

Numis Corporation Plc Preliminary Results for the year ended 30 September 2016

London, 7 December 2016: Numis Corporation Plc (“Numis”) today announces preliminary results for the year ended 30 September 2016. Numis is the holding company of Numis Securities Limited, the independent corporate advisory and stockbroking business.

Highlights

	2016	2015	Change
Revenue	£112.3m	£98.0m	+15%
Profit before tax	£32.5m	£26.1m	+25%
Earnings per share	23.5p	19.5p	+21%
Total dividend for the year	12.0p	11.5p	+4%
Cash balances	£89.0m	£59.6m	+49%

- Revenue growth of 15% to £112.3m, the highest level in the Group’s history. Within this, we saw growth across the business, with Equities revenue up 15% to £38.4m and Corporate Broking and Advisory (CB&A) revenue up 14% to £73.9m. Overall staff numbers were largely unchanged and we believe our revenue per head compares very favourably to industry peers.
- Profit before tax up 25% to £32.5m, which includes £3.7m of net gains on our strategic investment portfolio.
- Cash generation has been strong and we ended the year with cash balances of £89.0m (2015: £59.6m) and net assets of £129.1m (2015: £115.5m), both record highs for the Group.
- The proposed final dividend is increased by 8% to 6.5p, giving a full year dividend of 12p, an increase of 4%. The 12p full year dividend is the highest in the Group’s history.
- The strong performance within Equities was driven by our continued focus on offering best-in-class research, sales and execution services. This was recognised in the Thomson Reuters Extel survey, in which we were ranked No 1 UK Small & Mid Cap Brokerage Firm for the 4th year in a row.
- The strong performance within CB&A reflects our dedication to working hard on behalf of our corporate clients. We raised £1.8bn of equity capital through 47 equity raisings including 13 IPO’s. In addition, we completed 26 M&A transactions for our corporate clients, and executed £1.1bn of block trades. Our corporate client list continues to grow, with 16 net additions during the year taking the total number of clients for whom we act to 199.
- On 1st September 2016, founder Oliver Hemsley was succeeded by co-CEOs Alex Ham and Ross Mitchinson. This transition has been seamless and Oliver’s drive and determination remain an important guiding light for the firm.

- Trading in our new financial year to date has been solid and gives us confidence for the year; we have completed 10 capital raising transactions including 2 IPO's, and the daily revenue within Equities is performing well.

Alex Ham and Ross Mitchinson, Co-Chief Executive Officers, issued the following joint statement:

“Numis generated record revenues in a year when stock market performance was mixed, and market-wide corporate activity was muted. This demonstrates the robust nature of the business, and is testament to the quality of our people and the strong relationships that we enjoy with both our corporate and institutional clients. Numis has built an excellent franchise and we are excited to be leading the firm to the next level.”

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Notes for Editors

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

Review of Performance

Overall Performance

We are pleased to report that the business generated record revenues, with all revenue streams contributing to this success. During the year ended 30th September 2016, revenues increased by 15% to £112.3m (2015: £98.0m) and profit before tax increased by 25% to £32.5m (2015: £26.1m). Profit before tax includes £3.7m of gains recognised on investments held outside of our market making business (2015: £2.0m loss). As described in note 10, we have dispensed with the use of non-IFRS profit numbers in order to bring the presentation of our results in-line with best practice.

Market Conditions

For the period from 1st October 2015 to 30th September 2016, almost all major UK equity indices recorded double-digit growth. Much of this performance came during our final quarter (July-September), as the market digested the Brexit-induced weakness of Sterling and reacted favourably to the US Presidential election result, as well as the first real signs of a rotation out of bonds. During the fiscal year, the Numis Smaller Companies Index generated returns of 12.3%, and the Numis UK Mid Cap Index +14.2%. It is worth noting that the UK market saw huge sector rotations during this period, with domestic cyclical struggling at the expense of a strong bounce in stocks in the Mining and Oil & Gas sectors.

For the market as a whole, the value of secondary trading on the LSE has shown an improvement, with secondary trading (by value) in Main Market stocks up 20% on the comparable twelve month period. However, equity issuance across the market has been less buoyant with equity funds raised on AIM and the Main Market combined totalling £22.4bn, down 29% versus the prior year. This paucity of equity capital raising was partly explained by a hiatus in activity both sides of the UK referendum on 23rd June. M&A activity across the market has also been muted, although the weakness of sterling combined with increasing availability of cheap finance and the huge 'dry powder' of financial sponsors suggests that M&A activity is likely to pick up.

Corporate Broking & Advisory ('CB&A')

We believe in building long-term relationships with our corporate clients, endeavouring to provide them with service of exceptional quality which is tailored to their needs. We pride ourselves on the strength of these relationships, which we believe is reflected in the momentum that we enjoy both in client numbers, as well as longevity of relationship and in fee generation over time.

Our revenue performance from CB&A was impressive, at £73.9m (2015: £64.6m) and the highest in the Group's history. This performance was very broadly based, including carrying out 13 IPOs, 26 pure advisory roles and 13 block trades and secondary sell-downs.

We continue to attract high quality corporate clients, with 16 net additions during the year taking the number of companies for whom we act as broker to 199. The average market cap of these companies now averages around £560m, but it is important to note that the median is £240m and we remain very committed to the small cap space. This is reflected in our wins during the year, which have included businesses from £50m market cap to well over £1bn market cap. We remain ranked #2 Broker and #2 Adviser overall by total number of stock market clients as per the most recent Corporate Advisers Rankings Guide.

Notable deals completed during the year included IPOs for Hostelworld, Countryside, The Gym Group, Ascential, Motorpoint and Diurnal. Whilst IPOs are important for our business, it is worth noting they represented just 15% of Group revenues (2015: 15%). We also completed a number of sizeable secondary raises for our corporate clients including Micro Focus, INPP, PHP and Alliance Pharma. In total we raised £1.8bn of new equity capital during the year (2015: £2.1bn) which equates to 8.0% of total equity funds raised on the London Stock Exchange (2015: 6.9%). For fiscal year 2016 we were ranked #2 for UK equity issuance as measured by both value and number of transactions.

Building our corporate advisory capabilities remains a major area of focus. We completed 26 pure advisory roles during the year (2015: 31) including Trinity Mirror's acquisition of Local World, the disposal of UTV Television to ITV, the recommended cash offer for Bwin Party, and Micro Focus' proposed merger with Hewlett Packard's enterprise software business segment.

We have also built up a strong track record in the successful execution of block trades and secondary sell downs, notably acting as sole bookrunner on the placing of circa £700m Saga shares by Acromas. During the year we executed 13 such transactions with an aggregate value of £1.1bn.

We have been further developing our ability to conduct private placements. There is an ever deeper and more developed pool of capital that is happy to own unlisted securities, and often private companies want to access this capital without going through an IPO. In January we took part in a £128m private placement in Skyscanner, and also acted in a private fundraising for Cambridge Innovation Capital. Since the period end we have helped to raise money privately for Oxford Science & Innovation and Accelerated Digital Ventures. We see this as an exciting growth area, and plays well to our strengths in matching up UK growth companies with sophisticated and long-term investors. We are lucky to have a Venture Broking team that spend huge time and energy filtering those private companies, and we continue to expand our network of investors in this space.

Equities

High quality research and sales is at the heart of our Equities 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 15 sectors, whilst our Investment Funds research team covers around 400 investment companies and funds. Our highly regarded sales team provides a service to more than 450 active institutional clients across the UK, Europe, the Americas and Australia. Data from Starmine and the various alpha capture systems continue to demonstrate the very impressive value we add to our institutional clients.

Our US office continues to provide a best-in-class service in marketing UK equities to major North American institutional investors, including managing a huge number of roadshows and reverse roadshows. Our distribution offering also extends to the Private Client Fund Managers through our PCFM team, who access a network of over 3,000 active fund managers at 150 PCFM houses in the UK, who collectively can be a very powerful pool of liquidity.

We provide execution services in over 650 stocks, of which over 500 are listed on the Main Market of the London Stock Exchange. In 2016 we had #1 market share in 127 stocks (2015: 133) across these markets, and were a top 3 provider in a further 92 stocks (2015: 107). With access to multiple trading venues and liquidity providers we are able to deliver an exceptionally strong execution capability to our institutional clients.

Combined institutional commission & trading revenues for the year totalled £38.4m (2015: £33.4m). Whilst there was an overall increase in market volume and value traded, we have gained market share of direct customer business and continue to prosper despite the rise of electronic trading systems and dark pools of liquidity.

Our well-resourced market-making and sales-trading teams ensure that we are very well placed to source liquidity on behalf of our institutional clients, which often requires skill and human effort that cannot be found in a dark pool or standalone electronic trading venue. This growth in institutional commissions was also achieved despite the changes to the institutional broker payment model as they look to embrace MiFid-2, which is due to be implemented in January 2018. Our trading revenues saw a healthy increase in to the year end, and were achieved with slightly lower levels of capital usage than normal.

Costs and People

Administrative expenses for the year totalled £83.6m (2015: £70.1m). Compensation costs as a percentage of revenue have increased to 52% (2015: 48%) partly as a result of non-recurring cash costs arising from a continued emphasis on building the quality of our core services. Non-compensation 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.

Average headcount remained stable at 213 (2015: 210) although we ended the year with headcount of 220 (end 2015: 211). The business saw a higher level of staff churn than usual as we selectively hired very high quality individuals and teams. We have seen slightly higher than average wage inflation following a thorough benchmarking exercise, although this should further contribute to us being viewed as a premium employer in the market.

The calibre and dedication of our people was instrumental in Numis being voted #1 UK Small & Mid Cap Brokerage Firm by both companies and institutions for the fourth year in succession in the 2016 Thomson Reuters Extel Survey.

Strategic Investments

The value of our strategic investments total £29.8m (2015: £25.4m). Of this value, we note that £16.7m is in listed and fairly liquid securities, whilst £13.1m is invested in unlisted securities. The movement during the year reflects follow-on investments in existing holdings, plus £3.2m of fair value uplifts of which the majority came from our quoted investments. We continue to believe these investments are complementary to our existing core business and that they offer an exciting opportunity for the Group to grow its presence in areas in which it has expertise. Going forward, there will be a renewed focus on directing these

investments, and it is expected that we will be more rigorous in re-cycling from existing successful investments into new opportunities which we find to be attractive.

Financial Position

Our balance sheet strengthened further during the year, with cash balances totalling £89.0m (2015: £59.6m), while net assets have increased to £129.1m (2015: £115.5m). The increase in cash balances was helped by increased revenue generation, as well as a substantial decrease in net market making positions as at the reporting date compared with the prior year reporting date. In addition, there were no material new strategic investments during 2016 whereas 2015 saw two major investments relating to Crowdcube and seed funding provided to the FP Numis Mid Cap Fund. Operational cash flows continued to dividend distributions (£12.9m cash outflow) and the repurchase of shares into Treasury and the EBT (£6.7m cash outflow).

Our Pillar I required regulatory capital sits at around £30m. The Board continues to review the amount of capital we hold over and above our minimum regulatory requirement together with cash balances that may be deemed to be surplus to the needs of the business. Discussions are ongoing both amongst the Board and with our shareholders as to possible methods of returning capital where it is considered surplus to requirements. During 2016 we spent £6.7m buying back our own shares and it is likely this buyback programme will be enlarged and extended.

Board Changes

David Poutney retired from the Board on 2nd February 2016 after nearly 15 years of service to the business.

On 1st July 2016, Alex Ham and Ross Mitchinson joined the Board as Executive Directors and on 1st September 2016 took up their positions as Co-CEO's. Oliver Hemsley, Founder and former CEO, remains on the Board as an Executive Director.

On 24th March 2016, the Company announced that Gerald Corbett, Non-Executive Chairman of Numis who has served on the Board since May 2009, will be retiring from the Board. The search for his successor is ongoing and an announcement regarding this will be made in due course. Gerald has agreed to remain in place until his successor is appointed.

Dividend

In view of our robust capital position, cash balances and confidence in the Group's future prospects, the Board is recommending a final dividend of 6.5p per share (2015: 6.0p per share) which increases the total dividend for the year to 12.0p per share (2015: 11.5 per share).

The final dividend for 2016 will be payable on 10th February 2017 to shareholders on the register of members at the close of business on 16th December 2016, subject to shareholder approval at the Annual General Meeting on 7th February 2017. Shareholders have the option to elect to use their cash dividend to buy additional shares in Numis through a Dividend Re-Investment Plan (DRIP). The details of the DRIP will be explained in a circular to accompany our 2016 Annual Report and Accounts, which will be circulated to all shareholders on 3rd January 2017.

Current Trading and Outlook

Our new financial year has seen the completion of 10 fund raises including 2 IPOs along with a number of advisory mandates. Equities revenues are running slightly ahead of the 2016 daily run rate. Uncertainties surrounding a 'hard' Brexit coupled with the result of the American presidential election will persist for some time to come and we remain sensitive to the impact this may have on market conditions.

However, Numis has always sought to take advantage of uncertainty by providing high quality independent advice to its clients. We have a strong balance sheet and a quality corporate client base which continues to grow. We believe this positions Numis well to enjoy future success.

Alex Ham & Ross Mitchinson
Co-Chief Executives
7 December 2016

Consolidated Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 £'000	2015 £'000
Revenue	3	112,335	97,985
Other operating income/(expense)	4	3,759	(1,978)
Total income		116,094	96,007
Administrative expenses	5	(83,600)	(70,115)
Operating profit		32,494	25,892
Finance income		427	459
Finance costs		(390)	(269)
Profit before tax		32,531	26,082
Taxation		(6,132)	(4,533)
Profit after tax		26,399	21,549
Attributable to:			
Owners of the parent		26,399	21,549
Earnings per share			
Basic	6	23.5p	19.5p
Diluted	6	22.4p	18.3p
Dividends	7	(12,861)	(12,139)

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
	£'000	£'000
Profit for the year	26,399	21,549
Exchange differences on translation of foreign operations	630	227
Other comprehensive income for the year, net of tax	630	227
Total comprehensive income for the year, net of tax, attributable to owners of the parent	27,029	21,776

Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2016

	Note	2016 £'000	2015 £'000
Non current assets			
Property, plant and equipment	8a	3,734	4,486
Intangible assets		122	247
Deferred tax	8b	1,666	1,995
		5,522	6,728
Current assets			
Trade and other receivables	8c	170,490	160,397
Trading investments	8d	48,453	57,621
Stock borrowing collateral	8e	3,901	822
Derivative financial instruments		616	683
Cash and cash equivalents	8g	89,002	59,591
		312,462	279,114
Current liabilities			
Trade and other payables	8c	(173,031)	(161,646)
Financial liabilities	8f	(12,293)	(6,913)
Current income tax		(3,571)	(1,760)
		(188,895)	(170,319)
Net current assets		123,567	108,795
Non current liabilities			
Deferred tax	8b	(12)	(4)
Net assets		129,077	115,519
Equity			
Share capital		5,922	5,922
Share premium		38,854	38,854
Other reserves		8,238	5,631
Retained earnings		76,063	65,112
Total equity		129,077	115,519

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2015	5,922	38,854	5,631	65,112	115,519
Profit for the year				26,399	26,399
Other comprehensive income			630	-	630
Total comprehensive income for the year	-	-	630	26,399	27,029
Dividends paid				(12,861)	(12,861)
Net movement in Treasury shares				1,470	1,470
Movement in respect of employee share plans			1,977	(3,559)	(1,582)
Deferred tax related to share based payments				(498)	(498)
Transactions with shareholders	-	-	1,977	(15,448)	(13,471)
Balance at 30 September 2016	5,922	38,854	8,238	76,063	129,077

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 October 2014	5,922	38,854	8,063	57,238	110,077
Profit for the year				21,549	21,549
Other comprehensive income			227	-	227
Total comprehensive income for the year	-	-	227	21,549	21,776
Dividends paid				(12,139)	(12,139)
Net movement in Treasury shares				1,608	1,608
Movement in respect of employee share plans			(2,659)	(2,411)	(5,070)
Deferred tax related to share based payments				(733)	(733)
Transactions with shareholders	-	-	(2,659)	(13,675)	(16,334)
Balance at 30 September 2015	5,922	38,854	5,631	65,112	115,519

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities	9	53,398	10,995
Interest paid		(182)	(4)
Taxation paid		(4,481)	(4,524)
Net cash from operating activities		48,735	6,467
Investing activities			
Purchase of property, plant and equipment		(346)	(3,885)
Purchase of intangible assets		-	(234)
Interest received		430	487
Net cash from/(used in) investing activities		84	(3,632)
Financing activities			
Purchases of own shares – Treasury		(3,719)	(3,473)
Purchases of own shares – Employee Benefit Trust		(3,000)	(1,898)
Dividends paid		(12,861)	(12,139)
Net cash used in financing activities		(19,580)	(17,510)
Net movement in cash and cash equivalents		29,239	(14,675)
Opening cash and cash equivalents		59,591	74,518
Net movement in cash and cash equivalents		29,239	(14,675)
Exchange movements		172	(252)
Closing cash and cash equivalents		89,002	59,591

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 2016 will be delivered to the Registrar of Companies in due course. The annual report and statutory accounts will be posted to shareholders on 3 January 2017 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 7 February 2017.

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 2015 and 30 September 2014. 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 2015.

2. Segmental analysis

Geographical information

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

The Group earns its revenue in the following geographical locations:

	2016	2015
	£'000	£'000
United Kingdom	102,684	89,297
United States	9,651	8,688
	112,335	97,985

There are no clients who accounted for more than 10% of revenues in the year ended 30 September 2016 (2015: 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:

	2016	2015
	£'000	£'000
United Kingdom	3,744	4,573
United States	112	160
	3,856	4,733

Other information

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

	2016	2015
	£'000	£'000
Net institutional commission and trading income	38,419	33,390
Corporate transaction revenues	64,293	55,654
Corporate retainers	9,623	8,941
Revenue from corporate advisory & stockbroking (see note 3)	112,335	97,985
Investment activity net gains/(losses)	3,759	(1,978)
Contribution from investing activities	3,759	(1,978)
Total	116,094	96,007
Net assets		
Corporate advisory & stockbroking	2,573	25,105
Cash collateral at clearing houses	7,670	5,430
Investing activities	29,832	25,393
Cash balances	89,002	59,591
Total net assets	129,077	115,519

3. Revenue

	2016	2015
	£'000	£'000
Net trading gains	6,496	4,056
Institutional commissions	31,923	29,334
Net institutional income	38,419	33,390
Corporate retainers	9,623	8,941
Advisory fees	16,261	17,921
Placing commissions	48,032	37,733
	112,335	97,985

4. Other operating income/(expense)

Other operating income/(expense) represent gains/(losses) made on investments which are held outside of the market making portfolio. The majority of the gain recorded in 2016 reflects price movements and dividend income in respect of quoted holdings.

5. Administrative expenses

	2016	2015
	£'000	£'000
Wages and salaries	43,651	36,131
Social security costs	6,592	5,201
Compensation for loss of office	487	32
Other pension costs	1,923	1,930
Share based payments	6,229	4,104
Non compensation costs	24,718	22,717
	83,600	70,115

The average number of employees during the year increased to 213 (2015: 210) with the number as at 30 September 2016 totalling 220 (30 September 2015: 211). Compensation costs as a percentage of revenue have increased to 52% (2015: 48%) partly as a result of cash costs incurred on staff changes during the year. Excluding these non-recurring items reduces the ratio to 50%. Non-compensation costs comprise expenses incurred in the normal course of business, the most significant of which relate to technology, information systems, market data, brokerage, clearing and exchange fees.

6. Earnings per share

Basic earnings per share is calculated on a profit after tax of £26,399,000 (2015: £21,549,000) and 112,255,294 (2015: 110,757,969) 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 and shares held in Treasury.

	2016	2015
	Number	Number
	Thousands	Thousands
Weighted average number of ordinary shares in issue during the year – basic	112,255	110,758
Dilutive effect of share awards	5,755	6,867
Diluted number of ordinary shares	118,010	117,625

7. Dividends

	2016	2015
	£'000	£'000
Final dividend for year ended 30 September 2015 (6.00p)	6,713	
Interim dividend for year ended 30 September 2016 (5.50p)	6,148	
Final dividend for year ended 30 September 2014 (5.50p)		6,072
Interim dividend for year ended 30 September 2015 (5.50p)		6,067
Distribution to equity holders of Numis Corporation Plc	12,861	12,139

The Board has proposed a final dividend of 6.5p per share for the year ended 30 September 2016. 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.

8. Balance sheet items

(a) Property, plant and equipment

The Group's offices in London underwent a program of refurbishment during 2015. This work was largely completed in 2015 and has resulted in increased depreciation charges in 2016.

(b) Deferred tax

As at 30 September 2016 deferred tax assets totalling £1,666,000 (2015: £1,995,000) 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 £457,000 (2015: £919,000) relating to unrelieved trading losses incurred has not been recognised as there is insufficient supportable evidence within the relevant legal entity that there will be taxable gains in the future against which the deferred tax asset could be utilised.

(c) Trade and other receivables and Trade and other payables

Trade and other receivables and Trade and other payables principally comprise amounts due from and due to clients, brokers and other counterparties. Such amounts represent unsettled sold and unsettled purchased securities transactions and are stated gross. The magnitude of such balances varies with the level of business being transacted around the reporting date. Included within Trade and other receivables are cash collateral balances held with securities clearing houses of £7,670,000 (2015: £5,430,000).

(d) Trading investments

Included within trading investments is £29,832,000 (2015: £25,393,000) of investments held outside of the market making portfolio. The majority of the increase year-on-year results from fair value improvements rather than new investments.

As at 30 September 2016 no trading investments had been pledged to institutions under stock lending arrangements (2015: nil).

(e) 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.

(f) 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, reduced to £7.0m as at 30 September 2016 (2015: £26.0m). 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.

(g) Cash and cash equivalents

Cash balances reflect increased levels of revenue and operating profit whilst maintaining dividend distributions (£12.9m cash outflow) and the repurchase of shares into Treasury and the Employee Benefit Trust (£6.7m cash outflow).

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

	2016	2015
	£000	£000
Profit before tax	32,531	26,082
Net finance income	(37)	(190)
Depreciation charges on property, plant and equipment	1,126	882
Amortisation charges on intangible assets	125	111
Share scheme charges	6,229	4,104
Decrease/(increase) in current asset trading investments	9,168	(10,367)
(Increase)/decrease in trade and other receivables	(10,476)	137,285
(Increase)/decrease in stock borrowing collateral	(3,079)	2,526
Increase)/(decrease) in trade and other payables	17,744	(149,368)
Decrease/(increase) in derivatives	67	(70)
Cash flows from operating activities	53,398	10,995

Cash flows in 2016 benefitted from increased revenue and lower net trading book positions. There were no material new investments made outside the market making book during 2016 whereas 2015 saw two material investments relating to Crowdcube and seed funding provided to the FP Numis Mid Cap Fund.

10. Adjusted profit measure in prior year

The following table reconciles the previously reported adjusted profit before tax and adjusted profit after tax measures to their IFRS equivalent as presented on the face of the consolidated income statement:

	2015
	£'000
Adjusted group profit before tax reported in 2015	32,726
Other operating expense	(1,978)
Share scheme charges and associated NI	(4,666)
Group profit before tax	26,082
Adjusted group taxation	(5,098)
Tax impact of adjustments	565
Group taxation	(4,533)
Group profit after tax	21,549

We have dispensed with the use of non-IFRS profit measures in order to bring the presentation of our results in-line with best practice.

Previously the Group excluded amounts relating to share based payments and net gains/ losses generated from the strategic investment portfolio in the computation of the adjusted profit measures. This no longer reflects management's view of an appropriate measure of the performance of the business.