

FIRST EQUITY LIMITED

Annual Report

For the year ended 31 July 2022



FIRST EQUITY LIMITED

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FIRST EQUITY LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

S J Hodson
P M Henry
C J Parry
P J Lock

SECRETARY

P J Lock

REGISTERED OFFICE

Salisbury House
London Wall
London
EC2M 5QQ

BANKERS

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

SOLICITORS

DAC Beachcroft LLP
The Walbrook Building
25 Walbrook
London
EC4N 8AF

AUDITOR

CLA Evelyn Partners Limited
Chartered Accountants & Statutory Auditor
45 Gresham Street
London
EC2V 7BG

FIRST EQUITY LIMITED

Strategic Report

The directors present their Strategic Report for First Equity Limited ('the Company') for the year ended 31 July 2022.

BUSINESS REVIEW

The Company operates as an agency and matched principal stockbroker for both institutional and retail nominee clients. In addition, it provides corporate broking services to assist companies in fundraising.

Trading revenue has fallen back from the levels of the previous year and has resulted in the Company returning a loss of £0.186m (2021: £0.374m profit). Turnover has decreased by 19% to £1.961 million (2021: £2.410 million) in the financial year.

Cost of sales has fallen to £0.296m (2021: £0.534m) reflecting the reduced turnover, with administrative costs falling to £1.727m (2021: £1.841m).

The Company's agency broking revenue, though remaining a major contributor to the firm's revenues for the year, decreased year on year by 43%, falling back to 2020 levels reflecting the more challenging market conditions seen in the year. The Company took on a substantial discretionary managed portfolio in April 2022 which is expected to significantly contribute to a rebound in agency broking performance.

The corporate broking services made a further substantial contribution to the Company's revenues with revenues rising 6% from the prior year despite a patchy year for new issues in the low-cap market sector. The Company has arrangements with a number of listed companies to provide corporate broking services which facilitate the placing of their new shares and provide research services. The Company remains active in sourcing investors for other corporate share placings where it is not an appointed Corporate Broker.

In addition, the Company continues to provide fundraising services to assist companies in raising capital ahead of share listings and IPOs.

The Company holds shares and warrants issued by some of its corporate clients in lieu of, or in addition to, cash fees. Whilst 2021 saw a significant appreciation in the value of these holdings amounting to £0.468m, the current year generated little net contribution to earnings from these holdings. The appreciation in the value of certain unlisted equity holdings was offset by a substantial fall in warrant values as the stock prices of the equities underlying the warrants fell. These holdings are considered as investments and any disposals undertaken by the Company would consider the best interests of clients, who may hold the same securities, the corporate clients themselves and the Company's existing financial position and prospects.

The corporate broking platform is now sufficiently established, and it can be expected that corporate broking will continue to provide a significant contribution to the Company's revenues in forthcoming years.

The Company's administration costs, showing a reduction of 7%, reflect the cost of an increased headcount and the relocation within Salisbury House to larger office space offset by the saving from the occurrence of specific one-off bonus awarded in the prior year. The cost-base has been satisfactorily contained.

The Company anticipates further growth in its agency and corporate broking activities that should lead to the sustaining of profitability, protection of its capital base and the ability to take advantage of future opportunities.

Taking into account the Company's performance, future projections and expectations, and confidence in the ability to raise additional capital should it be required; the directors believe it appropriate that the financial statements for the Company be prepared on the going concern basis.

SECTION 172(1) STATEMENT

This section serves as our section 172 statement. Section 172 of the Companies Act 2006 requires the directors to take into consideration the interests of stakeholders in their decision making.

The directors act in good faith and fairly and in a manner which they consider is most likely to promote the success of the Company for the benefit of its shareholders and take into account the interests of its stakeholders. The directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on clients, suppliers, the community and its reputation when making decisions. In particular:

FIRST EQUITY LIMITED

Strategic Report (continued)

SECTION 172(1) STATEMENT (continued)

The interests of the Company's staff

The staff are the Company's most important asset. They project the Company's values and provide its services to the client base. Management provide them with the full support necessary to enable them to carry out their responsibilities and participate in the Company's success.

The need to foster the Company's business relationships with suppliers, clients and others

With regard to the Company's relationships with its clients, regulators, service providers and any other parties with whom it has a business relationship, the directors and staff demonstrate a commitment to:

- Integrity and fair dealing,
- Ethical and honest conduct, including the avoidance and proper handling of conflicts of interest,
- Establishing meaningful relationships and developing these to meet changing needs, and
- Compliance with all applicable laws, rules and regulation.

The desirability of the Company maintaining a reputation for high standards of business conduct

Reputation and integrity are essential elements to the Company's success. All directors, staff, consultants and contractors have a responsibility to carry out the Company's affairs in a manner that demonstrates levels of professional ethics and integrity and full compliance with legal and regulatory standards.

The impact of the Company's operations on the community and the environment

The company works closely with its building services provider to participate in environmentally sustainable projects and services. The directors will continue to support projects that have a beneficial impact on the community and the environment.

The need to act fairly between members of the Company

The Company's staff, together with outside parties, are shareholders of First Equity Holdings Limited, the sole member of the Company. The decisions the directors make must recognise the interests of both groups.

The likely consequences of long-term decision making

With the Company's business continuing to develop and with the need to adapt to ever-changing opportunities, decisions will not be made involving long-term commitments with potential far reaching consequences unless the implications have been carefully considered.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal activities and performance mean that it can be impacted by a fall-off in client activity due to adverse or stagnant market conditions. The Company remains client focused with a loyal customer base and a strong service offering.

The success of the Company is dependent upon its staff and associates to provide its customers with an optimised service and thus prevent any material adverse effect on the Company's business and financial condition. The Company ensures its staff are trained to the highest level within a strong regulatory environment.

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit and liquidity risks. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels and age of market counterparty and client balances.

Financial instrument risk management

Price risk

The Company is exposed to price risk due to normal inflationary increases in the purchase price of goods and services in the UK. The Company's equity and equity warrant investments are subject to equity price risk. The price risk reflects the both the prospects of the companies in which investments have been and stock market sentiment.

Credit risk

The Company has implemented policies, in conjunction with its settlement agents, that require appropriate collateral when taking orders from customers.

FIRST EQUITY LIMITED

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk

The Company actively maintains sufficient cash resources and bank facilities to ensure that it has sufficient available funds for operations.

Equity price risk

The Company's equity and equity warrant investments are subject to equity price risk. The price risk reflects both the prospects of the companies, in which investments have been made, and stock market sentiment.


Operational risk

Losses may arise from failures or inadequacies in projects, processes and controls due to technological, staffing, organisational and external factors. The Company has implemented a set of policies and a control environment to minimise the likelihood of any such events occurring and to mitigate against any losses that might arise. All key information relating to governance and the management of risk are reported to and considered by the Board.

Regulatory risk

The Company is authorised and regulated by the Financial Conduct Authority and maintains procedures and controls to comply with the relevant rules, including those relating to the holding of client money and financial resources.

Approved by the Board of directors and signed on behalf of the Board.


PJ Lock (Nov 22, 2022 17:13 GMT)

PJ Lock

Director and Secretary

22 November 2022

FIRST EQUITY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2022.

PRINCIPAL ACTIVITIES

The Company is an execution, advisory and discretionary stockbroker. It is authorised and regulated by the Financial Conduct Authority (FCA) and is a member of the London Stock Exchange and the Aquis Stock Exchange. The Company has agreements with a number of associates who work at the Company's offices in return for a commission sharing arrangement.

RESULTS AND DIVIDENDS

The results of the Company for the year are set out in detail on page 12. No dividend was paid during the year (2021: £nil). A loss of £186,000 (2021: profit of £374,000) has been transferred from reserves.

DIRECTORS

The current directors and those who served throughout the year were as follows:

SJ Hodson	Chairman and Non-Executive Director
PM Henry	Joint Chief Executive
CJ Parry	Joint Chief Executive
PJ Lock	Executive Director

MATTERS COVERED IN THE STRATEGIC REPORT

Under s414C(11), the Strategic Report contains a fair review of the business and financial instrument risk management as they are considered by the board of directors to be of strategic importance. This information is therefore excluded from the Directors' Report.

MIFIDPRU 8 DISCLOSURES

The Company was authorised and regulated by the FCA throughout the current and prior periods. The qualitative and quantitative disclosures to comply with MIFIDPRU 8 of the FCA Handbook will be available on the Company's website at www.firstequitylimited.com and from our registered office at Salisbury House, London Wall, London EC2M 5QQ.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the Company's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

The current auditor, CLA Evelyn Partners Limited, is deemed to be reappointed as auditor.

FIRST EQUITY LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES


The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.


PJ Lock (Nov 22, 2022 17:13 GMT)

PJ Lock

Director and Secretary

22 November 2022

FIRST EQUITY LIMITED

AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST EQUITY LIMITED

Opinion

We have audited the financial statements of First Equity Limited (the 'company') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cashflows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that at 31 July 2022 the Company had been adversely affected by market conditions. The Company's business plan indicates that there will be sufficient cash resources to support the expected business, revenue and expense levels. The risk that the Company's projections will not be achieved in accordance with its business plan may result in the Company being unable to realise its assets and discharge its liabilities in the normal course of business. As stated in note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Notwithstanding the above, in auditing the financial statements the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

FIRST EQUITY LIMITED

AUDITOR'S REPORT (continued)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

FIRST EQUITY LIMITED

AUDITOR'S REPORT (continued)

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the company's policies and procedures in relation to compliance with relevant laws and regulations and how management identify breaches of the applicable Financial Conduct Authority (FCA) rules. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with requirements of the framework through:

- The Directors managing and overseeing a compliance function
- Internal compliance reviews and reporting
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly and are considered at Board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements; and
- The UK regulatory principles, including those governed by the Financial Conduct Authority (FCA).

To gain evidence about compliance with the significant laws and regulations above we reviewed the company's breaches register, reviewed board meeting minutes, inspected correspondence with the FCA relating to the year and obtained written management representations regarding the adequacy of procedures in place.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were the risk of manipulation of the financial statements through manual journal entries and incorrect recognition of revenue. These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation; and
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the company's processes and controls surrounding manual journal entries

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

FIRST EQUITY LIMITED

AUDITOR'S REPORT (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Lindsay Manson

Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited

Statutory Auditor

Chartered Accountants

45 Gresham Street

London

EC2V 7BG

22 November 2022

FIRST EQUITY LIMITED**STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 July 2022**

	Note	2022 £'000	2021 £'000
TURNOVER	1	1,961	2,410
Cost of sales		<u>(296)</u>	<u>(534)</u>
GROSS PROFIT		1,665	1,876
Administrative expenses		<u>(1,727)</u>	<u>(1,841)</u>
OPERATING (LOSS)/PROFIT	3	(62)	35
Fair value movements	8	(135)	332
Profit on disposal of investments	8	11	7
(LOSS)/PROFIT BEFORE TAXATION		<u>(186)</u>	<u>374</u>
Tax on (loss)/profit	5	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>(186)</u>	<u>374</u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

FIRST EQUITY LIMITED**BALANCE SHEET as at 31 July 2022**

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Tangible fixed assets	6	33	2
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	7	2,102	586
Investments	8	605	736
Cash at bank		69	306
		<hr/>	<hr/>
		2,776	1,628
CREDITORS: amounts falling due within one year	10	(2,025)	(634)
		<hr/>	<hr/>
NET CURRENT ASSETS		751	994
		<hr/>	<hr/>
Provisions for liabilities	13	(8)	(34)
		<hr/>	<hr/>
NET ASSETS		776	962
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	1,479	1,479
Retained earnings	15	(703)	(517)
		<hr/>	<hr/>
		776	962
		<hr/>	<hr/>

These financial statements were approved and authorised by the Board of Directors on 22 November 2022 and signed on its behalf by:

Paul Henry
Paul Henry (Nov 22, 2022 17:07 GMT)

PM Henry

Director

Registered number: 02019652

PJ Lock
PJ Lock (Nov 22, 2022 17:13 GMT)

PJ Lock

Director

FIRST EQUITY LIMITED**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 August 2020	1,479	(891)	588
Profit for the year	-	374	374
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2021	1,479	(517)	962
Loss for the year	-	(186)	(186)
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2022	1,479	(703)	776
	<hr/>	<hr/>	<hr/>

FIRST EQUITY LIMITED**STATEMENT OF CASH FLOWS for the year ended 31 July 2022**

	Note	2022 £'000	2021 £'000
Net cash (used in)/ generated from operating activities	12	(207)	54
<hr/>			
Investing activities			
Payments to acquire tangible fixed assets		(37)	-
Payments to acquire investments		(214)	-
Proceeds on disposal of investments		221	94
<hr/>			
Net cash (used in) / generated from investing activities		(30)	94
<hr/>			
Net (decrease)/increase in cash and cash equivalents		(237)	148
Cash and cash equivalents at the beginning of the year		306	158
<hr/>			
Cash and cash equivalents at the end of the year		69	306
<hr/>			

Analysis of net debt has not been presented as cash flows are displayed in the cash flow statement and no borrowings are held.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022

1. ACCOUNTING POLICIES

Basis of preparation

First Equity Limited is a private company, limited by shares, incorporated in England and Wales. The address of the registered office is Salisbury House, London Wall, London, EC2M 5QQ.

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102'), and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

Going concern

The Company's profitability and capital base is significantly impacted by changes in client activity and affected by market conditions. During the year the Company has incurred a loss of £186,000 (2021: profit of £374,000).

The Company's cash resources diminished over the year due to the annual loss incurred. Existing cash resources will be supplemented by net revenues from client activity and be applied to pay the Company's administration costs including staff, occupancy costs, technology and data services costs as well as professional fees, insurance and membership fees. The Company's own cash resources are not utilised for client activity and client funds are handled solely by the Company's settlement agents.

The directors consider that there is potential for growth in both its agency and corporate broking business which has enabled the Company to develop a business plan that will be sufficient to maintain liquidity, financial and regulatory capital resources over the next 12 months from the date of approval of these financial statements based upon prudent revenue projections.

The Company's business plan indicates that there will be sufficient cash resources to support the expected business, revenue and expense levels. The risk that the Company's projections will not be achieved in accordance with its business plan gives rise to material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and thus be able to realise its assets and discharge its liabilities in the normal course of business.

The Company's investment portfolio can provide additional sources of liquidity in the event of significant underperformance in the forthcoming year or for unplanned expenditure needs not covered through other means.

The Company will seek capital from the existing shareholders of its parent company (First Equity Holdings Limited) and other external investors if required to provide additional funding, protect the capital base and to support its business plans.

The directors believe it appropriate that the financial statements for the Company be prepared on the going concern basis and the financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Revenue recognition

Turnover represents income earned from acting as an execution, advisory and discretionary stockbroker, together with fee income from corporate broking activities. Broking turnover is accounted for on a trade date basis, with investment management turnover recognised in relation to what was earned in the period. All of the Company's turnover arose in the United Kingdom.

Commission payable

The commission payable to associates is a proportion of total commission of deals executed by the associates and is accounted for on a trade date basis. Amounts payable are accounted for under cost of sales.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the Statement of Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

Tangible fixed assets

Tangible fixed assets are initially recognised at historical cost. Depreciation is provided on cost in equal annual instalments over the estimated economic lives of the assets as follows:

Fixtures, fittings and equipment	-	over 3 years
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Other investments

Investments in listed and unlisted shares and warrants are classified as basic financial instruments. They are initially measured at transaction price and subsequently measured at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. Fair value is determined using the quoted bid price at the balance sheet date, or if unavailable, based on the most recent subscription price.

Impairment of non-financial assets

At each balance sheet date tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

2. Financial instruments (continued)

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Foreign currency translation

The Company's functional and presentational currency is Sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the balance sheet date all leases are classified as operating leases.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. In respect of holiday pay, a liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

2. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period.

Judgements

Financial instrument classification

The classification of financial instruments as "basic" and "other" requires judgement as to whether all applicable conditions for classification as basic are met. This includes consideration of the form of instrument and its return.

Estimation uncertainty

Fair value of unlisted shares

The company owns a number of unlisted shares. The shares have been valued based on their most recent subscription price. Whilst every attempt is made to ensure that the assumptions used are accurate, there remains a risk that the assumptions used are incorrect and provide an incorrect valuation of these shares.

Fair value of warrants in respect of listed shares

The company owns a number of warrants in relation to listed shares. These warrants have been valued using the Black Scholes model which includes estimates of assumptions in the calculation. Whilst every attempt is made to ensure that the assumptions used are accurate, there remains a risk that the assumptions used are incorrect and provide an incorrect valuation of these warrants.

Bad debt provisions

The trade debtors balance of £1,895,000 (2021: £300,000) is recorded in the Company's Balance Sheet. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit arises after charging:

	2022 £'000	2021 £'000
Auditor's remuneration		
- audit services	25	22
- other services	7	7
Depreciation	6	7
Rentals under operating leases		
- land and buildings	89	41
Foreign exchange losses	-	8

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average number of staff employed by the Company, which includes directors (but not non-executive directors), within each of its functions was as follows:

	2022 No.	2021 No.
Dealing staff	9	7
Administrative staff	3	2
	<hr/> 12	<hr/> 9

The costs incurred in respect of these employees were:

	2022 £'000	2021 £'000
Wages and salaries	996	1,228
Social security costs	136	170
Pension costs	4	3
	<hr/> 1,136	<hr/> 1,401

Emoluments of the directors of the Company during the year were:

	2022 £'000	2021 £'000
Total emoluments	<hr/> 429	<hr/> 641
Remuneration of the highest paid director	<hr/> 191	<hr/> 389

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2022 £'000	2021 £'000
United Kingdom corporation tax at 19% (2020: 19%)	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD

	2022 £'000	2021 £'000
(Loss)/Profit on ordinary activities before tax	(186)	374
	<hr/>	<hr/>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom at 19% (2021: 19%)	(34)	71
Expenses not deductible for tax purposes	3	4
Movement on deferred tax asset not recognised	(31)	(75)
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

6. TANGIBLE FIXED ASSETS

	Fixtures, Fittings and Equipment £'000	Total £'000
COST		
At 1 August 2021	48	48
Additions	37	37
Disposals/Retirements	(16)	(16)
	<hr/>	<hr/>
At 31 July 2022	69	69
	<hr/>	<hr/>
DEPRECIATION		
At 1 August 2021	(46)	(46)
Charge for the year	(6)	(6)
Disposals/Retirements	16	16
	<hr/>	<hr/>
At 31 July 2022	(36)	(36)
	<hr/>	<hr/>
NET BOOK VALUE		
At 31 July 2022	33	33
	<hr/>	<hr/>
At 31 July 2021	2	2
	<hr/>	<hr/>

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

7. DEBTORS

	2022 £'000	2021 £'000
Trade debtors	1,894	300
Other debtors	109	196
Prepayments	99	90
	<hr/>	<hr/>
	2,102	586
	<hr/>	<hr/>

Included within other debtors are amounts held as security on deposit with settlement agents totalling £50,000 (2021: £158,000).

8. CURRENT ASSET INVESTMENTS

	Unlisted Investments	Listed Investments	Warrants	Total £'000
At 1 August 2021	252	178	306	736
Additions	-	76	137	213
Disposals	-	(180)	(41)	(221)
Fair value adjustment	296	(23)	(397)	(124)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2022	548	51	5	604
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 July 2022	548	51	5	604
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2021	252	178	5	736
	<hr/>	<hr/>	<hr/>	<hr/>

The fair value of the current asset investments at 31 July 2022 is £604,000 (2021: £736,000).

During the year, a total loss of £124,000 (2021: gain of £339,000) was recognised through the Statement of Comprehensive Income. This amount comprises a loss of £135,000 (2021: gain of £332,000) recognised in relation to the revaluation of quoted and unquoted investments and a further £11,000 (2021: £7,000) recognised in relation to a gain on disposal of listed and unlisted investments.

The market value ascribable to listed investments at 31 July 2022 is £51,000 (2021: £178,000) based upon the closing market prices on that date.

The unlisted shares are classified as Level 2 in the fair value hierarchy and are based on inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly. The fair value of unlisted shares at year end was determined based on the most recent subscription price.

The warrants on listed shares have been valued using the Black Scholes model. These warrants on listed shares are classified as Level 2 in the fair value hierarchy and are based on inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly. The key assumptions used in the value of these warrants are the life to expiration of the warrants and volatility.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

9. DEFERRED TAXATION

A deferred tax asset of £74,000 (2020: £41,000) at 31 July 2022 in respect of unutilised tax losses has not been recognised due to uncertainty surrounding the Company's future profitability.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade creditors	1,687	207
Other creditors	6	-
Other taxes and social security costs	43	50
Amounts owed to group undertakings	1	1
Accruals	288	376
	<hr/>	<hr/>
	2,025	634
	<hr/>	<hr/>

11. FINANCIAL INSTRUMENTS

	2022 £'000	2021 £'000
Financial assets		
Financial assets measured at amortised cost	2,004	496
Financial assets measured at fair value	605	736
	<hr/>	<hr/>
Financial liabilities		
Financial liabilities measured at amortised cost	1,975	584
	<hr/>	<hr/>

Financial assets measured at fair value comprise current asset investments.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

12. NET CASH USED IN OPERATING ACTIVITIES

	2022 £'000	2021 £'000
(Loss)/Profit after tax	(186)	374
Depreciation charge	6	7
Fair value movement on financial assets	135	(332)
Profit on sale of investments	(11)	(7)
(Increase) in debtors	(1,516)	(134)
Increase in creditors	1,391	368
(Decrease)/Increase in provision	(26)	1
Investment conversion movement	-	(223)
Cash generated (used in)/generated from operating activities	(207)	54
Tax paid	-	-
Total cash (used in)/generated from operating activities	(207)	54

13. PROVISIONS FOR LIABILITIES

	Dilapidations £'000	Other provisions £'000	Total £'000
Balance at 1 August 2021	18	16	34
Charged to profit or loss	-	(8)	(8)
Provision utilised in the year	(18)	-	(18)
Balance at 31 July 2022	-	8	8

Other provisions have been established in respect of current pending matters that may result in litigation or regulatory related claims against the Company. Where a claim is more likely than not to result in a cost to the Company, a provision has been made based upon the directors' best estimate of the cost to the Company of settling such claims. It is expected that any resulting claims in respect of provisions made would be settled in excess of 12 months.

14. CALLED UP SHARE CAPITAL

	Number of shares	2022 £'000	Number of shares	2021 £'000
Called up, allotted and fully paid:				
Ordinary shares of £1 each	1,479,001	1,479	1,479,001	1,479

FIRST EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 July 2022 (continued)

15. RESERVES

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

16. OPERATING LEASE COMMITMENTS

At 31 July 2022 the Company has future minimum lease payments under non-cancellable operating leases as follows:

	Leasehold property 2022 £'000	Total 2022 £'000	Leasehold property 2021 £'000	Total 2021 £'000
Due:				
Within 1 year	89	89	29	29
Between 2 and 5 years	113	113	-	-
	<u>202</u>	<u>202</u>	<u>29</u>	<u>29</u>

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions available under FRS 102 Section 33.1A and as a result has not disclosed within these financial statements details of transactions with its parent company First Equity Holdings Limited on the basis that the Company is a wholly owned subsidiary and is included in the consolidated financial statements which are publicly available.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the Board, the Company's key management are the directors of the Company. Total compensation to key management personnel is £429,126 (2021: £737,194).

During the year advances of £12,000 were made to a director (2021: £12,000). At the year-end £12,000 (2021: £nil) was outstanding. The advances carry no interest and are repayable on demand.

During the year the wife and children of a director received benefits of £2,872 (2021: £2,503), all of which was reimbursed to the Company.

Tally Limited is a related party of the Company by virtue of there being a mutual director with significant influence. £15,300 (2021: £13,200) was received for services provided in the year. At the year-end amounts owed by Tally Limited were £nil (2021: £nil).

18. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary of First Equity Holdings Limited, incorporated in England and Wales. Its registered office is the same as the Company's registered office. Copies of the group financial statements of First Equity Holdings Limited are available from Companies House.

19. SUBSEQUENT EVENTS

There are no material subsequent events to disclose.