177 (2019: £83,254).

The number of shares purchased representing 1.49% of the Company's issued share capital as at 30 September 2020 (2019: 1.59%) was for an aggregate consideration of £4,483,000 (2019: £4,227,000).

In accordance with shareholder authority, during the year 1,935,000 (2019: 3,000,000) ordinary shares with an aggregate nominal value of £96,750 (2019: £150,000) were purchased into Treasury. The aggregate consideration paid was £5,426,000 (2019: £7,774,000). During the year 2,000,000 shares (2019: 2,000,000) were transferred out of Treasury to the Trust. The number of shares held in Treasury, as at 30 September 2020, totals 13,371,088 (2019: 13,436,088).

This report was approved by the Board on 16 December 2020 and signed on its behalf by:

**Andrew Holloway**  
**Company Secretary & Chief Financial Officer**  
**16 December 2020**

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

**Table 5**  
**Directors and their interests**

	30 September 2020 ordinary shares	30 September 2019 ordinary shares
<b>Executive Directors</b>		
Alex Ham	<b>608,741</b>	608,741
Ross Mitchinson	<b>298,790</b>	298,790
Andrew Holloway	<b>123,652</b>	60,828
<b>Non-Executive Directors</b>		
Alan Carruthers	<b>25,000</b>	25,000
Catherine James	<b>12,000</b>	12,000
Luke Savage	<b>10,000</b>	10,000
Robert Sutton	<b>12,500</b>	12,500

**Table 6**  
**Substantial shareholders as at 30 September 2020**

	Registered holding number of ordinary shares	% of remaining ordinary shares in issue <sup>1</sup>
Anders Holch Povlsen	<b>24,175,059</b>	23.0%
Unicorn Asset Management	<b>7,200,000</b>	6.85%
Aviva Investors	<b>4,429,392</b>	4.21%
Marcus J Chorley	<b>3,722,245</b>	3.54%
Kayne Anderson Rudnick Investment LLC	<b>5,864,010</b>	5.58%
IPGL Limited	<b>6,420,318</b>	6.11%
J O Hambro Capital Management	<b>4,969,946</b>	4.73%
Polar Capital	<b>4,295,298</b>	4.08%
Nortrust Nominees Limited	<b>4,624,770</b>	4.40%

Note

1 Excludes ordinary shares held in Treasury.


# THINKING AND ACTING CREATIVELY

To go further for our clients, we think and act creatively. We like to challenge convention and innovate so we can create new and better ways to help our clients. We encourage and empower each other to work this way.



## Trusted advice on unprecedented challenges


Our clients turned to us for agile, insightful advice and help in this year of unprecedented challenges. Our role as trusted independent adviser able to offer creative solutions really came into its own this year.

 See page 13 for more information.



## Tailored research

Our commitment to providing truly deep tailored research has been valuable for our clients post-MiFID II, and in this tumultuous COVID-19 year it has been appreciated even more.

 See page 14 for more information.






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### Innovative support for clients


Rather than simply move pre-COVID-19 processes online, we rethought how best to support our clients. For example, we went from holding 30 separate investor roadshows to hosting just two online for 15 investors at a time. Much quicker and more effective for everyone.

 See page 15 for more information.



### Quickly identifying fundraising opportunities

We used the power of online collaboration to speed up the way we identified fundraising opportunities for our clients – holding back-to-back speed dating with sector heads in just a few hours to pinpoint the best opportunities on a daily basis.

 See page 13 for more information.



### Bespoke transactions for clients

From the private markets, we advise on and put together bespoke transactions to help our clients make the most of completely new challenges and opportunities.

 See page 14 for more information.

# Financial Statements

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

## Report on the audit of the Financial Statements

### Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2020 and of the Group's 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, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 30 September 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

## Our audit approach

### Overview

#### Materiality

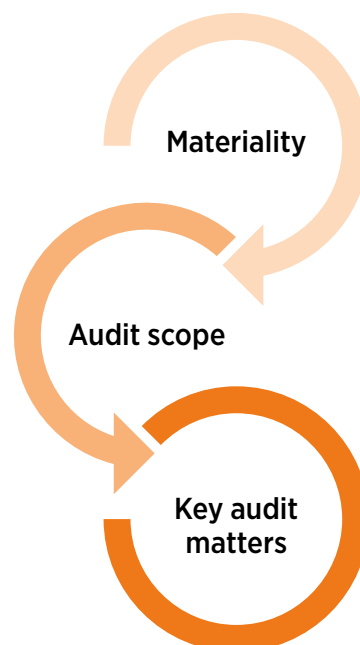
- Overall Group materiality: £1,335,000 (2019: £1,387,000), based on 5% of average three-year profit before tax.
- Overall Company materiality: £883,000 (2019: £792,633), based on 1% of total assets.

#### Audit scope

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

#### Key audit matters

- Timing of revenue recognition in relation to advisory fees and capital market fees.
- Valuation of strategic unlisted investments.
- Impact of COVID-19.



### The scope of our audit

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

### Key audit matter

#### Timing of revenue recognition in relation to advisory fees and capital market fees (Group)

Refer to note 4 "Revenue" in the financial statements for the relevant disclosures.

In accordance with the accounting policies set out in Note 1 c, advisory fees and capital market fees are only recognised once all performance obligations have been met and there is a contractual entitlement for the Group to receive them. For capital market fees this is typically only when a deal completes. The obligations and related deal fee are documented in the contract.

The timing of the revenue recognition is assessed by the management through considering if performance obligations are met on an individual contract basis. Total revenue from advisory fees and capital market fees is £88 million (2019: £61 million), which represents 57% of total revenue for the year ended 2020 (2019: 54%).

When determining whether performance obligations are met, management base their judgement on their industry experience and knowledge for the Group's business. Certain contracts include multiple performance obligations and involve more judgement. Such contracts can also have higher revenue contributions. Thus, we concluded that it was appropriate to focus the audit on the cut-off of revenue recognition from advisory fees and capital market fees.

### Key audit matters

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

### How our audit addressed the key audit matter

- Performed a walkthrough to understand and assess the controls in place over revenue recognition of advisory fees and capital market fees and concluded that the most effective audit approach for the significant risk related to cut off to be substantive.
- Ensured the completeness and accuracy of the listing of fees by agreeing a sample of trades to the general ledger (including sampling from the ledger to the listing).
- Tested a sample of contracts to determine whether fees and commissions were recognised in accordance with contractual terms and performed recalculation on the amount recognised.
- Tested cut-off on such revenues arising or recorded either side of the balance sheet date to agree they are properly recognised in the appropriate period.

Based on the tests performed, we found no material misstatements related to the timing of revenue recognition in relation to corporate finance fees and placing commissions.

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

continued

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## Valuation of unlisted trading investments (Group)

Refer to note 18 "Trading Investments" to the financial statements for the relevant disclosures.

In accordance with the accounting policies set out in Note 1h, for unlisted trading investments where no independent prices are quoted in active markets, 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.

Total unlisted trading investment is £15 million as at 30 September 2020 (30 September 2019: £14 million).

Management makes significant judgements over the valuation of unlisted trading investments when using valuation techniques and forming valuation estimates.

Thus, we concluded that the higher assessed risks of material misstatement relate to the valuation of unlisted trading investments. The valuation impacts both the financial position as at the reporting date and the resulting unrealised gains/losses reported in the income statement.

- Performed a walkthrough to understand and assess the controls in place over the valuation of strategic unlisted investments and concluded that the most effective audit approach for the significant risk related to valuation to be substantive.
- We performed testing using a targeted risk based sampling approach, which achieved coverage of 94% (or £13.9m of a total of £15.0m) of the strategic unlisted investment portfolio.

For the selected investments:

- Tested a sample of valuation inputs used by management by obtaining appropriate audit evidence including investee financial information and publicly available information, where available. This also included independently confirming Numis' ownership in the investee company.
- Together with our internal valuation experts, we independently reviewed a sample of unlisted trading investments, evaluated the valuation techniques used by management, and independently determined whether those valuations are within a reasonable range.
- Evaluated the approach taken by management for consistency, both across investments and year on year.
- Performed our own searches for relevant news flows or valuation trigger events (such as new rounds of financing).

Based on the tests performed, we found no material misstatements relation to the valuation of unlisted investments.

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### Impact of COVID-19 (Group and Company)

The coronavirus (COVID-19) pandemic has developed rapidly in 2020. Financial institutions have faced increased economic uncertainty and greater market volatility, resulting in an increased going concern risk for many entities.

Additionally, COVID-19 has created significant uncertainty on the future economic outlook, market forecasts and volatility. This could have an impact on the valuation of the Group's strategic unlisted investments.

As a result of the above, we have determined consideration of the impact of COVID-19 to be a key audit matter and the areas of our audit most impacted by COVID-19 include:

#### Going concern

Valuation of unlisted trading investments

The Group financial statements are prepared on the going concern basis of accounting. We focused on the appropriateness of using a going concern basis of accounting given the uncertainty about the long-term economic outlook and potential impact on the business model as a result of the economic and social impacts of COVID-19. The ability of the Group to continue as going concerns is dependent on the business model resilience and maintenance of adequate liquidity and capital resources.

In assessing the Directors' consideration of the impact of COVID-19 on the financial statements, we have undertaken the following audit procedures:

#### Going concern:

In assessing the Directors' going concern assessment:

- Evaluated and challenged management's assessment of the impact of COVID-19 on their financial plans, liquidity and capital position, and operating arrangements;
- Evaluated the stress testing performed by management and considered whether these were adequate and met relevant accounting requirements;
- Substantiated the nature and existence of the Group's financial resources and liquidity financing facilities; and
- Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of COVID-19.

Valuation of unlisted trading investments:

We assessed the impact on the strategic unlisted investments of Covid-19 in the KAM discussed above.

Based on the tests performed, we concluded that the impact of Covid-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

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

continued

## How we tailored the audit scope

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

The Group operates in the UK and the US, with the UK being the most significant territory. The Group is composed of three operating entities, Numis Corporation plc (UK) ("NCP"), Numis Securities Limited (UK) ("NSL") and Numis Securities Inc (US) ("NSI").

We performed audit procedures over reporting entities considered financially significant in the context of the Group (full scope audit) or in the context of individual primary statement account balances (audit of specific account balances), using the materiality levels set out below.

Full scope audit entities: NCP and NSL;

Audit of specific account balances: NSI.

We also considered the presence of any significant audit risks and other qualitative factors (including evaluating history of misstatements through fraud or error).

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

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

## Materiality

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

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

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£1,335,000 (2019: £1,387,000).	£883,000 (2019: £792,633).
<b>How we determined it</b>	5% of average 3-year profit before tax.	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe profit before tax is a primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. We have used the average 3-year profit before tax due to the fluctuation in profitability. The benchmark is consistent with the prior year.	We believe that total assets is an appropriate benchmark as the primary purpose of the entity is to act as a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £303,000 and £1,268,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £67,000 (Group audit) (2019: £69,350) and £44,150 (Company audit) (2019: £39,632) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## 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 where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

## Reporting on other information

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

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

With respect to the Strategic Report and 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 82, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### Use of this report

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

#### Other required reporting

##### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

#### Other voluntary reporting

##### Directors' remuneration

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

In our opinion, the part of the Directors' Remuneration Report on page 78 to be audited has been properly prepared in accordance with the Companies Act 2006.



**Mike Wallace**  
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
London  
16 December 2020

# Consolidated Income Statement

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Revenue	4	<b>154,899</b>	111,610
Other operating income/(expense)	5	<b>310</b>	(2,210)
<b>Total income</b>		<b>155,209</b>	109,400
Administrative expenses	6	<b>(118,409)</b>	(97,514)
<b>Operating profit</b>		<b>36,800</b>	11,886
Finance income	8	<b>986</b>	684
Finance costs	9	<b>(723)</b>	(134)
<b>Profit before tax</b>		<b>37,063</b>	12,436
Taxation	10	<b>(5,713)</b>	(3,110)
<b>Profit for the year</b>		<b>31,350</b>	9,326
<b>Attributable to:</b>			
Owners of the parent		<b>31,350</b>	9,326
<b>Earnings per share</b>			
Basic	26	<b>29.9p</b>	8.8p
Diluted	26	<b>26.7p</b>	8.1p

The notes on pages 101 to 133 form an integral part of these financial statements.



# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2020

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	2020 £'000	2019 £'000
Profit for the year	<b>31,350</b>	9,326
Items that may be reclassified to the Income Statement on fulfilment of specific conditions:		
Exchange differences on translation of foreign operations	<b>227</b>	(96)
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>227</b>	(96)
<b>Total comprehensive income for the year, net of tax, attributable to owners of the parent</b>	<b>31,577</b>	9,230

The notes on pages 101 to 133 form an integral part of these financial statements.

# Consolidated Balance Sheet

As at 30 September 2020

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,596	2,790
Intangible assets	13	406	80
Right-of-use assets	14	4,020	-
Deferred tax asset	16	5,617	3,962
		<b>12,639</b>	6,832
<b>Current assets</b>			
Trade and other receivables	17, 29	326,156	187,258
Trading investments	18	38,089	38,463
Stock borrowing collateral	19	18,222	14,640
Current income tax receivable		1,332	-
Derivative financial instruments	20	18	1,103
Cash and cash equivalents	21	125,217	84,202
		<b>509,034</b>	325,666
<b>Current liabilities</b>			
Trade and other payables	22, 29	(340,265)	(178,613)
Financial liabilities	1(h)	(19,170)	(14,153)
Lease liabilities	23	(1,962)	-
Current income tax payable		-	(1,578)
		<b>(361,397)</b>	(194,344)
<b>Net current assets</b>		<b>147,637</b>	131,322
<b>Non-current liabilities</b>			
Lease liabilities	23	(2,643)	-
<b>Net assets</b>		<b>157,633</b>	138,154
<b>Equity</b>			
Share capital	24	5,922	5,922
Other reserves	24	22,421	20,639
Retained earnings		129,290	111,593
<b>Total equity</b>		<b>157,633</b>	138,154

The notes on pages 101 to 133 form an integral part of these financial statements.

The Financial Statements on pages 94 to 133 were approved and authorised for issue by the Board on 16 December 2020 and signed on its behalf by:



**Alex Ham and Ross Mitchinson**

**Co-Chief Executive Officers**

Numis Corporation Plc  
Registration No.2375296

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

● Strategic Report

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	Note	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2019		5,922	20,639	111,593	138,154
Profit for the year				31,350	31,350
Other comprehensive income			227		227
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>227</b>	<b>31,350</b>	<b>31,577</b>
Dividends paid	11			(12,582)	(12,582)
Net movement in treasury shares				(37)	(37)
Movement in respect of employee share plans			1,555	(1,711)	(156)
Deferred tax related to share-based payments	16			677	677
<b>Transactions with shareholders</b>		<b>-</b>	<b>1,555</b>	<b>(13,653)</b>	<b>(12,098)</b>
<b>Balance at 30 September 2020</b>		<b>5,922</b>	<b>22,421</b>	<b>129,290</b>	<b>157,633</b>
Balance at 1 October 2018		5,922	17,537	119,677	143,136
Profit for the year				9,326	9,326
Other comprehensive expense			(96)		(96)
Total comprehensive (expense)/income for the year		-	(96)	9,326	9,230
Dividends paid	11			(12,650)	(12,650)
Net movement in treasury shares				(2,303)	(2,303)
Movement in respect of employee share plans			3,198	(1,879)	1,319
Deferred tax related to share-based payments	16			(578)	(578)
Transactions with shareholders		-	3,198	(17,410)	(14,212)
Balance at 30 September 2019		5,922	20,639	111,593	138,154

The notes on pages 101 to 133 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
<b>Operating activities</b>			
Cash flows generated from operating activities	27	<b>76,051</b>	391
Interest paid	9	<b>(497)</b>	(134)
Taxation paid		<b>(9,601)</b>	(3,005)
<b>Net cash generated from/(used in) operating activities</b>		<b>65,953</b>	(2,748)
<b>Investing activities</b>			
Purchase of property, plant and equipment	12	<b>(1,029)</b>	(714)
Purchase of intangible assets	13	<b>(431)</b>	(47)
Interest received	8	<b>986</b>	684
<b>Net cash used in investing activities</b>		<b>(474)</b>	(77)
<b>Financing activities</b>			
Purchases of own shares – Treasury		<b>(5,426)</b>	(7,774)
Purchases of own shares – Employee Benefit Trust		<b>(4,344)</b>	(4,222)
Cash paid in respect of lease arrangements – principal		<b>(1,873)</b>	-
Cash paid in respect of lease arrangements – discount		<b>(226)</b>	-
Dividends paid	11	<b>(12,582)</b>	(12,650)
<b>Net cash used in financing activities</b>		<b>(24,451)</b>	(24,646)
<b>Net movement in cash and cash equivalents</b>		<b>41,028</b>	(27,471)
Opening cash and cash equivalents		<b>84,202</b>	111,673
Net movement in cash and cash equivalents		<b>41,028</b>	(27,471)
Exchange movements		<b>(13)</b>	-
<b>Closing cash and cash equivalents</b>	21	<b>125,217</b>	84,202

The notes on pages 101 to 133 form an integral part of these financial statements.

# Company Balance Sheet

As at 30 September 2020

● Strategic Report

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● **Financial Statements**

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	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Investment in subsidiary undertakings	15	<b>88,835</b>	79,256
		<b>88,835</b>	79,256
<b>Current assets</b>			
Trade and other receivables	17	<b>7</b>	7
		<b>7</b>	7
<b>Current liabilities</b>			
Trade and other payables	22	<b>(6,580)</b>	(1,572)
		<b>(6,580)</b>	(1,572)
<b>Net current liabilities</b>			
		<b>(6,573)</b>	(1,565)
<b>Net assets</b>			
		<b>82,262</b>	77,691
<b>Equity</b>			
Share capital	24	<b>5,922</b>	5,922
Other reserves	24	<b>21,056</b>	19,501
Retained earnings		<b>55,284</b>	52,268
<b>Total equity</b>		<b>82,262</b>	77,691

The notes on pages 101 to 133 form an integral part of these financial statements.

As provided by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year amounted to £13,000,000 (2019: £19,000).

The Financial Statements on pages 94 to 133 were approved and authorised for issue by the Board on 16 December 2020 and signed on its behalf by:



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

# Company Statement of Changes in Equity

For the year ended 30 September 2020

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2019	5,922	19,501	52,268	77,691
Profit for the year			13,000	13,000
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>13,000</b>	<b>13,000</b>
Dividends paid			(12,582)	(12,582)
Net movement in treasury shares			(37)	(37)
Movement in respect of employee share plans		1,555	2,635	4,190
Transactions with shareholders	-	1,555	(9,984)	(8,429)
<b>Balance at 30 September 2020</b>	<b>5,922</b>	<b>21,056</b>	<b>55,284</b>	<b>82,262</b>
Balance at 1 October 2018	5,922	16,303	64,861	87,086
Profit for the year			19	19
Total comprehensive income for the year	-	-	19	19
Dividends paid			(12,650)	(12,650)
Net movement in treasury shares			(2,303)	(2,303)
Movement in respect of employee share plans		3,198	2,341	5,539
Transactions with shareholders	-	3,198	(12,612)	(9,414)
Balance at 30 September 2019	5,922	19,501	52,268	77,691

The notes on pages 101 to 133 form an integral part of these financial statements.

The Company had no cash or cash equivalent balances at 30 September 2018, 30 September 2019 or 30 September 2020. Similarly there were no movements in cash or cash equivalents during the year ended 30 September 2019 or the year ended 30 September 2020. Therefore no cash flow statement is presented for the Company.

# Notes to the Financial Statements

- Strategic Report
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## 1. Accounting policies

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

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

### (a) Basis of preparation

The Group and the Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS. These Financial Statements have been prepared under the historical cost convention as modified by revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. In publishing the Company Financial Statements together with those of the Group, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

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

No new standards or amendments to existing standards have been early adopted by the Group or the Company during the accounting year ended 30 September 2020. Minor amendments to IFRSs effective for the Group from 1 October 2020 have been issued by the IASB. These amendments are expected to have no or an immaterial impact on the Group.

IFRS 16 "Leases" has been adopted by the Group and the Company for the accounting year ended 30 September 2020, but comparatives have not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. There are no uncertain tax positions that require disclosure under IFRIC 23. There are no other new mandatory standards, amendments or interpretations for the Group's and the Company's accounting year ended 30 September 2020.

IFRS 16 has brought all material leases onto the balance sheet with a liability representing future lease payments and an asset representing right of use. All leases have been assessed, and those that fall within the standard are the two property leases that the Group has in place. The impact has not been material to the income statement, although it has introduced material additional balances to the assets and liabilities of the Group.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 October 2019 were a weighted average of 4.36%.

### (b) Basis of consolidation

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

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

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

# Notes to the Financial Statements

## continued

### 1. Accounting policies continued

#### (c) Revenue from contracts with customers

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

- 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 through profit and loss, 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 income comprises institutional commissions and research fees. Institutional commissions due are recognised on trade dates and are calculated as a percentage of the trade. The commission percentage is contractually determined in advance with the respective client and only recognised when the trade completes.
- Research fees are recorded in the period to which they relate, and the contract price can be variable from period to period based on the level or standard of research provided. Contracts are in place between the Group and each of its research clients and amounts recorded are either over a period for which the service is provided, or where discretionary based on variable considerations derived from the most recent level of research provided in the previous period updated for recent events or communications with the client.
- Corporate retainers are accrued over the period for which the service is provided and are based on a contract between the Group and the client, which is typically renewed annually with a notice period. The negotiated contract price varies by contract and is documented in the contract.
- Advisory fees and capital markets deal fees are only recognised upon deal completion, when there is a contractual entitlement for the Group to receive them. Obligations and related deal fees are documented in the contract.

#### (d) Segment reporting

The Group is managed as an integrated investment banking business and is considered one segment. Although there are different revenue types, there is no separate profitability information produced in relation to the different revenue types. Consequently, the Group is managed as a single business unit. The chief operating decision-makers, who are responsible for allocating resources and assessing performance, have been identified as the Co-Chief Executive Officers.

#### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is provided for on a straight-line basis at the following rates:

Office and computer equipment	3 years
Furniture and fittings	5 years

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

#### (f) Intangible assets

Purchased computer software costs are capitalised where it is probable that future economic benefits that are attributable to the asset will flow to the Group or 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 three years. Costs associated with maintaining the software are recognised as an expense when incurred.

#### (g) Impairment of assets

The carrying value of property, plant and equipment and intangibles is reviewed for impairment 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 compared to the carrying value to determine impairment loss.



## 1. Accounting policies continued

### (h) Financial assets and liabilities

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

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

Trading investments and financial liabilities represent market-making positions and other investments held for resale in the near term and are classified as fair value through profit or loss. Purchases and sales of investments are recognised on trade date. Gains and losses arising from changes in fair value are taken to the income statement within trading gains for the trading portfolio or other income/(expenses) for investments held outside the trading portfolio.

For trading investments and financial liabilities that 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 that are included within trade and other receivables are classified as held at amortised cost. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Financial liabilities are recognised on the trade date and are derecognised when they are extinguished. Financial liabilities comprise short market-making positions and include securities listed on the LSE Main and AIM markets as well as overseas exchanges.

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

Trade and other receivables comprise of receivables from clients, brokers and other counterparties, loans to employees, other receivables including corporate finance receivables, and prepayments. In accordance with IFRS 9, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. For all trade and other receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure expected credit losses, receivables have been grouped based on days past due, with a higher credit risk associated with receivables longer past due. Corporate finance receivables by payment profile have been assessed 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.

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 at the reporting date.

# Notes to the Financial Statements

## continued

### 1. Accounting policies continued

#### (j) Stock borrowing collateral

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

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

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

#### (k) Derivative financial instruments

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

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

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

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

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

#### (l) Deferred tax

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

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

#### (m) Cash and cash equivalents

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

#### (n) Trade and other payables

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

Deferred income represents fees received in advance of services being performed, typically in relation to corporate retainers, which are accrued over the period for which the service is provided.

## 1. Accounting policies continued

### (o) Provisions

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

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

### (p) Clients' 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 bank accounts with a financial institution. The amounts held on behalf of clients at the balance sheet date are included in note 21.

### (q) Pension costs

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

### (r) Operating leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term even if the payments are not made on such a basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. From 1 October 2019 the Group's property leases have been accounted for as finance leases under IFRS 16.

### (s) Foreign currency translation

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

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

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

### (t) Taxation

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

### (u) Employee share ownership plans

The Group has a number of Employee Share Ownership Plans (ESOP), as set out in note 25, which provide a mechanism for the Board to reward employees of the Group share-based payments on a discretionary basis. An Employee Benefit Trust established by the Company acquires ordinary shares in the Company to be held on trust for the benefit of, and ultimately distributed to, employees either on the exercise of share options or other remuneration arrangements.

# Notes to the Financial Statements

## continued

### 1. Accounting policies continued

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

On consolidation, the cost of shares held by the Employee Benefit Trust is deducted as an adjustment to equity. Gains and losses arising on Employee Benefit Trust related transactions are taken directly to equity.

#### (v) Dividends

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

#### (w) Critical judgements and estimates

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 judgements and 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 at the reporting date. This determination may require significant judgement in determining changes in fair value since the last valuation date. In making this judgement the Group evaluates among other factors recent offerings or transaction prices, changes in the business outlook affecting a particular investment since purchase, performance of the underlying business against original projections, valuations of similar quoted companies and relevant industry valuation techniques, for example, discounted cash flow or market approach. A sensitivity analysis has been prepared and disclosed in note 29.

#### Share-based payments

In determining the fair value of equity-settled share-based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, an estimate must be formed as to the likely number of shares that will vest along with the fair value of each award granted. Where relevant, the fair value is determined by using the Black-Scholes valuation model or, for certain awards, a stochastic valuation model, both of which are dependent on estimates relating to the Group's future dividend policy, the timing of prospective option exercises and the future volatility in the price of the Company's shares. Certain awards contain non-market conditions such as personal and share price performance measures. A sensitivity analysis has been prepared and disclosed in note 25.

#### (x) Exceptional items

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

#### (y) Treasury shares

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

In addition to the above accounting policies, the following relate specifically to the Company:

#### (z) Investment in subsidiaries

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

## 2. Profit of the parent company

As provided by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these Financial Statements. The parent company's profit after tax for the financial year amounted to £13,000,000 (2019: £19,000).

## 3. Geographical information

The Group is managed as an integrated investment banking business and although there are different revenue types (which are separately disclosed in note 4) the nature of the Group's material activities is considered to be subject to the same and/or similar economic characteristics. Consequently, the Group is managed as a single business unit.

The Group earns its revenue in the following geographical locations:

	2020 £'000	2019 £'000
United Kingdom	<b>144,333</b>	106,077
United States of America	<b>10,566</b>	5,533
	<b>154,899</b>	111,610

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

	2020 £'000	2019 £'000
United Kingdom	<b>3,994</b>	2,394
United States of America	<b>3,028</b>	476
	<b>7,022</b>	2,870

### Other information

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

Administrative expenses comprise the following:

	2020 £'000	2019 £'000
Equities income	<b>53,195</b>	37,325
Corporate retainers	<b>13,536</b>	13,357
Advisory and capital markets deal fees	<b>88,168</b>	60,928
Revenue (see note 4)	<b>154,899</b>	111,610
Investment activity net gains/(losses)	<b>310</b>	(2,210)
Contribution from investment portfolio	<b>310</b>	(2,210)
Total	<b>155,209</b>	109,400
Net assets		
Investment banking and equities activities	<b>17,685</b>	39,105
Investing activities	<b>14,731</b>	14,847
Cash and cash equivalents	<b>125,217</b>	84,202
<b>Total net assets</b>	<b>157,633</b>	<b>138,154</b>

# Notes to the Financial Statements

continued

## 4. Revenue

	2020 £'000	2019 £'000
Net trading gains	16,003	4,008
Institutional income	37,192	33,317
Equities income	53,195	37,325
Corporate retainers	13,536	13,357
Advisory fees	11,146	12,576
Capital markets fees	77,022	48,352
Investment banking income	101,704	74,285
	<b>154,899</b>	111,610

## 5. Other operating income/(expense)

	2020 £'000	2019 £'000
Investment activity net gains/(losses)	310	(2,210)

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

## 6. Administrative expenses

Administrative expenses comprise the following:

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	1,223	1,124
Depreciation of right-of-use assets	1,793	–
Amortisation of intangible assets	105	44
Operating lease costs	–	1,871
Staff costs (see note 7)	85,977	64,543
Other non-staff costs	28,876	29,607
Auditors' remuneration		
<i>Audit services</i>		
Audit fee for the Company's Financial Statements and Annual Report	35	33
Statutory audit services provided to UK subsidiaries of the Company	195	149
Statutory audit services provided to a US subsidiary	80	55
Other services		
Tax, regulatory assurance and other services	125	88
	<b>118,409</b>	97,514

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. During the year, travel and entertainment costs have declined as a result of Covid-19. This decline more than offset incremental technology spend associated with enabling remote working. Other non-staff costs also reflect the adoption of IFRS 16. Given the limited duration of our head office lease, the impact of the new standard on other non-staff costs is immaterial. Other non-staff costs include £1,330,000 of non-recurring costs related to the head office relocation anticipated next year.

## 7. Staff costs

Amounts in relation to employees (including Executive Directors) are as shown below.

	2020 £'000	2019 £'000
Wages and salaries	63,086	45,181
Social security costs	10,771	6,301
Severance payments	440	302
Pension costs (see note 28e)	1,719	1,845
Share-based payments	9,961	10,914
	<b>85,977</b>	64,543

The average number of employees during the year increased to 282 (2019: 276) with the number at 30 September 2020 totalling 292 (30 September 2019: 277). Compensation costs as a percentage of revenue have decreased to 56% (2019: 58%).

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

Number of staff employed:

	2020 Number	2019 Number
Monthly average for the year		
Front office	207	208
Support functions	75	68
Total monthly average for the year	282	276
At the year end	292	277

Details of Directors' emoluments are presented in the Remuneration Report on page 78.

## 8. Finance income

	2020 £'000	2019 £'000
Interest income	261	581
Net foreign exchange gains	650	74
Other income	75	29
	<b>986</b>	684

Interest income comprises interest on surplus cash balances placed on call deposit and interest receivable on certain staff loans. Net foreign exchange gains relate to activities in the normal course of business and investments held in foreign currencies, such as USD.

## 9. Finance costs

	2020 £'000	2019 £'000
Interest expense	497	134
Unwind of lease liability discount	226	-
	<b>723</b>	134

Interest expense comprises amounts paid on overdrawn balances with clearing institutions. Interest expense has increased due to drawdowns of the Revolving Credit Facility for trading purposes in the normal course of business. The unwind of the lease liability discount relates to the leases treated as finance leases under IFRS 16, which was effective for the 2020 financial year end.

# Notes to the Financial Statements

continued

## 10. Taxation

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

	2020 £'000	2019 £'000
<b>Current tax</b>		
Corporation tax at 19.0% (2019: 19.0%)	7,074	2,693
Adjustments in respect of prior years	(202)	73
Total current tax	6,872	2,766
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,077)	349
Changes in tax rate	(82)	(5)
Total tax charge	5,713	3,110

Factors affecting the tax charge for the year:

	2020 £'000	2019 £'000
Profit before tax	37,063	12,436
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2019: 19%)	7,041	2,363
Effects of:		
Non-deductible expenses and non-taxable income	(649)	(457)
Profits taxed at rates other than 19%, principally banking surcharge tax	291	-
Losses available for utilisation	18	80
Permanent differences in respect of share-based payments	299	651
Adjustments in respect of prior years	(202)	73
Changes in tax rate and other temporary differences	(1,085)	400
Total tax charge	5,713	3,110

The standard rate of corporation tax in the UK was 19% (2019: 19%) during the reporting period. This rate has been used as the future tax rate in the valuation of the deferred tax asset, as no changes to this rate have been substantially enacted.

## 11. Dividends

	2020 £'000	2019 £'000
Final dividend for year ended 30 September 2018 (6.50p)	-	6,837
Interim dividend for year ended 30 September 2019 (5.50p)	-	5,813
Final dividend for year ended 30 September 2019 (6.50p)	6,788	-
Interim dividend for year ended 30 September 2020 (5.50p)	5,794	-
Distribution to equity holders of Numis Corporation Plc	12,582	12,650

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

On 7 December 2020 the Board proposed a final dividend of 6.5p per share for the year ended 30 September 2020. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. Based on the number of shares in issue at the year end the total amount payable would be £6,789,000.



## 12. Property, plant and equipment

### Group

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

	Furniture and fittings £'000	Leasehold improvements £'000	Office and computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 October 2019	853	5,373	4,179	10,405
Additions	15	33	981	1,029
Disposals	(280)	-	(2,646)	(2,926)
<b>At 30 September 2020</b>	<b>588</b>	<b>5,406</b>	<b>2,514</b>	<b>8,508</b>
<b>Accumulated depreciation</b>				
At 1 October 2019	483	3,820	3,312	7,615
Charge for the year	98	580	545	1,223
Disposals	(280)	-	(2,646)	(2,926)
<b>At 30 September 2020</b>	<b>301</b>	<b>4,400</b>	<b>1,211</b>	<b>5,912</b>
<b>Net book value</b>				
At 30 September 2019	370	1,553	867	2,790
<b>At 30 September 2020</b>	<b>287</b>	<b>1,006</b>	<b>1,303</b>	<b>2,596</b>
<b>Cost</b>				
At 1 October 2018	803	5,262	3,626	9,691
Additions	50	111	553	714
At 30 September 2019	853	5,373	4,179	10,405
<b>Accumulated depreciation</b>				
At 1 October 2018	378	3,230	2,883	6,491
Charge for the year	105	590	429	1,124
At 30 September 2019	483	3,820	3,312	7,615
<b>Net book value</b>				
At 30 September 2018	425	2,032	743	3,200
At 30 September 2019	370	1,553	867	2,790

# Notes to the Financial Statements

continued

## 13. Intangible assets

### Group

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

	2020 Purchased software £'000	2019 Purchased software £'000
<b>Cost</b>		
At 1 October	1,151	1,104
Additions	431	47
Disposals	(589)	-
<b>At 30 September</b>	<b>993</b>	1,151
<b>Accumulated amortisation</b>		
At 1 October	1,071	1,027
Charge for the year	105	44
Disposals	(589)	44
<b>At 30 September</b>	<b>587</b>	1,071
<b>Net book value</b>		
At 1 October	80	77
<b>At 30 September</b>	<b>406</b>	80

## 14. Right-of-use assets

### Group

The Group's right-of-use assets from the adoption of IFRS 16 on 1 October 2019 and during the year were as follows.

	2020 £'000	2019 £'000
<b>Asset</b>		
At 1 October	6,625	-
Opening accrual adjustment	(676)	-
Depreciation	(1,793)	-
Foreign exchange	(136)	-
<b>At 30 September</b>	<b>4,020</b>	-

Right-of-use assets primarily relate to existing property leases in London and New York. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. The Group has also entered into a new property lease in London, for which the office space is not yet available for use. This will supersede the existing London property lease. The new office space is anticipated to become available for use during the financial year to 30 September 2021.

## 15. Investment in subsidiary undertakings

### Company

#### a) Company investment in subsidiaries

	2020 £'000	2019 £'000
At 1 October	79,256	68,246
Additions	9,579	11,010
<b>At 30 September</b>	<b>88,835</b>	79,256

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

#### b) Subsidiaries

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

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

\* Held through a subsidiary of the Group

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

## 16. Deferred tax

### Group

The movement in the deferred tax balance is as follows:

	2020 £'000	2019 £'000
At 1 October	3,962	4,938
Amounts recognised in the income statement	978	(398)
Amounts recognised in equity	677	(578)
<b>At 30 September</b>	<b>5,617</b>	3,962

	Capital allowances £'000	Share plan arrangements £'000	Other £'000	Total £'000
At 1 October 2019	53	3,883	26	3,962
Amounts recognised in the income statement	21	958	(1)	978
Amounts recognised in equity	-	677	-	677
<b>At 30 September 2020</b>	<b>74</b>	<b>5,518</b>	<b>25</b>	<b>5,617</b>

The above deferred tax assets have been recognised reflecting management's confidence that there will be sufficient levels of future taxable gains arising from the Group's normal course of business against which the deferred tax asset can be utilised. Of this balance £4,691,000 (2019: £1,028,000) is expected to be recovered within 12 months.

A deferred tax asset of £562,000 (2019: £1,806,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence that there will be taxable gains in the relevant legal entity in the future against which the deferred tax asset could be utilised.

# Notes to the Financial Statements

continued

## 17. Trade and other receivables

The following amounts are included within trade and other receivables:

<b>Group</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Due from clients, brokers and other counterparties (excluding corporate finance receivables)	<b>300,283</b>	162,137
Loans to employees	<b>248</b>	191
Other receivables, including corporate finance receivables	<b>22,819</b>	20,724
Prepayments and accrued income	<b>2,806</b>	4,206
	<b>326,156</b>	187,258

<b>Company</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Other receivables	<b>7</b>	7

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. Loans to employees principally arise from arrangements under the Group's share plans. These are repayable on departure from the Group or as requested by the Group.

Trade and other receivables are stated net of expected credit losses. The movement in expected credit losses during the year is shown below relates solely to corporate finance receivables and is recorded in the income statement within administrative expenses.

### Expected net credit losses:

<b>Group</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
At 1 October	<b>348</b>	409
Movement to level of expected credit losses	<b>(268)</b>	(61)
At 30 September	<b>80</b>	348

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.

For amounts due from clients, brokers and other counterparties and loans to employees, expected credit losses are nil due to the nature of the counterparties, the short-term nature of the receivables and the recent historical loss rates of zero.

For amounts due from clients, brokers and other counterparties, the Group and the Company have a legally enforceable right and intention to set-off with a clearing house. The offsetting rules have been applied to both the current year and prior year. For further details please see note 31.

## 18. Trading investments

Group	2020 £'000	2019 £'000
Listed on the LSE main market	12,125	13,626
Listed on AIM	2,200	4,746
Listed overseas	9,063	5,597
Unlisted UK investments	13,329	13,434
Unlisted overseas investments	1,372	1,060
	<b>38,089</b>	38,463

Included within trading investments is £14,701,000 (2019: £14,847,000) of investments held outside of the market making portfolio. There were new investment purchases of £39,000, disposals of £400,000 and fair value net increases of £215,000 in relation to these investments, which are now exclusively unlisted investments.

## 19. Stock borrowing collateral

Group	2020 £'000	2019 £'000
Stock borrowing collateral	18,222	14,640

The Group enters stock borrowing arrangements with a small number of counterparties, which are entered into on a collateralised basis with cash advanced as collateral. The asset recorded on the balance sheet relates to the amount of cash collateral advanced. The expected credit losses in relation to stock borrowing collateral are £nil (2019: £nil), due to these balances being fully collateralised.

## 20. Derivative financial instruments

Group	2020 £'000	2019 £'000
At 1 October	1,103	350
Exercised	(1,085)	-
Revaluation to fair value in the year recognised in the income statement	-	753
<b>At 30 September</b>	<b>18</b>	1,103
Included in current assets – listed securities	18	1,103

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 distinction relates to the underlying security. Foreign exchange contracts are also used from time to time during the year. At 30 September 2020 the fair value of outstanding foreign exchange contracts was £nil (2019: £nil).

## 21. Cash and cash equivalents

Group	2020 £'000	2019 £'000
Cash and cash equivalents included in current assets	125,217	84,202

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 Group with banks on an agency basis. All such deposits are designated by the banks as clients' funds and are not available to the banks to satisfy any liability the Group may have with them at that time. The balance at 30 September 2020 held in segregated bank accounts in respect of client monies amounted to £582,000 (2019: £1,148,564).

# Notes to the Financial Statements

continued

## 22. Trade and other payables

<b>Group</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Amounts due to clients, brokers and other counterparties	<b>296,249</b>	151,493
VAT payable	<b>666</b>	415
Social security and PAYE	<b>1,364</b>	1,514
Other payables	<b>622</b>	2,575
Deferred income	<b>1,305</b>	936
Accruals	<b>40,059</b>	21,680
	<b>340,265</b>	178,613

As a result of their short-term nature, the fair value of trade and other payables held at amortised cost approximates to their carrying value.

The Group and the Company have a legally enforceable right and intention to set-off with a clearing house. We have applied the offsetting rules to the current year and the prior year. For further details please see note 31.

<b>Company</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Amounts due to subsidiaries	<b>6,580</b>	1,572

## 23. Lease liabilities

### Group

The Group's lease liabilities from the adoption of IFRS 16 on 1 October 2019 and during the year were as follows.

<b>Liability</b>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
At 1 October	<b>6,625</b>	–
Cash paid in respect of lease arrangements	<b>(2,099)</b>	–
Unwind of discount	<b>226</b>	–
Foreign exchange	<b>(147)</b>	–
<b>At 30 September</b>	<b>4,605</b>	–
<b>Of which:</b>		
Current liabilities	<b>1,962</b>	–
Non-current liabilities	<b>2,643</b>	–
<b>Total</b>	<b>4,605</b>	–

## 24. Share capital and other reserves

### Share capital

#### Group and Company

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Authorised		
140,000,000 (2019: 140,000,000) 5p ordinary shares	<b>7,000</b>	7,000
Allotted, issued and fully paid		
118,438,536 (2019: 118,438,536) 5p ordinary shares	<b>5,922</b>	5,922

## 24. Share capital and other reserves continued

During the year there were no ordinary shares issued (2019: nil). During the year 1,935,000 (2019: 3,000,000) ordinary shares of 5p with an aggregate nominal value of £96,750 (2019: £150,000) were purchased by the Company into Treasury shares. Retained earnings have been reduced by £5,426,000 (2019: £7,774,000) being the consideration paid for these shares. Also, during the year, 2,000,000 (2019: 2,000,000) ordinary shares of 5p were transferred from Treasury shares to the Group's Employee Benefit Trust at a weighted average value of £2.69 per share (2019: £2.74 per share). The number of shares held in Treasury at 30 September 2020 totals 13,371,088 (2019: 13,436,088).

### Other reserves

#### Group

	Foreign exchange translation £'000	Equity settled share plans £'000	Total other reserves £'000
Balance at 1 October 2019	1,137	19,502	20,639
Exchange difference on translation of foreign operations	227	-	227
Employee share plans: value of employee service	-	9,579	9,579
Employee share plans: transfer to retained profit on vesting of awards	-	(8,024)	(8,024)
<b>Balance at 30 September 2020</b>	<b>1,364</b>	<b>21,057</b>	<b>22,421</b>

	Foreign exchange translation £'000	Equity settled share plans £'000	Total other reserves £'000
Balance at 1 October 2018	1,233	16,304	17,537
Exchange difference on translation of foreign operations	(96)	-	(96)
Employee share plans: value of employee service	-	11,010	11,010
Employee share plans: transfer to retained profit on vesting of awards	-	(7,812)	(7,812)
Balance at 30 September 2019	1,137	19,502	20,639

#### Company

	Equity settled share plans £'000
Balance at 1 October 2019	19,501
Employee share plans: value of employee service	9,579
Employee share plans: transfer to retained profit on vesting of awards	(8,024)
<b>Balance at 30 September 2020</b>	<b>21,056</b>

	Equity settled share plans £'000
Balance at 1 October 2018	16,303
Employee share plans: value of employee service	11,010
Employee share plans: transfer to retained profit on vesting of awards	(7,812)
Balance at 30 September 2019	19,501

# Notes to the Financial Statements

continued

## 25. Employee share plans

The Company has established an Employee Benefit Trust in respect of the Group share plans which is funded by the Group and has the authority to acquire shares from the Company or in the open market to meet the Group's future obligations under these plans. At 30 September 2020 the Trust owned 616,537 ordinary shares at 5p in the Company (2019: 438,469) with a market value of £1.8m at 30 September 2020 (2019: £1.0m).

	2020 Number of shares	2019 Number of shares
At 1 October	<b>438,469</b>	327,409
Acquired during the year	<b>1,534,674</b>	1,665,071
Transferred from treasury	<b>2,000,000</b>	2,000,000
Shares vested in employees	<b>(3,336,844)</b>	(3,554,011)
Shares used to satisfy option exercises	<b>(19,762)</b>	-
<b>At 30 September</b>	<b>616,537</b>	438,469

The figures in the above table are presented on a trade date basis.

At 30 September 2020 the number of shares held by the Trust in respect of awards made to, but not yet vested in, employees was nil (2019: nil shares).

A description of the Group's active share plans and their operation is set out below:

### Restricted Stock Unit (RSU) 2008 Plan

The Board approved this plan on 4 December 2007 and it was approved by shareholders on 29 January 2008.

#### Eligibility

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### Nature of plan

This plan is open to both UK and US Directors and employees and operates as a deferred bonus payment in the form of shares. Awards vest in the hands of the participant in three equal tranches no earlier than at the end of the first, second and third anniversaries following the award date if they continue to be employed by the Group on those dates. Awards granted under this plan are equity settled.

### Long Term Incentive Plan 2016

The Board approved this plan on 5 September 2016.

#### Eligibility

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### Nature of plan

The plan is designed to increase the interest of participant(s) in the Company's long-term business goals and performance. The vesting conditions require not only a five-year service condition to be fulfilled but also the achievement of performance conditions as specified by the Group's Remuneration Committee. Vesting can occur no earlier than the fifth anniversary of grant but, in certain circumstances, a holding period extending beyond the fifth anniversary of grant may also be applied.

Awards under this plan have been made through the granting of options which lapse on the tenth anniversary of the grant date.

Awards granted under this plan are equity settled.



## 25. Employee share plans continued

### Long Term Incentive Plan (US) 2017

The Board approved this plan on 6 January 2017.

#### Eligibility

Any Director or employee of Numis Securities Inc. (NSI), the wholly owned subsidiary of Numis Securities Limited (NSL), itself a wholly owned subsidiary of Numis Corporation Plc, may be invited to participate in the plan.

#### Nature of plan

The plan operates in the same way as the LTIP 2016 Plan other than differences which arise in the treatment of awards under differing tax jurisdictions and in that vesting can occur no earlier than the fourth anniversary of grant but, in certain circumstances, a holding period extending beyond the fourth anniversary of grant may also be applied.

Awards under this plan have been made through the granting of options which lapse on the tenth anniversary of the grant date. Non-market conditions are disclosed in the Remuneration Report on page 79.

Awards granted under this plan are equity settled.

### Restricted Stock Unit (RSU) 2017 Plan

The Board approved this plan on 7 November 2017.

#### Eligibility

Any Director of the Company, or a Group company, and any employee of the Company, or a Group company, may be invited to participate in the plan.

#### Nature of plan

The plan was devised broadly to follow the terms of the Restricted Stock Unit (RSU) 2008 Plan and was put in place as no awards could be made under the earlier plan after the tenth anniversary of the adoption on 29 January 2008.

The plan is open to both UK and US Directors and employees as a deferred bonus payment in the form of shares. Awards vest in the hands of the participant in three equal tranches no earlier than at the end of the first, second and third anniversaries following the award date if they continue to be employed by the Group on those dates.

Awards granted under this plan are equity settled.

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 2019	1,603,929	4,207,327	5,811,256
New awards	–	3,029,039	3,029,039
Vesting of awards	(1,571,618)	(1,765,226)	(3,336,844)
Forfeiture of awards	(11,161)	(150,884)	(162,045)
<b>Award shares at 30 September 2020</b>	<b>21,150</b>	<b>5,320,256</b>	<b>5,341,406</b>

# Notes to the Financial Statements

continued

## 25. Employee share plans continued

	RSU 2008 Number of shares	RSU 2017 Number of shares	Total Number of shares
Award shares at 1 October 2018	4,401,515	2,623,267	7,024,782
New awards	-	2,521,815	2,521,815
Vesting of awards	(2,711,657)	(842,354)	(3,554,011)
Forfeiture of awards	(85,929)	(95,401)	(181,330)
Award shares at 30 September 2019	1,603,929	4,207,327	5,811,256

Under the share plans shown above, awards of 3,029,039 shares (2019: 2,521,815 shares) were granted during the year at a weighted average fair value of 233.4p (2019: 240.8p). The weighted average market price on grant date for all awards made during the year was 258.4p (2019: 265.6p).

### Option plans

The Group may grant options under three different plans – the Long-Term Incentive Plan 2016 described above, the Long-Term Incentive Plan (US) 2017 described above and an employee option plan which was originally formulated and approved in 2001.

At 30 September 2020 there were 11,295,016 unexercised options outstanding (2019: 11,314,778).

Movements in the number of outstanding share options during the year and their weighted average exercise prices are as follows:

	2020		2019	
	Average exercise price (pence per share)	Outstanding options	Average exercise price (pence per share)	Outstanding options
At 1 October	4.42	11,314,778	4.42	11,314,778
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	253.00	(19,762)	-	-
<b>At 30 September</b>	<b>3.98</b>	<b>11,295,016</b>	4.42	11,314,778

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 5.85 years (2019: 6.86 years).

19,762 options were exercised during the year. The weighted average share price, at the exercise date of options exercised during the year, was 290.0p (2019: 350.38p). There were no new options granted in 2020 (2019: nil).

At 30 September 2020 the following options granted to Directors and employees to acquire ordinary shares in the Company were outstanding:

Grant date	Number of options outstanding	Exercise price	Earliest exercise date	Latest exercise date
16 December 2013	19,762	253.0p	16 December 2016	16 December 2023
16 December 2013	158,101	253.0p	16 December 2016	16 December 2023
2 February 2016	677,507	0.0p	2 February 2021	2 February 2026
2 February 2016	1,333,334	0.0p	2 February 2021	2 February 2026
5 September 2016	7,106,312	0.0p	5 September 2021	5 September 2026
9 January 2017	1,500,000	0.0p	9 January 2021	9 January 2027
24 January 2017	500,000	0.0p	24 January 2021	24 January 2027

## 25. Employee share plans continued

Options granted after 7 November 2002 are measured at fair value at the date of grant. The fair value determined is expensed on a staged basis over the vesting period, based on the Group's estimate of options that will eventually vest. Fair value is measured by use of a Black-Scholes valuation model or a stochastic valuation model dependent on the type of performance conditions applied to the award. The expected life used in the Black-Scholes model is adjusted, based on management's best estimate and behavioural considerations. Expected volatility is estimated with reference to the share price of the Company over a period commensurate with the expected life of the option.

Certain awards contain non-market conditions such as personal and share price performance measures. In the event that the assumptions made for the measurable non-market conditions were increased or decreased by 5%, the impact on the associated compensation cost for the financial year would have been an increase or decrease of £178,000 respectively.

## 26. Earnings per share

Basic earnings per share is calculated on a profit after tax of £31,350,000 (2019: £9,326,000) and 104,986,698 (2019: 105,443,304) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share takes account of contingently issuable shares arising from share plan award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders.

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

	2020 Number Thousands	2019 Number Thousands
Weighted average number of ordinary shares in issue during the year – basic	<b>104,987</b>	105,443
Dilutive effect of share awards	<b>12,313</b>	9,424
Diluted number of ordinary shares	<b>117,300</b>	114,867

## 27. Cash flows generated from operating activities

### Group

Reconciliation of profit before tax to cash flows generated from operating activities:

	2020 £'000	2019 £'000
Profit before tax	<b>37,063</b>	12,436
Net finance income	<b>(263)</b>	(550)
Depreciation charges on property, plant and equipment	<b>1,223</b>	1,124
Depreciation charges on right-of-use assets	<b>1,793</b>	–
Amortisation charges on intangible assets	<b>105</b>	44
Share plan charges	<b>9,806</b>	10,914
Decrease in trading investments	<b>374</b>	5,337
(Increase)/decrease in trade and other receivables	<b>(138,898)</b>	182,046
(Increase) in stock borrowing collateral	<b>(3,582)</b>	(6,734)
Increase/(decrease) in trade and other payables	<b>166,669</b>	(203,473)
Other balance sheet movements in relations to leases	<b>676</b>	–
Decrease/(increase) in derivatives	<b>1,085</b>	(753)
<b>Cash flows generated from operating activities</b>	<b>76,051</b>	391

### Company

The Company does not hold any cash balances, and cash-based transactions are carried out on its behalf by Numis Securities Limited, a wholly owned subsidiary. The operating profit of the Company includes dividends from subsidiary companies of £13,000,000 (2019: £nil) and investing activity related dividend income of £nil (2019: £19,000) that passed through intercompany accounts.

# Notes to the Financial Statements

continued

## 28. Guarantees and other financial commitments

### a) Capital commitments

Amounts contracted for but not provided in the Financial Statements amounted to £nil for the Group at 30 September 2020 (2019: £nil).

### b) Contingent liabilities

In the ordinary course of business, the Group holds a £4m indemnity with Barclays in respect of lost certified stock transfers and share certificates. No claims have been received in relation to the year ended 30 September 2020 (2019: nil). The contingent liability arising thereon cannot be quantified, although the Directors do not believe that any material liability will arise under these indemnities.

The Company currently has in place unlimited guarantees to the Company's bankers, Barclays Bank plc for the debts of Numis Securities Limited and Numis Securities Inc., an indirect wholly owned subsidiary of the Company. At 30 September 2020 the Group did not have any indebtedness to Barclays Bank plc (2019: nil).

The Company has given a guarantee to Pershing LLC for any indebtedness of Numis Securities Inc. Pershing LLC provides securities clearing and settlement services to Numis Securities Inc. for some of its broker activities. At 30 September 2020 that company did not have any indebtedness to Pershing LLC (2019: nil).

### c) Investment commitments

The Company has signed a subscription agreement where the full amount of the subscription had not been called upon at the balance sheet date.

An investment in a US private fund with a total subscription value of US\$1.0m had been signed. The fund calls upon capital as it is required and at the balance sheet date US\$940k (2019: US\$890k) had been called up and paid. This is classified within trading investments. The remaining US\$60k (2019: US\$110k) had not been called at the balance sheet date and is therefore a commitment until it is paid over to the fund. The subscription agreement allows that the investment can be called any time up until the fifth anniversary of the agreement, which is June 2023.

### d) Operating leases

At 30 September 2020 the Group had annual commitments under non-cancellable operating leases in respect of land and buildings of £nil (2019: £1,871,000). The total future aggregate minimum lease payments are as follows:

Property	2020 £'000	2019 £'000
Within one year	-	2,004
In two to five years	-	11,027
After five years	-	40,196
	-	53,227

The Group's leases in respect of land and buildings are now treated as finance leases under IFRS 16. The annual property rental on the principal property in London leased by the Group was subject to review in September 2016. There is no further rent review for the duration of the lease period which ends in September 2021. A new principal property lease in London has been signed, which is a 15-year lease due to commence on 31 January 2021. An additional property in New York has a lease term of 10 years, which ends in February 2028.

## 28. Guarantees and other financial commitments continued

### e) Pension arrangements

The pension cost charge for the year was £1,719,000 (2019: £1,845,000).

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

### f) Revolving credit facility (RCF)

A revolving credit facility of £35m is in place with the Group's banks, should the Group be required to temporarily fund any short-term settlement obligations. The facility is committed until May 2022 with an option to extend by one year and has not been required to be used since its inception.

### g) Employment arrangements

In the ordinary course of business, at the period end, the Group had entered into new employment arrangements that are conditional upon the employee starting in the subsequent period.

## 29. Financial instrument risk management

### Accounting treatment

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

At 30 September 2020:

	Assets and liabilities held at amortised cost £'000	Fair value through profit or loss £'000	Non-financial instruments £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	2,596	2,596
Intangible assets	-	-	406	406
Right-of-use assets	-	-	4,020	4,020
Deferred tax	-	-	5,617	5,617
Trade and other receivables	323,692	-	2,464	326,156
Trading investments	-	38,089	-	38,089
Stock borrowing collateral	18,222	-	-	18,222
Current income tax receivable	-	-	1,332	1,332
Derivative financial instruments	-	18	-	18
Cash and cash equivalents	125,217	-	-	125,217
<b>Total assets</b>	<b>467,131</b>	<b>38,107</b>	<b>16,435</b>	<b>521,673</b>
<b>Liabilities</b>				
Trade and other payables	(336,308)	-	(3,957)	(340,265)
Financial liabilities	-	(19,170)	-	(19,170)
Lease liabilities (current)	(1,962)	-	-	(1,962)
Lease liabilities (non-current)	(2,643)	-	-	(2,643)
<b>Total liabilities</b>	<b>(340,913)</b>	<b>(19,170)</b>	<b>(3,957)</b>	<b>(364,040)</b>
<b>Total equity</b>	<b>126,218</b>	<b>18,937</b>	<b>12,478</b>	<b>157,633</b>

# Notes to the Financial Statements

continued

## 29. Financial instrument risk management continued

At 30 September 2019:

	Assets and liabilities held at amortised cost £'000	Fair value through profit or loss £'000	Non-financial instruments £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	2,790	2,790
Intangible assets	-	-	80	80
Deferred tax	-	-	3,962	3,962
Trade and other receivables	184,173	-	3,085	187,258
Trading investments	-	38,463	-	38,463
Stock borrowing collateral	14,640	-	-	14,640
Derivative financial instruments	-	1,103	-	1,103
Cash and cash equivalents	84,202	-	-	84,202
<b>Total assets</b>	<b>283,015</b>	<b>39,566</b>	<b>9,917</b>	<b>332,498</b>
<b>Liabilities</b>				
Trade and other payables	(175,177)	-	(3,436)	(178,613)
Financial liabilities	-	(14,153)	-	(14,153)
Current income tax payable	-	-	(1,578)	(1,578)
<b>Total liabilities</b>	<b>(175,177)</b>	<b>(14,153)</b>	<b>(5,014)</b>	<b>(194,344)</b>
<b>Total equity</b>	<b>107,838</b>	<b>25,413</b>	<b>4,903</b>	<b>138,154</b>

### Risk management

Effective risk management is key to the successful achievement of the Group's strategic objectives. The risk management framework sets out the approach of strong risk governance, clear articulation of risk appetite, effective internal controls, allocation of roles and responsibilities, and ongoing assessment of risk. The framework is documented and designed so that risk exposures are understood, limited, monitored, reported and escalated appropriately. In setting and defining a realistic risk appetite and tolerance towards those exposures, responsibilities are allocated, and a control culture is embedded to mitigate risks with respect to our strategic objectives. The effective control of risk depends upon all employees being conscientious, taking responsibility and being accountable for their actions.

### Risk governance

Our risk governance is based on the principle that risk management, risk oversight and assurance are distinct activities that should each be carried out by separate individuals, committees and departments for any particular risk. Risk exposures are monitored, controlled and overseen using the three lines of defence model. The first line of defence consists of the business front line employees that understand their roles and responsibilities and carry them out correctly and completely. The second line is the independent oversight of the Risk and Compliance functions, who set and monitor policies, define work practices and oversee the business front line. The third line of defence is the internal 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 Group's control framework and ensuring that policies are in place and operating effectively to identify, assess, monitor and control risk throughout the Group. The Risk Committee receives risk updates which detail the Group's exposure to market, credit, liquidity and operational risks. Independent assurance of the suitability and effectiveness of the Group's risk management framework and controls is provided to the Risk Committee by the utilisation of an outsourced, independent Internal Audit function.

The Risk Oversight Committee is responsible for exercising senior level oversight of all risk-related issues (both financial and non-financial). It has specific responsibility for the in-depth assessment and reporting of all material risks faced by the Group.

## 29. Financial instrument risk management continued

The Financial Risk Committee is responsible for confirming that the day-to-day operating activities are managed within the financial risk appetite and controls framework. It reviews the detailed components of market, credit and liquidity risk exposures of the business to ensure that such risks are monitored and assessed appropriately. As a minimum, the Financial Risk Committee reviews market risk of the trading book, credit risk to trading and deposit taking counterparties, liquidity risk of the cash and cash equivalents, capital resources and requirements and operational incidents.

The Risk function has day-to-day responsibility for monitoring and reporting financial risk exposures within the Group and escalation of issues to senior management.

### Market risk – equity risk

The Group is affected by conditions in the financial markets and the wider economy through its holdings of equity investments arising through the normal course of its market-making, trading and investing activities. Equity risk arises from the exposures of these holdings to changes in prices and volatilities of equity prices. An adverse movement in the fair value of our holdings has consequences for the capital resources of the Group and therefore it is important for management to understand the potential impact of such movements.

The Group utilises a VaR model to measure market risk. The model uses a historical simulation approach which shocks market risk positions by the actual daily market moves observed during a rolling 256 business day window. The sum of the simulated returns for each of the 256 days is calculated and the VaR is defined as being the third worst loss during this year. This approach is an accepted industry standard and gives the Group an understanding of the market risks being taken.

VaR limits are set at both individual stock level and portfolio level and are approved by the Board. Such limits are incorporated into the Group's front office trading system so that real time monitoring of VaR exposures is available to both front office staff and the Risk function. On a daily basis the Risk function computes the Historical Simulation VaR risk measure based on the end of day portfolio of holdings. The results are reported to senior management at the end of each day against limits with all resulting excesses highlighted. Similarly the risk measures are also compared to the daily revenue performance. Alongside the use of VaR limits, there are absolute monetary trading book limits at gross and net position level.

The following table shows the highest, lowest and average total long, short, gross and net position in listed securities during the year, together with positions at year end. These are reporting daily to senior management.

	Long £'000	Short £'000	Gross £'000	2020 Net £'000
Highest position	37,401	(28,339)	59,201	24,771
Lowest position	6,348	(2,938)	10,624	(14,205)
Average position	19,666	(12,654)	30,587	2,826
<b>At 30 September 2020</b>	<b>14,360</b>	<b>(17,818)</b>	<b>32,177</b>	<b>3,458</b>
	Long £'000	Short £'000	Gross £'000	2019 Net £'000
Highest position	33,316	(31,134)	57,096	23,317
Lowest position	14,404	(7,478)	23,846	8,700
Average position	26,425	(21,165)	47,590	5,260
At 30 September 2019	28,540	(14,632)	43,172	13,907

# Notes to the Financial Statements

continued

## 29. Financial instrument risk management continued

The table below shows the highest, lowest, average and year end equity VaR.

	2020 £'000	2019 £'000
Highest VaR	892	391
Lowest VaR	145	193
Average VaR	327	276
<b>At 30 September</b>	<b>267</b>	<b>224</b>

In addition, the Group holds positions totalling £14,701,000 (2019: £14,494,000) in unlisted securities.

### Trading investments

Equity risk on the trading investments held within the market-making book is the day-to-day responsibility of the Head of Trading, whose decision-making is independently monitored. Trading investments held outside the market-making activities are monitored by the Co-CEOs, CFO and senior management.

Equity risk is managed through a combination of cash investment limits applied to the entire trading book coupled with VaR limits set at individual stock level and portfolio level. These limits are approved by the Board, the Risk Committee, and the Financial Risk Committee, and monitored and reported by the Risk function daily. Excess levels over the stock and portfolio limits are initially flagged in real time on the trading platform and monitored by the traders and the Risk function. Excesses are either addressed by the traders or, if they are unable to take corrective action, will be discussed with the Risk function and reported to senior management as part of the routine end of day reporting mechanism. Excesses are also summarised and presented to the Financial Risk Committee along with reasons and corrective action required to bring them within limits.

A sensitivity analysis based on a 10% increase/decrease in underlying equity prices on the listed trading investments held in the market-leading portfolio at the year end indicates that the impact of such a movement would be to increase/decrease respectively profit in the income statement by £2,338,000 (2019: £2,397,000).

### 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 listed trading investments held in the market-making portfolio at the year end indicates that the impact of such a movement would be to increase/decrease respectively profit in the income statement by £2,339,000 (2019: £2,397,000).

### Derivative financial instruments

Derivative financial instruments primarily comprise equity options and warrants over listed equity securities and are predominantly received by the Group as non-cash consideration for advisory and other services. This category may also include foreign exchange contracts used to hedge transactional exposures arising from normal operational activities.

Equity risk arising on derivatives is the day-to-day responsibility of the Head of Trading. A detailed inventory of options and warrant holdings is reported to senior management daily and risk is measured and reported using the Group's VaR methodology.

A 10% increase/decrease in the relevant underlying equity price relating to the derivative financial instruments held at the year end indicates that the impact of such a movement on the profit in the income statement would be an increase of £8,000 (2019: £233,000) and a decrease of £8,000 (2019: £233,000) respectively.



## 29. Financial instrument risk management continued

### Market risk – currency risk

Currency risk arises from the exposure to changes in foreign exchange spot and forward prices and volatilities of foreign exchange rates. The Group is exposed to the risk that the Sterling value of the assets, liabilities or profit and loss could change as a result of foreign exchange rate movements.

There are three sources of currency risk to which the Group may be exposed: foreign currency denominated financial assets and liabilities arising as a result of trading in foreign securities; foreign currency financial assets and liabilities as a result of either foreign currency denominated corporate finance fees, supplier payments or Treasury activities; and foreign currency denominated investments in subsidiaries of the Group. The Risk function is responsible for monitoring the Group's currency exposures which are reported to senior management daily.

Currency risk is measured using a similar VaR methodology as that used for the Group's measurement of equity risk. The table below shows the highest, lowest and average foreign currency VaR.

	2020 £'000	2019 £'000
Highest VaR	340	145
Lowest VaR	75	82
Average VaR	197	108
<b>At 30 September</b>	<b>270</b>	97

The Group's net assets by currency at 30 September were as follows:

	Sterling £'000	Euro £'000	Canadian \$ £'000	US \$ £'000	Other £'000	Total £'000
<b>2020</b>						
Sterling equivalent	137,145	812	386	17,682	1,607	157,633
2019						
Sterling equivalent	119,521	109	370	17,808	346	138,154

The Group hedges any significant transactional currency exposures arising from trading activities using spot or forward foreign exchange contracts. At 30 September 2020 there were no material transactional currency exposures (2019: immaterial) and the fair value of derivative financial instruments held to manage such currency exposure at 30 September 2020 was immaterial (2019: immaterial). The Group does not hedge future anticipated transactions. Currency exposure to foreign currency denominated corporate finance receivables and supplier payables at the period end is not considered material.

# Notes to the Financial Statements

continued

## 29. Financial instrument risk management continued

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

10 cent increase (strengthening £):

	US \$ £'000	Euro £'000	Total £'000
Profit before tax	(1,013)	(87)	(1,100)
Equity	(1,984)	(87)	(2,071)

10 cent decrease (weakening £):

	US \$ £'000	Euro £'000	Total £'000
Profit before tax	1,184	105	1,289
Equity	2,113	105	2,218

### Market risk – interest rate risk

Interest rate risk arises as a result of changes to the yield curve and the volatilities of interest rates.

The Group's interest-bearing assets are predominantly held in cash or cash equivalents. Excess cash funds may be held on short-term floating rate terms or placed on overnight or short-term deposit. Investment of excess funds into cash equivalent instruments may occur from time to time depending on management's view of yields on offer, liquidity requirements, and credit risk considerations. In addition to cash and cash equivalents, the Group's cash collateral and stock borrowing collateral balances are also subject to daily floating rate interest. As the Group has limited exposure to interest rate risk and has no external debt (2019: £nil) it does not use derivative instruments to hedge interest rate risk.

The table below shows the interest rate profile of the Group's balances that are subject to daily floating rate interest.

Currency	2020				2019			
	Cash and cash equivalents £'000	Cash collateral £'000	Stock borrowing collateral £'000	Total £'000	Cash and cash equivalents £'000	Cash collateral £'000	Stock borrowing collateral £'000	Total £'000
Sterling	116,913	12,687	18,222	147,822	76,973	12,007	14,640	103,620
US Dollars	5,860	-	-	5,860	5,329	-	-	5,329
Euro	786	-	-	786	1,284	-	-	1,284
Canadian Dollars	386	-	-	386	393	-	-	393
Other	1,272	-	-	1,272	223	-	-	223
At 30 September	125,217	12,687	18,222	156,126	84,202	12,007	14,640	110,849

The Group has no material exposures to fair value movements arising from changes in the rates of interest at 30 September 2020 or 30 September 2019. Changes to rates of interest would only impact the amount of interest received on these balances and is immaterial to the Group. Therefore, no material sensitivity to changes in the prevailing market rates of interest exists at 30 September 2020 or 30 September 2019. The Group has no interest-bearing liabilities at 30 September 2020 (2019: nil).

### 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.

## 29. Financial instrument risk management continued

The Group's financial instruments held at fair value are analysed as follows:

At 30 September 2020:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading investments	23,388	-	14,701	38,089
Derivative financial instruments	-	18	-	18
Assets	23,388	18	14,701	38,107
Financial liabilities	(19,170)	-	-	(19,170)
Liabilities	(19,170)	-	-	(19,170)

At 30 September 2019:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trading investments	23,827	142	14,494	38,463
Derivative financial instruments	-	1,103	-	1,103
Assets	23,827	1,245	14,494	39,566
Financial liabilities	(14,153)	-	-	(14,153)
Liabilities	(14,153)	-	-	(14,153)

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation at the end of each reporting year. There were no transfers between any levels during the year.

Movements in financial assets categorised as Level 3 during the year were:

	2020 £'000	2019 £'000
At 1 October	14,494	15,611
Additions	39	670
Net gains/(losses) included in other operating income in the income statement	168	(1,787)
<b>At 30 September</b>	<b>14,701</b>	14,494

Level 3 financial instruments comprise minority equity holdings in unquoted companies. The determination of fair value requires judgement, particularly in determining whether changes in fair value have occurred since the last observable transaction in the investee company's shares. In making this judgement the Group evaluates amongst other factors the materiality of each individual holding, the stage of the investee company's development, financial information pertaining to each investee company and relevant discussions with the investee company's management.

A sensitivity analysis based on a 5% increase/decrease in the underlying investment companies within the Group's investment portfolio, would increase/decrease respective profit in the income statement by £735,000 (2019: £550,000). There are a number of unobservable inputs used to value of the Group's investment portfolio. The most significant of these are:

- discounts to recent observable transactions. The impact of increasing these discounts by 10% for the most significant investments, where appropriate, would be to decrease the value of these investments by £600,000.
- adjustments taken to earnings multiples of comparable peer companies. The impact of changing these adjustments by 10%, where appropriate, would be an increase or decrease to the value of the investments of £380,000.

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.

## Notes to the Financial Statements

continued

**29. Financial instrument risk management** continued**Credit risk – counterparty risk**

Credit risk is the potential loss that the Group would incur if a counterparty fails to settle its contractual obligations, or there is a failure of a deposit taking institution. Credit risk exposure therefore arises as a result of trading, investing and financing activities. The primary source of credit risk faced by the Group is that arising from the settlement of equity trades carried out in the normal course of business. Expected credit losses are immaterial to the Group due to the quality of counterparties and negligible historic loss rate.

The credit risk on a particular equity trade receivable is measured by reference to the original amount owed to the Group less any partial payments less any collateral to which the Group is entitled. For example, in accordance with the delivery versus payment principle, the potential exposure at default sustained by the Group would not be the amount of the outstanding receivable balance, but rather the amount representing commission due to the Group and any residual exposure from market risk on the underlying equity after a sell-out (or buy-in) has been carried out.

An internal stress test is employed in order to measure the credit risk exposure faced by the Group. This is a historical 20-day VaR methodology and a conservative judgement of the likelihood of counterparty default. This assessment is applied to the end-of-day equity trade receivable and payable balances and the results are reported to senior management on a daily basis.

Credit risk exposures are also managed by the use of individual counterparty limits applied initially on the categorisation of the counterparty (for example, hedge fund, long only fund, broker, etc.) and assessed further according to the results of an external credit rating and/or relevant financial indicators and/or news flow. From time to time certain counterparties may be placed on an internal watch list in reaction to adverse news flow or market sentiment. The Risk function prepares a summary daily report for senior management which identifies the top 40 individual counterparty exposures measured against their limits, the major stock positions which make up the exposure and a list of the largest failing trades. This reporting incorporates the Sterling equivalent gross inward, outward and net cash flow exposure. Finally, automated intra-day reporting of all inward, outward and net cash flow exposures by individual counterparty against assigned limits is monitored by the Risk function to ensure appropriate escalation and mitigation action is taken.

Trade receivables relating to fees due on the Group's corporate finance and advisory activities are monitored on a weekly basis and other receivable balances are monitored at least monthly. As the vast majority of the Group's corporate finance receivables are due from existing customers with ongoing contracts with the Group continuing to provide services to them, expected credit losses remain 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 Group to ascertain recoverability of overdue receivables and to assess any risk of default. Loans to employees in respect of share scheme arrangements are secured by shares held within the Employee Benefit Trusts. Stock borrowing collateral is monitored on a daily basis and has a low counterparty credit risk due to being collateralised.

Cash and cash equivalents are with large banks with a strong UK presence all of whom have had credit ratings at or above Fitch investment grade A throughout the year. Credit exposures may be further reduced by diversification of deposits across a number of institutions.

The Group's financial assets are analysed by their ageing in the table below and represent the maximum exposure to credit risk at 30 September 2020 of balance sheet financial instruments before taking account of any collateral held or other credit enhancements. Except for stock borrowing collateral, there were no collateral amounts held by the Group as security against amounts receivable at 30 September 2020 (2019: £nil).

At 30 September 2020 (£'000):

	Not overdue	Overdue					Total
		0 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Impaired	
Trade and other receivables	321,538	1,220	-	932	2	-	323,692
Trading investments	38,089	-	-	-	-	-	38,089
Stock borrowing collateral	18,222	-	-	-	-	-	18,222
Derivative financial instruments	18	-	-	-	-	-	18
Cash and cash equivalents	125,217	-	-	-	-	-	125,217
	<b>503,084</b>	<b>1,220</b>	<b>-</b>	<b>932</b>	<b>2</b>	<b>-</b>	<b>505,238</b>

## 29. Financial instrument risk management continued

At 30 September 2019 (£'000):

	Not overdue	Overdue					Total
		0 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Impaired	
Trade and other receivables	183,100	1,502	1,911	676	30	39	187,258
Trading investments	38,463	-	-	-	-	-	38,463
Stock borrowing collateral	14,640	-	-	-	-	-	14,640
Derivative financial instruments	1,103	-	-	-	-	-	1,103
Cash and cash equivalents	84,202	-	-	-	-	-	84,202
	321,508	1,502	1,911	676	30	39	325,666

### Credit risk – concentration risk

Concentration risk is the risk arising from exposures to groups of connected parties, counterparties in the same sector, or counterparties undertaking the same activity. Concentration risk arises, in particular, with respect to the Group's exposures to unsettled securities trades. These exposures are monitored intra-day using the credit risk exposure reports and process outlined above. In addition, as orders are taken, system-generated warnings are given of any counterparties whose order is likely to grow above £5m in size.

Concentration of credit risk to a particular counterparty or issuer may also arise from deposits placed with UK licensed banks, investments in cash equivalents and as a result of normal trading activity through Central Counterparties, such as the London Clearing House. The credit quality of these counterparties is kept under review by management. Expected credit losses are assessed on a regular basis based on historic credit losses and future economic outlook. Expected credit losses on trade and other receivables are disclosed in note 17 and concentration of trading investments by market is disclosed in note 18. There are no significant concentration risks arising in any other class of financial asset at 30 September 2020 (2019: Enil).

### Liquidity risk

Liquidity risk is the risk that funds are either not available to service day-to-day funding requirements or are only available at a high cost or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous. Liquidity is of vital importance to the Group to enable it to continue operating in even the most adverse circumstances.

The Group assesses its liquidity position on a daily basis and computes the impact of various stress tests to determine how liquidity could be impacted under a range of different scenarios. The liquidity position is also monitored against regulatory requirements.

The undiscounted cash flows relating to Group's financial liabilities are expected occur in the following periods based on the remaining time to contractual maturity date at the balance sheet date:

At 30 September 2020 (£'000):

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Trade and other payables	336,308	-	-	-	336,308
Financial liabilities	19,170	-	-	-	19,170
Lease liabilities (current)	488	1,474	-	-	1,962
Lease liabilities (non-current)	-	-	1,429	1,214	2,643
	355,966	1,474	1,429	1,214	360,083

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	172,883	805	1,489	-	175,177
Financial liabilities	14,153	-	-	-	14,153
Current income tax payable	1,578	-	-	-	1,578
	188,614	805	1,489	-	190,908

A revolving credit facility of £35m is in place with the Group's banks, should the Group be required to temporarily fund any short-term settlement obligations. The facility is committed until May 2022 with an option to extend by one year.

# Notes to the Financial Statements

continued

## 29. Financial instrument risk management continued

### Capital risk

The Group manages its capital resources with reference to the requirements of the business and also through consideration of the Internal Capital Adequacy Assessment Process (ICAAP) performed in accordance with guidelines and rules governed by the Financial Conduct Authority (FCA). Under this process the Group plans to ensure that there is either sufficient capital to absorb potential losses or that there are mitigating controls in place which make the likelihood of the risk occurring remote.

The Group is regulated by the FCA. The Group has exceeded all regulatory capital requirements (known as Pillar 1 and Pillar 2) throughout the year. Further information on these is disclosed in the Pillar 3 information on our website. Both the Pillar 1 and Pillar 2 minimum regulatory capital requirements are compared with total available regulatory capital resources on a daily basis and monitored by the Risk function. The capital resources are reported to the Financial Risk Committee, the Risk Oversight Committee, the Risk Committee and the Board. At 30 September 2020, the Group had £131.4m of regulatory capital resources.

The Group has adopted the standardised approach to credit risk and market risk and the basic indicator approach for operational risk.

### Operational risk

Operational risk is the risk of loss arising from short-comings or failures in internal processes, people or systems, or from external events. Operational risk can also be impacted by factors such as the loss of key staff, the quality of execution of client business, the maintenance of performance management controls, and a major infrastructural failure and/or terrorist event.

The Group takes steps to identify and avoid or mitigate operational risk wherever possible. Continuously evolving control standards are applied by suitably trained and supervised individuals and senior management is actively involved in identifying and analysing operational risks to find the most effective and efficient means to mitigate and manage them. A rolling programme of Risk and Control Self Assessments, enhancements to staff training programmes and internal audits occur throughout the year.

### Company

The risk management processes for the Company are aligned with those of the Group as a whole and fully integrated into the risk management framework, processes and reporting outlined within the Corporate Governance Report on page 52 and in the Group section of this note starting on page 124. The Company's specific risk exposures are explained below:

### Equity risk

The Company is only exposed to equity risk in relation to its investments in subsidiaries.

### Currency risk

The Company has no material exposure to transactional or translational foreign currency risk as it rarely undertakes transactions in currencies other than Sterling and consequently rarely has financial assets or liabilities denominated in currencies other than Sterling.

### Interest rate risk

The Company has no material exposure to interest rate risk as it has limited interest-bearing assets and liabilities.

### Credit risk

The Company has exposure to credit risk from its normal activities where there is a risk that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are primarily its subsidiaries and therefore there is minimal external credit risk exposure.

### Liquidity risk

The Company has no cash and cash equivalent balances. The management of the Group's ability to meet its obligations as they fall due is set out in the Group section of this note. The Company manages its liquidity risk by utilising surplus liquidity within the Group through transactions which pass through intercompany accounts when it is required to meet current liabilities.

### Fair value estimation and hierarchy

The Company does not hold any trading investments or derivative financial instruments.

There is no material difference between the carrying value and fair value of the Company's financial assets and liabilities.

## 30. Related Party Transactions

### Group

#### a) Intra-group trading

Transactions or balances between Group entities have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

### 30. Related Party Transactions continued

#### b) Key management compensation

The compensation paid to key management is set out below. Key management has been determined as the Executive Directors of the Company and the executive management teams of the Group's operating subsidiaries, who are also Directors of those subsidiaries:

	2020 £'000	2019 £'000
Short-term employment benefits	9,842	5,433
Post-employment benefits	123	110
Share-based payments	3,232	2,383
	<b>13,197</b>	7,926

The above amounts include those paid to Directors of the Company.

#### Company

##### a) Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, are set out as follows: amounts owed to the Company from subsidiaries are disclosed in note 17 and amounts owed by the Company to subsidiaries are disclosed in note 22.

##### b) Key management compensation

The compensation paid to key management is set out below:

	2020 £'000	2019 £'000
Short-term employment benefits	6,566	3,098
Post-employment benefits	72	72
Share-based payments	2,036	2,088
	<b>8,674</b>	5,258

Details of the remuneration of each Director, including the highest paid Director, can be found within the Remuneration Report on page 78. The compensation in the above table has been paid on the Company's behalf by a subsidiary of the Company.

### 31. Offsetting arrangements

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

At 30 September 2020

	Gross amounts £'000	Gross amounts set off in the balance sheet £'000	Net amounts presented in the balance sheet £'000
Trade and other receivables	326,156	-	326,156
Trade and other payables	(340,265)	-	(340,265)

At 30 September 2019

	Gross amounts £'000	Gross amounts set off in the balance sheet £'000	Net amounts presented in the balance sheet £'000
Trade and other receivables	192,290	(5,032)	187,258
Trade and other payables	(183,645)	5,032	(178,613)


### 32. Post balance sheet events

#### Final dividend

A final dividend of 6.5p per share (2019: 6.5p) was proposed by the Directors at their meeting on 7 December 2020. These Financial Statements do not reflect this dividend payable.

### Investing in technology

In recent years we have invested a great deal in our technology as part of our commitment to be the investment bank of a generation. This investment proved critical in enabling us to move the whole firm seamlessly to working from home while continuing to excel for our clients.

 See page 36 for more information.




# INVESTING IN OUR OPERATIONS

To be a strong partner for our clients, we invest a great deal in our operations. From the right technology to a robust balance sheet – firm foundations give us greater ability to excel for our clients.



### Keeping our balance sheet strong

A core part of our ongoing strategy is to ensure we keep our balance sheet strong. This gives us a strong financial foundation to keep growing and excelling for our clients year after year.

 See page 34 for more information.



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- Governance
- Financial Statements
- **Other Information**



### Moving to new offices

We are looking forward to moving into larger, more modern office space at 40 Gresham Street in 2021. This new office will provide an invaluable new home for the firm. It will enable us to continue to grow and collaborate closely while making the most of the flexible home/office ways of working accelerated by COVID-19.

 See page 36 for more information.



### Managing risk effectively

In an extraordinary year for everyone, our agile, forward-thinking approach to risk management has been key in enabling us to support our clients through challenging times.

 See page 42 for more information.

# Other information

# Notice of Annual General Meeting

## Please see the explanatory notes attached to this notice.

NOTICE is hereby given that the **Annual General Meeting** of Numis Corporation Plc (the "Company") will be held at the offices of Numis Corporation Plc, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT on **Tuesday 9 February 2021, at 12.30 pm** to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions. This will be a closed door meeting.

### Ordinary Resolutions

1. To receive and adopt the Company's annual accounts for the financial year ended 30 September 2020, together with the Directors' Report and Auditors' Report.
2. To declare a final dividend for the year ended 30 September 2020 of 6.5p per ordinary share payable on 12 February 2021 to shareholders on the register at 6.00 p.m. on 18 December 2020.
3. To reappoint as a director Mr Ross Mitchinson (Co-CEO), who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
4. To reappoint as a director Ms Catherine James (Non-Executive Director), who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers herself for re-election.
5. To reappoint as a director Mr Robert Sutton (Non-Executive Director), who is retiring by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
6. To reappoint PricewaterhouseCoopers LLP as Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.
7. To authorise the Audit Committee to determine the remuneration of the Auditor on behalf of the Board.
8. THAT in accordance with sections 366 and 367 of the Companies Act 2006 (the "Act"), the Company is, and all companies that are, at any time during the period for which this resolution has effect, subsidiaries of the Company (as defined in the Act), are hereby authorised in aggregate to:
  - (i) make political donations as defined in section 364 of the Act, to political parties and/or independent electoral candidates, as defined in section 363 of the Act, not exceeding £50,000 in total;
  - (ii) make political donations to political organisations other than political parties, as defined in section 363 of the Act, not exceeding £50,000 in total; and
  - (iii) incur political expenditure, as defined in section 365 of the Act, not exceeding £50,000 in total,

in each case during the period commencing on the date of passing this resolution and ending on the date of the next Annual General Meeting of the Company to be held in 2022 or at 6.00 p.m. on 1 May 2022, whichever is sooner. In any event, the aggregate amount of political expenditure made or incurred under this authority shall not exceed £100,000.

9. THAT the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"):
  - (a) up to a maximum aggregate nominal amount equal to £1,786,124 (equivalent to 35,722,482 ordinary shares); and
  - (b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount equal to £1,786,124 (equivalent to 35,722,482 ordinary shares) in connection with an offer by way of a rights issue to:
    - (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

The authorities conferred on the directors under paragraphs (a) and (b) to allot Relevant Securities shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2022, or, if earlier, at 6.00 p.m. on 1 May 2022, unless previously revoked, varied or renewed by the Company in a general meeting. The Company shall be entitled to make, prior to the expiry of such authorities, any offer or agreement which would or might require Relevant Securities to be allotted after the expiry of these authorities and the directors may allot Relevant Securities pursuant to such offer or agreement as if these authorities had not expired. All prior authorities to allot Relevant Securities shall be revoked but without prejudice to any allotment of Relevant Securities already made thereunder.

### Special resolutions

10. THAT, subject to and conditional upon the passing of resolution 9 set out in the notice of this meeting, the directors be generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- a) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 9 above, by way of a rights issue only) to:
- (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- b) the allotment (otherwise than pursuant to sub-paragraph a) above) of equity securities for cash having an aggregate nominal amount not exceeding £267,918 (equivalent to 5,358,372 ordinary shares), such authorities to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2022 or, if earlier, at 6.00 p.m. on 1 May 2022, unless previously revoked, varied or renewed, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
11. THAT, subject to the passing of resolution 9, the directors be given powers pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") and in addition to any authority granted under resolution 10, to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority given by resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) to (6) of section 562 of the Act did not apply to any such allotment, provided that such power be:
- a) limited to the allotment of equity securities up to a nominal amount of £267,918; and
  - b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles most recently published by the Pre-Emption Group prior to the date of this notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2022 or at 6.00 p.m. on 1 May 2022), whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting). The Company may before this authority expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.
12. THAT the Company be generally authorised pursuant to section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company on such terms and in such manner as the directors shall determine, provided that:
- a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 10,716,744 ordinary shares (equivalent to £535,837);
  - b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is 5p;
  - c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share of the Company as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
  - d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2022, or, if earlier, 1 May 2022, unless previously revoked, varied or renewed; and
  - e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.

By order of the Board



**Andrew Holloway**  
**Chief Financial Officer & Company Secretary**  
**16 December 2020**

Registered in England & Wales  
 Company Registered No: 2375296  
 Registered Office  
 10 Paternoster Square  
 London  
 EC4M 7LT

# Notice of Annual General Meeting

continued

## Notes:

### Right to appoint a proxy

- 1 Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- 2 A proxy form which may be used to make such appointment and give proxy directions accompanies this Notice. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC, on 0370 707 1203.

### Procedure for appointing a proxy

- 3 To be valid, the proxy form must be received by post or (during normal business hours only) by hand at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 5 February 2021 at 12.30 pm (or, in the case of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting). It should be accompanied by the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority.
- 4 The proxy form must be received by the Company's registrar, Computershare, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the Annual General Meeting. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by Computershare (under CREST participant ID 3RA50) by no later than 12.30 pm on 5 February 2021. The time of receipt will be taken to be the time from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 5 The return of a completed proxy form or the transmission of a CREST Proxy Instruction will not preclude a member from attending the Annual General Meeting and voting in person if he or she wishes to do so.

### Record date

- 6 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company as at 6.00 p.m. on 5 February 2021 or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

### Corporate representatives

- 7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

### Communications

- 8 Members who have general enquiries about the meeting should use the following means of communication. No other means of communication will be accepted. You may:
  - call our members' helpline on 0370 707 1203
  - write to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

### Total Voting Rights

9. As at 16 December 2020, being the latest practicable date prior to the date of this Notice, the Company's issued share capital consisted of 107,167,448 ordinary shares, carrying one vote each, and 11,271,088 treasury shares. Therefore, the total number of voting rights in the Company as at 16 December 2020 was 107,167,448.

### Documents available for inspection

10. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays), and for at least 15 minutes prior to and during the Annual General Meeting, copies of:
  - the Service Contract of each Executive Director; and
  - the Letters of Appointment of each Non-Executive Director.

### Explanatory Notes to the Notice of 2021 Annual General Meeting

#### Resolution 1 – To receive the Report and Accounts

The Board asks that shareholders receive the reports of the directors and the financial statements for the year ended 30 September 2020, together with the report of the auditors.

#### Resolution 2 – Declaration of final dividend

A final dividend can only be paid if it is recommended by the directors and approved by the shareholders at a general meeting. The directors propose that a final dividend of 6.5 per ordinary share be paid on 12 February 2021 to ordinary shareholders who are on the Register of Members at 6.00 p.m. on 18 December 2020.

Pursuant to the Dividend Investment Plan ("DRIP"), shareholders will again be offered the opportunity to elect to use their cash dividend to buy additional shares in the Company instead of any cash dividend to which they would otherwise have been entitled. The DRIP allows shareholders to increase their shareholdings in the Company in a simple and cost-effective way. Once a shareholder has elected to participate in the DRIP, any cash dividend will be reinvested in ordinary shares in the Company bought on the London Stock Exchange through a specially arranged share dealing service. As the DRIP does not require the creation of any new ordinary shares in the Company and therefore does not lead to dilution of the value of the existing ordinary shares in the Company, the directors believe that the DRIP is beneficial to the shareholders as a whole.

If you have already joined, or choose to join the DRIP, the Final Dividend will be used to buy ordinary shares in the Company. A dealing commission of 0.75 per cent of the value of the ordinary shares purchased will be charged (subject to a minimum of £2.50) and deducted from the amount of the Final Dividend.

If you have not already joined the DRIP and wish to do so, you should either apply online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or, alternatively, contact the Company's registrar on 0370 707 1203 to request the terms and conditions of the DRIP and a printed mandate form, which must be returned to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, so as to arrive no later than 6.00 pm on 22 January 2021. If you have already joined the DRIP and wish to continue receiving dividends in shares, or if you have not already joined the DRIP and wish to continue receiving dividends in cash, you need take no further action.

#### **Resolutions 3 to 5 – Re-election of directors**

The Articles of Association of the Company require the nearest number to one third of the directors to retire at each Annual General Meeting. In addition, any director who has been appointed since the last Annual General Meeting must also retire and may offer him or herself for re-election and such directors are not counted in calculating the number of directors to retire by rotation.

Messrs. Mitchinson (Co-CEO) and Sutton (Non-Executive Director) and Ms James (Non-Executive Director) are each required to retire by rotation and offer themselves for re-election in accordance with the Articles of Association of the Company.

The directors believe that the Board continues to maintain an appropriate balance of experience, skills, personal qualities and capabilities and that all the Non-Executive Directors are independent in character and judgement. Biographical details of all our directors can be found on page 50 of the 2020 Annual Report and on Numis' corporate website.

#### **Resolutions 6 and 7 – Reappointment and remuneration of Auditor**

The Company is required to appoint auditors at each Annual General Meeting to hold office until the next such meeting at which accounts are presented. Resolution 6 proposes the reappointment of the Company's existing auditors, PricewaterhouseCoopers LLP.

Resolution 7 proposes that the Audit Committee be authorised to determine the level of the auditors' remuneration on behalf of the Board.

#### **Resolution 8 – Authority to make Political Donations**

The Companies Act 2006 (the "Act") prohibits companies from making any political donations to EU political organisations, independent candidates or incurring EU political expenditure unless authorised by shareholders in advance. The Company does not make and does not intend to make donations to EU political organisations or independent election candidates, nor does it incur any EU political expenditure.

However, the definitions of political donations, political organisations and political expenditure used in the Act are very wide. As a result this can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties, and support for bodies representing the business community in policy review or reform. Shareholder approval is being sought on a precautionary basis only, to allow the Company and any company, which at any time during the period for which this resolution has effect, is a subsidiary of the Company, to continue to support the community and put forward its views to wider business and government interests without running the risk of inadvertently breaching the legislation.

The Board is therefore seeking authority to make political donations to EU political organisations and independent election candidates not exceeding £50,000 in total and to incur EU political expenditure not exceeding £50,000 in total. In line with best practice guidelines published by the Investment Association, this resolution is put to shareholders annually rather than every four years as required by the Act. For the purposes of this resolution, the terms 'political donations', 'political organisations', 'independent election candidate' and 'political expenditure' shall have the meanings given to them in sections 363 to 365 of the Act.

#### **Resolution 9 – Authority to allot relevant securities**

Resolution 9 is proposed to renew the directors' powers to allot shares. The directors' existing authority, which was granted (pursuant to section 551 of the Act) at the Annual General Meeting held on 4 February 2020, will expire at the end of this year's Annual General Meeting. Accordingly, paragraph (a) of resolution 9 would renew and increase this authority by authorising the directors (pursuant to section 551 of the Act) to allot relevant securities up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

In accordance with The Investment Association's Share Capital Management Guidelines, Resolution 9(b) seeks to grant the directors authority to allot ordinary shares equal to a further one third of the Company's issued share capital in connection with a rights issue in favour of ordinary shareholders. If the directors were to use this additional authority, then all of the directors would submit themselves for re-election at the following Annual General Meeting.

Save in respect of the issue of new ordinary shares pursuant to the Company's share incentive schemes or as a result of scrip dividends, the directors currently have no plans to allot relevant securities, but the directors believe it to be in the interests of the Company for the Board to be granted this authority, to enable the Board to take advantage of appropriate opportunities which may arise in the future.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the annual general meeting of the Company to be held in 2022, or at 6.00 p.m. on 1 May 2022, whichever is sooner, unless renewed or revoked prior to such time.

# Notice of Annual General Meeting

continued

## Resolutions 10 and 11 – Disapplication of statutory pre-emption rights

Resolutions 10 and 11 are to approve the disapplication of pre-emption rights. The passing of these resolutions would allow the directors to allot shares for cash and/or sell treasury shares without first having to offer such shares to existing shareholders in proportion to their existing holdings.

The authority under Resolution 10 would be limited to:

- (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board considers necessary; and
- (b) allotments or sales (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £267,918 (equivalent to 5,358,372 ordinary shares)], being an amount equal to approximately 5 per cent. of the current issued share capital of the Company as at 16 December 2020 (being the latest practicable date prior to the publication of this Notice).

Resolution 11 would give the directors authority to allot a further 5 per cent. of the issued ordinary share capital of the Company as at 16 December 2020 (being the latest practicable date prior to the publication of this Notice) for the purposes of financing a transaction which the directors determine to be an acquisition or other capital investment contemplated by the Pre-Emption Group's Statement of Principles most recently published by the Pre-Emption Group prior to the date of this Notice (the "Statement of Principles").

The disapplication authorities under Resolutions 10 and 11 are in line with guidance set out in the Statement of Principles. The Statement of Principles allow a board to allot shares for cash otherwise than in connection with a pre-emptive offer (i) up to 5 per cent. of a company's issued share capital for use on an unrestricted basis, and (ii) up to a further 5 per cent. of a company's issued share capital for use in connection with an acquisition or specified capital investment announced either contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

In accordance with the Statement of Principles, the directors confirm that they do not intend to issue shares for cash representing more than 7.5 per cent. of the Company's issued ordinary share capital in any rolling three-year period (save in accordance with Resolution 11) without prior consultation with shareholders. The authorities contained in Resolutions 10 and 11 will expire at the conclusion of the annual general meeting of the Company to be held in 2022 or at 6.00 p.m. on 1 May 2022, whichever is sooner

## Resolution 12 – Authority to purchase Company's own shares

Resolution 12 seeks to grant the directors authority (until the next Annual General Meeting to be held in 2022 or, if earlier, 1 May 2022, unless such authority is revoked or renewed prior to such time) to make market purchases of the Company's own ordinary shares, up to a maximum of 10,716,744 ordinary shares (equivalent to £535,837), being an amount equal to approximately 10 per cent of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of 5p per ordinary share.

The directors intend to continue to purchase shares to offset the dilutive impact of share awards granted to staff, subject to prevailing market conditions, financial position and the outlook for the business generally. The directors believe it is in the interests of shareholders to mitigate the potential dilution arising from our strategy to use equity to incentivise and reward staff. Furthermore, the authority will only be exercised if the directors believe the purchase would enhance earnings per share and be in the best interests of shareholders generally. The Company may hold in treasury any of its own shares that it purchases in accordance with the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

## Board Recommendation

The directors believe that the resolutions being proposed and described above, are in the best interests of the Company and its shareholders as a whole and recommend you to give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholdings.

# Information for shareholders

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## Financial calendar

### 2020-2021

<b>December</b>	Year end results announced
<b>January</b>	Annual Report issued
<b>February</b>	Annual General Meeting
<b>February</b>	Final dividend paid
<b>May</b>	Half year results announced
<b>July</b>	Interim dividend paid

## Company information

### Company registration number

2375296

### Registered office

10 Paternoster Square  
London  
EC4M 7LT

[mail@numis.com](mailto:mail@numis.com)

[www.numis.com](http://www.numis.com)

### Nominated broker

Numis Securities Ltd  
10 Paternoster Square  
London  
EC4M 7LT

### Nominated adviser

Grant Thornton LLP  
30 Finsbury Square  
London  
EC2P 2YU

### Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### Independent auditors

PricewaterhouseCoopers LLP  
7 More London  
Riverside  
London  
SE1 2RT

### Bankers

Barclays Bank plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

### Numis Corporation Plc

10 Paternoster Square  
London  
EC4M 7LT

[mail@numis.com](mailto:mail@numis.com)

[www.numis.com](http://www.numis.com)

# Alternative performance measures

The Group uses the following non-GAAP alternative performance measures:

## **Underlying operating profit**

Measure: Profit before investment income/losses, net finance income, non-recurring items and tax

Reconciliation: See page 37.

### **Why we use this measure:**

Provides a consistent measure of the performance of the core business, excluding the impact of non-core activities and one-off items.

## **Operating margin**

Measure: Underlying operating profit divided by revenue

Reconciliation: See page 37.

### **Why we use this measure:**

Provides a measure of the profitability of the core business activities of the Group, identifying the operating gearing within the business.





Designed and produced by MerchantCantos  
[www.merchantcantos.com](http://www.merchantcantos.com)

Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

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