

Numis Corporation Plc Preliminary Results for the year ended 30 September 2014

London, 4 December 2014: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2014. Numis is the holding company of Numis Securities Limited, the independent investment banking and broking business.

Highlights

| | 2014 | 2013 | Change |
|------------------------------|--------|--------|--------|
| Revenue | £92.9m | £77.7m | +20% |
| Adjusted profit before tax | £30.5m | £25.0m | +22% |
| Statutory profit before tax | £24.4m | £22.6m | +8% |
| Adjusted earnings per share | 24.0p | 19.3p | +24% |
| Statutory earnings per share | 18.7p | 16.9p | +11% |
| Final dividend | 5.5p | 5.0p | +10% |
| Total dividend for the year | 10.5p | 9.0p | +17% |

- Leading broking adviser with a broad client base covering 16 sectors including 36 FTSE 250 corporates. Added 24 new corporate clients during the year bringing the total to 171.
- Adviser of choice for UK companies seeking to raise money. Raised £2.1bn (2013: £2.2bn) of funds for our corporate clients.
- Completed 44 equity issuance transactions (2013: 38) including 16 IPOs (2013: 7).
- Record revenue performance evidenced by combined institutional commission and trading gains of £39.6m (2013: £37.2m) at the highest level in the firm’s history.
- Cash balances of £74.5m (2013: £71.2m) after outflows of £18.0m (2013: £9.8m) on aggregate share repurchases and dividend payments.
- Continued widespread recognition of our broking and research capabilities. Voted “Number 1 UK Small and Mid Cap Brokerage Firm” by both companies and institutions in the 2014 Thomson Reuters Extel Survey for the second year in succession.
- No.2 Broker by total number of stock market clients in latest quarterly research from Adviser Rankings.

Commenting on the results, Oliver Hemsley, Chief Executive, said:

“Placing our clients’ interests at the heart of what we do is an essential feature of our business model and has been instrumental in achieving the results highlighted above. By maintaining our focus on strengthening our franchise right across UK plc we have established Numis as the advisor of choice for companies looking to raise capital. We will continue to strengthen our franchise through a relentless focus on building and maintaining long-term relationships with our clients.”

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| | |
|--------------------------------------|---------------|
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| | |
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Notes for Editors

Numis is a leading independent investment banking and stockbroking group offering a full range of research, execution, corporate broking and corporate finance services to companies quoted in the UK and their investors.

Review of Performance

Overall Performance

We are pleased to report that the business performed well during a period of variable market conditions. During the year ended 30 September 2014 revenues increased by 20% to £92.9m (2013: £77.7m) and adjusted profit before tax increased by 22% to £30.5m (2013: £25.0m). In addition, there were £0.1m of gains (2013: £3.6m) recognised on investments held outside of our market making business and £6.1m of charges (2013: £6.0m) relating to employee share scheme arrangements. This resulted in a statutory profit before tax for the year of £24.4m (2013: £22.6m). A reconciliation of the adjusted profit to the statutory result is set out in note 9.

An improving UK economy coupled with increasing confidence amongst corporates helped to underpin a buoyant performance for UK equities during the first half of the year. This optimism dampened during the second half as thoughts turned to economic factors in Europe, China and the USA along with more localised uncertainties surrounding the Scottish referendum. All the key FTSE indices experienced gains over the six month period ended 30 March 2014 with the largest of these being for the AIM 50 (10.32%), FTSE 250 (9.16%) and FTSE Small Cap (6.10%). Similarly, the main Numis Smaller Companies Index generated returns of 12.1% over the same period. However, the second half saw indices giving back some, if not all, of their first half gains resulting in a rather mixed overall performance in equity indices for the full year with AIM 50 ending 14.3% down, FTSE 250 being 3.16% up and FTSE Small Cap being 4.1% up. The main Numis Smaller Companies Index generated returns of 4.8% over the year ended 30 September 2014 demonstrating the continued resilience in this sector of the market.

For the market as a whole, however, the value of secondary trading and equity fundraising on the London Stock Exchange improved. Secondary trading (by value) in main market stocks was up 1.9% on the same period last year whereas equity funds raised on AIM and the Main Market combined increased by 45% year-on-year to £34.5bn largely driven by a buoyant IPO market.

We were able to take advantage of these market conditions and post record core revenues of £92.9m (2013: £77.7m). This includes combined institutional commission & trading revenues of £39.6m (2013: £37.2m) which itself is also at the highest level in the firm's history. Similarly, income from corporate and issuance transactions for the year increased by 36% to £45.5m (2013: £33.5m) and was driven by the completion of 16 IPOs and 27 secondary market equity placings bringing the total funds raised for our clients during the year to £2.1bn (2013: £2.2bn).

Our balance sheet remains strong with cash balances totalling £74.5m (2013: £71.2m) while net assets have increased to £110.1m (2013: £106.8m). The net cash inflow of £3.5m was achieved after outflows of £18.0m (2013: £9.8m) on aggregate share repurchases and dividend payments made during the year.

Corporate Finance

We believe in building long-term relationships with our clients, endeavouring to provide them with service of exceptional quality tailored to their needs. Our track record reflects the quality of our client relationships and the depth of expertise that enable us to deliver original and telling solutions. Our expertise in debt securities as well as equity finance enables us to launch retail bond issues on behalf of corporate clients thereby helping them to access non-bank finance.

Notable deals completed during the year include IPOs for McColl's Retail Group, Arrow Global Group, TwentyFour Income Fund, Custodian REIT, TSB, Polypipe Group, Brit Plc and B&M Retail. We also completed a number of sizable secondary raises for our corporate clients including Unite Group, Interserve, IP Group, Retroscreen Virology, Capital & Regional and the Bank of Georgia. In total we raised £2.1bn of equity finance during the period (2013: £1.8bn) which equates to 5.9% (2013: 7.7%) of total equity fund raising on the London Stock Exchange.

Corporate Broking and Investor Relations

We continue to attract high quality corporate clients with 24 new clients added during the year bringing the total number for whom we act to 171 companies (2013: 156). This has helped to achieve a 12% increase in retainer fees year-on-year which currently have an annual run rate of £8.3m.

The breadth and quality of our corporate client list is significant and includes 36 FTSE 250 clients, one FTSE 100 company, 59 FTSE Small Caps and 62 AIM companies. The offering to our corporate clients includes access to worldwide institutional investors, but also to a network of over 1,500 active private client fund managers providing alternative sources of liquidity and investor interaction. With access to over 70 regional PCFM houses throughout the UK our dedicated PCFM team continues to expand its reach and client base which now totals 43 clients (September 2013: 36).

In addition our Investor Relations team provides the link between companies, existing shareholders and potential investors. This is achieved through the organisation of road shows, site visits and investor conferences in the UK, Europe and the USA.

These achievements are a testament to the calibre of our people and the strength of our dedicated corporate broking team who were instrumental in Numis being voted #1 UK Small & Mid Cap Brokerage Firm by both companies and institutions for the second year in succession in the 2014 Thomson Reuters Extel survey. In addition, the same survey saw Numis being voted #1 Corporate Broker.

Research and Sales

High quality research and sales is at the heart of our business. It creates relationships based on trust with our institutional clients and is at the core of our powerful international distribution capability.

Our sector analysts cover approximately 350 companies across 16 sectors, including 57 FTSE 100 stocks, 146 FTSE 250 stocks and around 140 stocks either on AIM or outside the FTSE 350. Our Investment Funds research team covers around 400 investment companies and funds, focusing on funds with specialist or differentiated mandates, included quoted equity, private equity, hedge funds, property and other alternative assets. We continue to invest in our Research capability, adding to our team during the year, and experience exceptionally strong staff retention.

Our highly regarded sales team provides distribution to our 450+ active institutional clients across the UK, Europe, the Americas and Australasia. Data from external providers such as Starmine and TIM Ideas continues to demonstrate the very impressive value-add that we provide to our institutional clients, helping them to outperform. Our US office continues to provide an excellent service in marketing UK quoted companies to major US institutional investors and arranging road shows in the US for FTSE 350 companies. We have added further depth to our US capability during the year, which we believe is unmatched by our competitors.

External recognition of the quality of our service was reinforced in the 2014 UK Small & Mid Cap Thomson Reuters Extel survey. Within Research, out of 18 sectors covered by the survey, Numis analysts ranked number 1 in six sectors, and top 3 in a further five sectors. Within Sales, Numis was voted the no.1 UK Small & Mid Cap sales team.

Execution

We provide active execution services in over 600 stocks, of which almost 500 are listed on the main market. Importantly, we had the leading market share in 123 (2013: 126) stocks across these markets, and were a top three service provider in a further 120 stocks (2013: 103). With access to 17 trading venues and liquidity providers we are able to deliver an exceptionally strong execution capability to our institutional clients who value the flexibility that our execution platform provides.

We remain in the top 6 brokers for FTSE 250 trade (by value traded) based on direct customer business via the London Stock Exchange, and are ranked no.2 in FTSE Small Cap trade on this basis. Our execution services are also highly ranked in external surveys.

Dividend

In view of our robust capital position and confidence in the Group's future prospects, the Board is recommending a 10% increase in the final dividend to 5.5p per share (2013: 5.0p per share) which brings the total dividend for the year to 10.5p per share (2013: 9.0p per share).

The Board has implemented a Dividend Re-Investment Plan (DRIP) in place of the SCRIP Dividend Scheme for the final dividend for 2014. 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 and further dilute shareholders. The Board believe that this approach is in the best interests of the Company.

This final dividend for 2014 will be payable on 20 February 2015 to shareholders on the register of members at the close of business on 12 December 2014, subject to shareholder approval at the Annual General Meeting. The details of the DRIP will be explained in a circular to accompany our 2014 Annual Report and Accounts, which will be circulated to all shareholders on 6 January 2015.

Board Changes

A number of changes were made to the Board during the year. In December 2013, Tom Bartlam retired as Non-executive Director after eight years of service and in May 2014 Sir David Arculus also retired as Non-executive Chairman after five years of service. Gerald Corbett, who had served as Non-executive Director since May 2009, became Non-executive Chairman at that time.

Also during May 2014, Robert Sutton and Catherine James were appointed to the Board as Non-executive Directors, who together bring a considerable breadth of relevant knowledge. In the same month, David Poutney and Marcus Chorley were appointed to the Board as executive Directors, both of whom have been instrumental in overseeing the growth of the business and are serving directors of the main subsidiary board.

Current Trading and Outlook

Our new financial year has seen the successful completion of seven secondary fund raises along with a number of advisory transactions, notably Micro Focus' £730m reverse acquisition of Attachmate Group. Equity indices have experienced increased volatility during the first two months of our new financial year and we remain sensitive to such market conditions.

Whilst a degree of uncertainty has returned to the markets, we believe that an appetite for high quality IPOs will prevail along with increased activity in M&A. Our strategy has always centred around the quality of our corporate client list, a relentless focus on client service and building trusted relationships with institutions. This strategy has helped to ensure that the firm benefits from favourable market conditions and that it remains well positioned to enjoy future success.

Oliver Hemsley
Chief Executive
4 December 2014

Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|---------------|---------------|
| Revenue | 3 | 92,862 | 77,658 |
| Other operating income | | 49 | 3,550 |
| Total income | | 92,911 | 81,208 |
| Administrative expenses | 4 | (69,018) | (59,150) |
| Operating profit | | 23,893 | 22,058 |
| Finance income | | 527 | 566 |
| Finance costs | | (50) | (5) |
| Profit before tax | | 24,370 | 22,619 |
| Taxation | | (4,311) | (4,555) |
| Profit after tax | | 20,059 | 18,064 |
| Attributable to: | | | |
| Equity holders of Numis Corporation Plc | | 20,059 | 18,064 |
| Earnings per share | | | |
| Basic | 5 | 18.7p | 16.9p |
| Diluted | 5 | 17.1p | 15.6p |
| Dividends for the year | 6 | (11,042) | (8,570) |

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Profit for the year | 20,059 | 18,064 |
| Exchange differences on translation of foreign operations | 52 | (52) |
| Other comprehensive income/(expense) for the year, net of tax | 52 | (52) |
| Total comprehensive income for the year, net of tax, attributable to equity holders of Numis Corporation Plc | 20,111 | 18,012 |

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2014

| | Note | 2014 £'000 | 2013 £'000 |
|----------------------------------|------|------------------|------------------|
| Non current assets | | | |
| Property, plant and equipment | | 1,473 | 1,652 |
| Intangible assets | | 124 | 124 |
| Deferred tax | 7a | 2,740 | 2,715 |
| | | 4,337 | 4,491 |
| Current assets | | | |
| Trade and other receivables | 7b | 300,177 | 198,391 |
| Trading investments | 7c | 47,254 | 36,203 |
| Stock borrowing collateral | 7d | 3,348 | 292 |
| Derivative financial instruments | | 613 | 779 |
| Cash and cash equivalents | 7f | 74,518 | 71,205 |
| | | 425,910 | 306,870 |
| Current liabilities | | | |
| Trade and other payables | 7b | (307,375) | (193,125) |
| Financial liabilities | 7e | (11,028) | (8,046) |
| Current income tax | | (1,767) | (3,363) |
| | | (320,170) | (204,534) |
| Net current assets | | 105,740 | 102,336 |
| <hr/> | | | |
| Net assets | | 110,077 | 106,827 |
| <hr/> | | | |
| Equity | | | |
| Share capital | | 5,922 | 5,865 |
| Share premium account | | 38,854 | 35,830 |
| Other reserves | | 8,063 | 10,119 |
| Retained earnings | | 57,238 | 55,013 |
| Total equity | | 110,077 | 106,827 |

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Share Capital £'000 | Share Premium £'000 | Other Reserves £'000 | Retained Earnings £'000 | Total Equity £'000 |
|--|---------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| Balance at 1 October 2013 | 5,865 | 35,830 | 10,119 | 55,013 | 106,827 |
| Profit for the year | | | | 20,059 | 20,059 |
| Other comprehensive income | | | 52 | - | 52 |
| Total comprehensive income for the year | | | 52 | 20,059 | 20,111 |
| New shares issued | 57 | 3,024 | - | - | 3,081 |
| Dividends paid | | | | (11,042) | (11,042) |
| Purchase of shares into Treasury | | | | (10,807) | (10,807) |
| Movement in respect of employee share plans | | | (2,108) | 3,866 | 1,758 |
| Deferred tax related to share based payments | | | | 149 | 149 |
| Transactions with shareholders | 57 | 3,024 | (2,108) | (17,834) | (16,861) |
| Balance at 30 September 2014 | 5,922 | 38,854 | 8,063 | 57,238 | 110,077 |

| | Share Capital £'000 | Share Premium £'000 | Other Reserves £'000 | Retained Earnings £'000 | Total Equity £'000 |
|--|---------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| Balance at 1 October 2012 | 5,736 | 32,461 | 11,653 | 47,225 | 97,075 |
| Profit for the year | | | | 18,064 | 18,064 |
| Other comprehensive expense | | | (52) | - | (52) |
| Total comprehensive income for the year | | | (52) | 18,064 | 18,012 |
| New shares issued | 129 | 3,369 | - | - | 3,498 |
| Dividends paid | | | | (8,570) | (8,570) |
| Purchase of shares into Treasury | | | | (3,269) | (3,269) |
| Movement in respect of employee share plans | | | (1,482) | 520 | (962) |
| Deferred tax related to share based payments | | | | 1,043 | 1,043 |
| Transactions with shareholders | 129 | 3,369 | (1,482) | (10,276) | (8,260) |
| Balance at 30 September 2013 | 5,865 | 35,830 | 10,119 | 55,013 | 106,827 |

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|-----------------|----------------|
| Cash flows from operating activities | 8 | 26,978 | 46,338 |
| Interest paid | | (31) | (5) |
| Taxation paid | | (5,783) | (1,442) |
| Net cash from operating activities | | 21,164 | 44,891 |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (205) | (88) |
| Purchase of intangible assets | | (77) | (104) |
| Interest received | | 605 | 369 |
| Net cash from investing activities | | 323 | 177 |
| Financing activities | | | |
| Purchases of own shares – Treasury | | (9,829) | (2,370) |
| Purchases of own shares – Employee Benefit Trust | | (168) | (2,321) |
| Dividends paid | | (7,961) | (5,072) |
| Net cash used in financing activities | | (17,958) | (9,763) |
| Net movement in cash and cash equivalents | | 3,529 | 35,305 |
| Opening cash and cash equivalents | | 71,205 | 35,854 |
| Net movement in cash and cash equivalents | | 3,529 | 35,305 |
| Exchange movements | | (216) | 46 |
| Closing cash and cash equivalents | | 74,518 | 71,205 |

Notes to the Financial Statements

1. Basis of preparation and accounting policies

Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2014 will be delivered to the Registrar of Companies in due course. The annual report and statutory accounts will be posted to shareholders on 5 January 2015 and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 3 February 2015.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these preliminary results have been applied on a consistent basis with the statutory accounts for the years ended 30 September 2013 and 2012. Although such estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

The consolidated financial information contained within these financial statements has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The consolidated financial information contained within these financial statements has been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial information and having taken into consideration the strength of the Group balance sheet and cash balances, the Group has adequate resources to continue in operational existence for at least the next twelve months.

Accounting policies

The consolidated financial information contained within these financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and are in accordance with the accounting policies that were applied in the Group's statutory accounts for the year ended 30 September 2013, with the addition of the following new standard:

IFRS 13 'Fair Value Measurement', aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It also introduces new disclosure requirements for transfers between level 1, 2 and 3 assets as well as valuation sensitivities in respect of level 3 assets. The adoption of IFRS 13 by the Group has no material impact on the Group's income statement, statement of comprehensive income, balance sheet or cash flows. The relevant IFRS 13 disclosures will be made in the Group's statutory accounts for the year ended 30 September 2014.

2. Segmental analysis

Geographical information

The Group is managed as an integrated investment banking business and although there are different revenue types (which are separately disclosed in note 3) the nature of the Group's activities is considered to be subject to the same and/or similar economic characteristics. Consequently the Group is managed as a single business unit, namely investment banking.

The Group earns its revenue in the following geographical locations:

| | 2014 | 2013 |
|----------------|---------------|---------------|
| | £'000 | £'000 |
| United Kingdom | 84,295 | 70,252 |
| United States | 8,567 | 7,406 |
| | 92,862 | 77,658 |

There are no customers who accounted for more than 10% of revenues in the year ended 30 September 2014 (2013: Nil).

The following is an analysis of the carrying amount of non-current assets (excluding financial instruments and deferred tax assets) by the geographical area in which the assets are located:

| | 2014 | 2013 |
|----------------|--------------|--------------|
| | £'000 | £'000 |
| United Kingdom | 1,423 | 1,567 |
| United States | 174 | 209 |
| | 1,597 | 1,776 |

Other information

In addition, the analysis below sets out the revenue performance and net asset split between our core investment banking & broking business and the small number of equity holdings which constitute our investment portfolio.

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Net institutional commission and trading income | 39,597 | 37,218 |
| Corporate transaction revenues | 45,469 | 33,507 |
| Corporate retainers | 7,796 | 6,933 |
| Revenue from investment banking & broking (see note 3) | 92,862 | 77,658 |
| Investment activity net gains | 49 | 3,550 |
| Contribution from investing activities | 49 | 3,550 |
| Total | 92,911 | 81,208 |

Net assets

| | | |
|------------------------------------|----------------|----------------|
| Investment banking & broking | 20,399 | 21,966 |
| Cash collateral at clearing houses | 4,740 | 3,111 |
| Investing activities | 10,420 | 10,545 |
| Cash and cash equivalents | 74,518 | 71,205 |
| Total net assets | 110,077 | 106,827 |

3. Revenue

| | 2014 | 2013 |
|---------------------------|---------------|---------------|
| | £'000 | £'000 |
| Net trading gains | 7,715 | 8,459 |
| Institutional commissions | 31,882 | 28,759 |
| Net institutional income | 39,597 | 37,218 |
| Corporate retainers | 7,796 | 6,933 |
| Deal fees | 8,972 | 6,015 |
| Placing commissions | 36,497 | 27,492 |
| | 92,862 | 77,658 |

4. Administrative expenses

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 36,251 | 29,645 |
| Social security costs | 6,327 | 5,396 |
| Compensation for loss of office | 353 | 251 |
| Other pension costs | 1,624 | 1,386 |
| Share based payments | 4,575 | 4,494 |
| Non compensation costs | 19,888 | 17,978 |
| | 69,018 | 59,150 |

The average number of employees during the year increased to 189 (2013: 173) with the number as at 30 September 2014 totalling 202 (30 September 2013: 175). Non-compensation costs are impacted by increased staffing levels along with higher levels of business activity and 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.

5. Earnings per share

Basic earnings per share is calculated on a profit after tax of £20,059,000 (2013: £18,064,000) and 107,302,591 (2013: 106,924,245) ordinary shares being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share takes account of contingently issuable shares arising from share scheme award arrangements where their impact would be dilutive. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit 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 Trusts on behalf of the Group.

| | 2014 | 2013 |
|---|------------------|------------------|
| | Number | Number |
| | Thousands | Thousands |
| Weighted average number of ordinary shares in issue during the year – basic | 107,302 | 106,924 |
| Dilutive effect of share awards | 9,912 | 8,718 |
| Diluted number of ordinary shares | 117,214 | 115,642 |

6. Dividends

| | 2014 | 2013 |
|--|---------------|--------------|
| | £'000 | £'000 |
| Final dividend for year ended 30 September 2013 (5.00p) | 5,443 | |
| Interim dividend for year ended 30 September 2014 (5.00p) | 5,599 | |
| Final dividend for year ended 30 September 2012 (4.00p) | | 4,243 |
| Interim dividend for year ended 30 September 2013 (4.00p) | | 4,327 |
| Distribution to equity holders of Numis Corporation Plc | 11,042 | 8,570 |

The Board has proposed a final dividend of 5.5p per share for the year ended 30 September 2014. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by the shareholders. These preliminary results do not reflect this dividend payable.

7. Balance sheet items

(a) Deferred tax

As at 30 September 2014 deferred tax assets totalling £2,740,000 (2013: £2,715,000) have been recognised reflecting managements' confidence that there will be sufficient levels of future taxable gains against which the deferred tax asset can be utilised. The deferred tax asset principally comprises amounts in respect of share based payments. A deferred tax asset of £1,155,000 (2013: £1,640,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence that there will be taxable gains in the future against which the deferred tax asset could be utilised.

(b) Trade and other receivables and Trade and other payables

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of such balances varies with the level of business being transacted around the reporting date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £4,740,000 (2013: £3,111,000).

(c) Trading investments

Included within trading investments is £10,420,000 (2013: £10,545,000) of investments held outside of the market making portfolio. As at 30 September 2014, Nil (2013: Nil) of trading investments had been pledged to certain institutions under stock lending arrangements.

(d) Stock borrowing and lending collateral

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

The securities purchased are not recognised on the balance sheet whereas the securities sold remain on the balance sheet with the transaction treated as a secured loan made for the purchase or sale price. Where cash has been used to effect the purchase or sale, an asset or liability is recorded on the balance sheet as stock borrowing or lending collateral at the amount of cash collateral advanced or received.

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

(e) Financial liabilities

Financial liabilities comprise short market making positions and include shares listed on the LSE Main and AIM markets as well as overseas exchanges. In conjunction with the long market making positions included within Trading investments, these two combined represent the net position of holdings within the market making book which, year on year, has increased by approximately £8.8m. The magnitude of financial liabilities will depend, in part, on the nature and make-up of long positions combined with the market makers' view of those long positions over the short and medium term, taking into consideration market volatility, liquidity, client demand and future corporate actions.

(f) Cash and cash equivalents

Cash balances reflect the sustained improvement in operating profit whilst supporting a higher degree of market marking activity along with maintaining dividend distributions (£8.0m cash outflow) and the repurchase of shares into Treasury (£9.8m cash outflow).

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

| | 2014 | 2013 |
|--|---------------|---------------|
| | £000 | £000 |
| Profit before tax | 24,370 | 22,619 |
| Net finance income | (477) | (561) |
| Depreciation charges on property, plant and equipment | 384 | 397 |
| Amortisation charges on intangible assets | 77 | 62 |
| Share scheme charges | 4,575 | 4,494 |
| (Increase)/decrease in current asset trading investments | (11,051) | 2,393 |
| (Increase)/decrease in trade and other receivables | (104,976) | 39,584 |
| Net movement in stock borrowing /lending collateral | (3,056) | 4,219 |
| Increase/(decrease) in trade and other payables | 116,966 | (26,162) |
| Decrease in derivatives | 166 | (707) |
| Cash flows from operating activities | 26,978 | 46,338 |

9. Adjusted profit measures

The following table reconciles the statutory measures of profit before tax, profit after tax and earnings per share to the adjusted measures used by management in their assessment of the underlying performance of the business:

| | 2014 | 2013 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Statutory group profit before tax | 24,370 | 22,619 |
| Items not included within adjusted profit before tax: | | |
| Other operating income | (49) | (3,550) |
| Share scheme charges | 4,575 | 4,494 |
| National insurance provisions related to share scheme awards | 1,555 | 1,474 |
| Adjusted group profit before tax | 30,451 | 25,037 |
| Statutory Group taxation | (4,311) | (4,555) |
| Tax impact of adjustments | (379) | 106 |
| Adjusted group taxation | (4,690) | (4,449) |
| Adjusted group profit after tax | 25,761 | 20,588 |

| | 2014 | 2013 |
|---|-------------|-------------|
| Basic weighted average number of shares, number | 107,302,591 | 106,924,245 |
| Adjusted basic earnings per share, pence | 24.0p | 19.3p |
| Adjusted diluted earnings per share, pence | 22.0p | 17.8p |