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Panmure Gordon & Co. plc

Report and financial statements
for the 12 months ended 31 December
2006

Directors	C Stonehill	Chairman
	T Linacre	Chief Executive
	D Liddell	Finance Director
	A Caplin	Non-executive Director
	H Flight	Non-executive Director
	J Hack	Non-executive Director
	S Heale	Non-executive Director
	R Wyatt	Non-executive Director
Secretary	S Wigley	
Registered Office	155 Moorgate London EC2M 6XB	
Registered Number	2700769	
Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB	
Registrars	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH	
Financial Adviser and Nomad	Close Brothers Corporate Finance Limited 10 Crown Place London EC2A 4FT	
Brokers	Panmure Gordon (UK) Limited 155 Moorgate London EC2M 6XB	
Solicitors	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA	
Bankers	Barclays Bank Plc Financial Markets Team PO Box 544 54 Lombard Street London EC3V 9EX	

HIGHLIGHTS

Financial Highlights

- Net revenue up 41% to £42 4m
- Adjusted profit before tax up 113% to £12 9m
- Adjusted earnings up 62% to £9 8m
- Adjusted earnings per share up 17% to 15 8p
- Strongly cash generative with net cash of £40m at year end

Business Highlights

- First full year of operation following the Durlacher transaction in 2005
- Good financial performance with strong improvement in operating results and continued focus on cost control
- Well balanced business with approximately half of revenue coming from institutional equities and half from corporate finance
- Since year end have announced the opening of a Liverpool office and the acquisition of ThinkEquity, a fast growing US based investment bank

Operating Highlights

- Revenue per employee up 21% to £345k
- Ratio of employee compensation to turnover held at 55%
- Average daily institutional net revenue up 65% to £81k
- Cash generation from operating activities up 44% to £17 0m

PANMURE GORDON & CO. PLC

Panmure Gordon & Co plc and subsidiaries ("Panmure Gordon" or the "Group") is a UK corporate and institutional stockbroker focusing on corporate finance and broking, institutional sales and trading, equity research and market making

CHAIRMAN'S STATEMENT

It gives me great pleasure to offer my first statement as Chairman of Panmure Gordon

2006 was our first full year of operation of the "new" Panmure Gordon following the merger with Durlacher in 2005 The integration of the two firms was sensibly handled, and quickly completed, during 2005 The strong financial performance in 2006 would not have been possible without this accomplishment

The firm's revenue rose to £42 4m in 2006, an increase of 41% on 2005 Operating profit before goodwill amortisation, FRS 20 option charges and exceptional charges, also grew to £11 6m All areas of the business performed well, with revenues being generated in fairly equal proportions by Corporate Finance and Institutional Equities During the year we acted as financial adviser or broker on 13 UK public offers worth over £4 billion and acted as sponsor, nomad, bookrunner or broker on 10 IPOs

The volatile stock market environment during the year provided a challenge to all parts of our firm The fact that we ended the year with a record result, and enjoyed from October to December our strongest quarterly performance, demonstrates to me both the strength and momentum of our business Our share repurchase plan, which we put into effect during the year, was designed both to return some cash to shareholders, as well as to demonstrate our confidence in the condition of our business

The Chief Executive's statement will review in more detail the development of Panmure Capital and its migration, in early 2007, into Loudwater Trust Limited We are pleased to have helped to give birth to Loudwater, and I believe that the spin-off to a listed public company is in the interest of shareholders

During 2006, we gave considerable thought as a Board to the opportunities to grow Panmure Gordon's business While continuing to strive for excellence in our existing business must always be a priority of the first magnitude, we saw a number of opportunities to develop our business through organic growth, acquisition and merger The opening of a Liverpool office, and a strategic alliance with GMP Securities, were examples of opportunities we identified, and we expect both will make important contributions in 2007

During 2006, we began discussions with a privately held, fast growing San Francisco based investment banking firm ThinkEquity Partners LLC, and in February this year announced the acquisition of ThinkEquity

Following completion of the acquisition in March 2007, our business will truly become "dual national" – and we will confidently be able to serve clients in the US as in the UK Whether seen in the growth in the number of our offices (one to eight), the volume of shares we will trade, the number of institutional clients we will serve, the number of capital raisings we will manage, or even simply in the number of staff in our firm (from 125 to over 300), our business has been transformed We are excited about the combination of two firms who share similar, entrepreneurial values, and about the chance to build a unique "bridge" between the growth equity markets in the US, and the international institutional market that exists in London I believe Panmure Gordon will be a wonderful, exciting and rewarding place to work

I look forward to welcoming Michael Moe and Deborah Quazzo, co-founders of ThinkEquity, on to our Board on completion of the transaction

During 2006, Richard Wyatt stepped down as Chairman of Panmure Gordon, but continues to serve as a Non-executive Director Richard was a primary architect of the new Panmure, and these brief words will not in any sense do justice to the contribution he has made to the healthy condition in which we find ourselves However, I would, on behalf of our employees and shareholders, like to thank him deeply for his efforts

At the beginning of 2007, Simon Heale joined the Board as a Non-executive Director, and I formally welcome him to the Board

Following his appointment as Chairman of the Loudwater Trust, Howard Flight informed me that he would not be standing for re-election to the Board at the Annual General Meeting I would like, on behalf of the Board, to thank Howard for his contribution over the years to the Board of Panmure Gordon and its predecessors

I would also like to express my gratitude to our staff for their efforts during 2006 2007 starts as a year of great promise for Panmure Gordon, but also will be a year of hard work I wish all our current employees, as well as those joining the firm, best wishes for success in 2007

Charles Stonehill
Chairman
12 March 2007

CHIEF EXECUTIVE'S REVIEW

Introduction

I am pleased to report on a particularly good set of results for a year in which Panmure Gordon made excellent progress in establishing itself as a leading independent stockbroker Since the end of the year we have made further progress through announcing the opening of an office in Liverpool and the acquisition of ThinkEquity, a fast growing US investment bank, both of which will provide further impetus to growth and represent major expansions of the business I talk about these in greater detail below

As well as the strong financial performance of the business in 2006 there were a number of other highlights, including

- Acting as financial adviser or broker on 13 UK public offers worth over £4 billion
- Assisting corporate clients to raise over £1 billion on the public and private markets
- Improving the quality of our corporate client list
- Converting our holding in Panmure Capital into a stake in Loudwater Trust which was floated in January 2007

Results

The business performed well during 2006 with a particularly strong last quarter In December 2006 we announced that the performance of the business was ahead of market expectations and that our revenue would be no less then £41m with adjusted earnings per share of no less than 15p In fact the business produced revenue of over £42 4m (2005 £30m) adjusted profit before tax of £12 9m (2005 £6 1m) and adjusted earnings per share of 15 83p (2005 13 55p) It is also particularly pleasing to note the strong cash generative nature of the business

I set out below further explanation of these numbers

Underlying Operating Profit and Earnings

In order to give a more clear and consistent view of operating performance than is contained in the statutory profit and loss account, I have set out below operating profit and earnings on an adjusted basis, excluding non-cash accounting requirements such as the FRS 20 option charges

	2006 **£'000**	**2005** **£'000**
Net revenue	**42,428**	30,014
Administrative expenses (including bonuses)	**(30,849)**	(24,556)
Adjusted operating profit	**11,579**	5,458
Interest receivable and similar items	**1,336**	612
Adjusted profit before tax	**12,915**	6,070
Tax	**(3,082)**	(16)
Adjusted earnings (see note 13 on page 33)	**9,833**	6,054
Adjusted earnings per share (p)	**15.83**	13 55
Adjusted diluted earnings per share (p)	**15.20**	12 92
Weighted average number of shares in issue	**62,081,645**	44,688,195
Diluted weighted average number of shares in issue	**64,686,485**	46,850,789

The adjusted earnings reconcile to the profit on ordinary activities after taxation contained in the consolidated profit and loss account on page 22 as follows

	2006 £'000	2005 £'000
Adjusted earnings	**9,833**	6,054
Add/(less)		
FRS 20 charges	**(214)**	(542)
FRS 20 charges arising as a result of the acquisition of Panmure Gordon (UK) Limited	**(6,908)**	(7,112)
Other exceptional costs	-	(2,714)
Prior year (over)/under provision of tax	**405**	(380)
Tax relief provided by exercise of share options	**828**	-
Income on termination of discontinued activities	**84**	242
Goodwill amortisation	**(450)**	-
Profit/(loss) on ordinary activities after taxation	**3,578**	(4,452)
Basic profit/(loss) per ordinary share	**5.76p**	(9 96)p

Key Performance Indicators

The Board examines a number of Key Performance Indicators in evaluating the performance of the business The most important of these are

		2006	2005	
1	Revenue per employee (£'000)	**345**	285	+21%
2	Ratio of employee compensation to turnover	**55%**	56%	
3	Average daily institutional net revenue (£'000)	**81**	49	+65%
4	Cash generation from operating activities (£m)	**17.0**	11 8	+44%

Corporate Finance

During the year we were involved in a broad range of corporate finance transactions assisting our corporate clients in flotations, secondary fundraisings and takeovers

Mergers and acquisitions activity in the UK remained at a buoyant level during the year and we successfully worked as stockbroker, providing independent, objective advice alongside investment banks on a number of high profile transactions In addition we acted as financial adviser in our own right on a number of public offers In total, we acted as financial adviser or broker on 13 UK public offers worth over £4 billion

We also had an active year assisting our clients raise money in the London market We led a number of very successful fundraisings and established a particular expertise in helping quoted property funds As London becomes the international market of choice for growing companies our reach has continued to expand Of the ten IPOs we were involved in during 2006, five were UK companies and five were companies from overseas In total we assisted our clients to raise over £1 billion from public and private markets during the year

We announced a strategic partnership with GMP Securities, the leading independent Canadian brokerage, covering both Canadian companies that want access to the London market, and mining and extraction industries The combination of GMP's expertise in natural resources and Panmure Gordon's expertise in London creates a powerful offering for our mutual clients

We have continued to improve the corporate client list In 2006 we won 22 new corporate clients and parted company from a similar number, sometimes as a result of the client being taken over or of our continuing focus on seeking to act where the economic relationship is favourable and where we can provide the expected level of service

Institutional Equities and Research

Our research department went through significant change during the year, and we ended the year with a much stronger team of research analysts than we started it We now write research on 13 sectors and cover 230 companies Institutional Equities has generated almost half of the Group's revenues in 2006 and we continue to serve around 500 institutional clients both at home and abroad

Our trading philosophy remains one of client facilitation rather than proprietary trading

Panmure Capital

We announced early in the year the creation of Panmure Capital, a co-investment vehicle established by Panmure Gordon and Bank of Scotland After the year end and following a very successful fundraising led by our previous Chairman, Richard Wyatt, the majority of the investments in Panmure Capital were transferred to a new Guernsey closed end fund named Loudwater Trust (after the name of our founder, Harry Panmure Gordon's country estate) This business was listed on the AIM market in January of this year We remain a shareholder in Loudwater Trust and are working with them on a number of situations

Liverpool

We announced after the year end the opening of an office in Liverpool following the recruitment of a number of talented individuals based in that city This office will open in April and we anticipate significant growth in the office over the rest of this year There are a number of high quality corporate and institutional clients for whom a London based broker is not ideal, and for whom a northern office will provide real benefit

ThinkEquity

We also announced after the end of the year the acquisition of ThinkEquity, a US based, fast growing investment bank

We are acquiring ThinkEquity for a number of reasons, firstly, the business is an impressive business in its own right with good relationships in the important growth markets of the US Secondly, the markets we operate in are becoming more international with US institutions wanting to trade in equities listed in London, and US companies looking at London as a possible market on which to list their shares It is not a one-way process, increasingly London based institutions want access to growth ideas and research from the US and our corporate clients want access to the US capital markets

Following the acquisition, the business will trade as Panmure Gordon in Europe, and as ThinkEquity, a Panmure Gordon Company in the US We will have an international footprint through our principal offices in London and San Francisco and further offices in New York, Boston, Chicago, Minneapolis, Liverpool and Chennai in India We will employ approximately 320 people, make markets and provide research on approximately 500 companies and service over 800 institutional accounts

ThinkEquity currently advises more than $835 million through its Wealth Management operation and we see potential for this to grow significantly

Consideration for the acquisition will be US$62 3 million (£32 3 million) Of this approximately US$35 3 million (£18 3 million) will be paid for the equity of ThinkEquity and approximately US$27 million (£14 0 million) for the assumption and repayment of debt and all net current liabilities (including the payment of bonuses), and the recapitalisation of the business The consideration will be funded by the issue of approximately 9 9 million new shares in Panmure Gordon and approximately £14 0 million of cash from Panmure Gordon's own resources

A contingent performance pool has been established over an additional 16 85 million shares available for award over the next three years dependent on a number of conditions including financial performance targets At all levels of vesting, the transaction would be earnings enhancing for Panmure Gordon Any shares issued by way of the contingent performance pool will vest over the period 2009 to 2013

While we expect to complete the acquisition by the end of March, the performance of ThinkEquity in the first months of this year and the outlook for the rest of the year is very encouraging

The acquisition of ThinkEquity has been described as a bold move I also believe it will be a very successful one

Risks and Uncertainties

The business faces two principal risks Firstly, as with all UK stockbrokers, it is particularly dependent on the general health of the UK stock market and the market's appetite for new and secondary issues The acquisition of ThinkEquity, whilst providing little product diversification, will enable the enlarged group as a whole to benefit from differing cycles of opportunity between the US and UK As mentioned above, the business has been cash generative over the year and this, together with our relatively conservative trading policies, leads us to believe that the business is in good shape to weather a market downturn

Secondly, we are very dependent on our people and so could suffer in the short term from the loss of certain key individuals The retention of these individuals is therefore important to the business, hence the Board's intention to introduce a new matching share plan early in 2007 which effectively offers a free share for every share purchased by the employee, subject to a holding period

As I mention below, we are proud of our reputation for integrity and so ensure that reputational risk is managed by promoting a culture of good ethics and compliance throughout the business

Environmental matters

Although we do not consider the business to have a great impact on our environment, we do make efforts to be environmentally friendly by recycling waste paper, using recycled paper for some of our printing requirements (including printing this Annual Report on recycled paper) and using public transport wherever possible Efforts on this front will increase over the coming years

Development of the business

2006 and the first few months of 2007 have been a very active and successful time for the business I said in my report last year that we thought Panmure Gordon had the ability to become a broader and more stable business through both organic growth and through acquisitions Not only did the firm produce good financial results but, through the continued process of internal improvement, the soon to be opened Liverpool office and the acquisition of ThinkEquity, we have established a platform for further profitable growth

After we close the acquisition of ThinkEquity more than half of the business, in terms of staff numbers, will be based in the US, and over the next two years I expect the majority of the revenue will be also earned from the US as we seek to exploit the many opportunities available to the combined business

I am fortunate in having excellent fellow board members and colleagues in the firm Panmure Gordon has undergone substantial change over past years both as a private and public company and has never been in better shape thanks to the efforts of everyone involved

Outlook

The New Year has started well for us and, although markets have very recently been more volatile, our corporate finance pipeline is encouraging with all the usual issues as to visibility and execution risk Our institutional equities business is performing well, and we look forward to working with our new colleagues in the US to expand our reach into overseas institutions

I will close with the same comment I made last year Throughout Panmure Gordon's 130 year history the firm has had a reputation for careful dealing and integrity, no matter how the firm grows over the years ahead, this will remain core to our management ethos

Tim Linacre
Chief Executive
12 March 2007

REPORT OF THE DIRECTORS

Financial Statements

The Directors have pleasure in submitting their Annual Report together with the Consolidated Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2006

Principal Activities

The principal activity of the Group is to provide corporate and institutional investment banking and stockbroking services The Group's business is undertaken through two operating subsidiaries, Panmure Gordon (UK) Limited and Panmure Gordon (Broking) Limited, both of which are authorised and regulated by the Financial Services Authority Further details regarding the Group's principal activities and an indication of likely future developments are set out in the Chief Executive's Review on pages 5 to 8

Business Review

A detailed review of the business and a description of the main trends and factors likely to affect the future development, performance and position of the Group can be found in the Chief Executive's Review on pages 5 to 8

Results and Dividends

The Group recorded a profit after tax of £3 6m (2005 loss of £4 5m) Further information on the result for the period is included within the Chief Executive's Review on pages 5 to 8

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 £nil)

Board of Directors

The following Directors were in office during the year ended 31 December 2006

Anthony Caplin	Non-executive Director	
Howard Flight	Non-executive Director	
Jonathan Hack	Non-executive Director	
David Liddell	Executive Director	
Tim Linacre	Executive Director	
Charles Stonehill	Executive Director	Appointed 13 January 2006
Richard Wyatt	Non-executive Director	

Simon Heale was appointed as a Non-executive Director on 1 January 2007

The interests of the Directors in the shares of the Company are set out in the Remuneration Report on pages 11 to 14

Substantial Shareholders

At 31 December 2006, the following had notified the Company of an interest of 3% or more of the Company's ordinary shares

Beneficial owner	Number of ordinary shares	Shareholdings percentage
UKPG Holdings LLC*	18,521,295	30 17%
Praxis Trustees Limited on behalf of the Panmure Gordon & Co plc No 2 Employee Benefit Trust	17,798,374	28 99%
HBOS plc	4,886,403	7 96%
Lloyds TSB Group Plc	1,939,332	3 16%

* 9,260,648 of the shares held by UKPG Holdings LLC are Restricted Voting Ordinary Shares

Acquisition of own shares

At the Annual General Meeting of the Company held on 25 April 2006, the Company was given authority to purchase up to 6,140,789 ordinary 4p shares This authority will expire and shareholders will be asked to give a similar authority at the Annual General Meeting to be held on 2 May 2007

During the year the Company purchased 1,856,471 of its own shares (with a nominal value of £74,258 84) for a total consideration of £2,810,456 06 to be held in treasury At 31 December 2006 the Company had 63,250,198 shares in issue, therefore the shares held in treasury represent 2 935% of the issued share capital The Board of Directors authorised the programme to buy back shares into treasury at times when they were perceived to be under-valued as they believed that this would increase earnings per share Shares acquired in this way may in the future contribute to a new staff incentivisation plan, but none of these shares have as yet been re-issued

Risk Management and Financial Risk

The risks and uncertainties facing the Group are discussed in the Chief Executive's Review on pages 5 to 8 In addition, the financial instruments and risk profile of the Group are set out in note 22 on page 38

Employee Benefit Trusts

The Group has three employee benefit trusts ("EBT") which were established on 28 May 1996, 5 June 2003 and 26 April 2005 The assets and liabilities of the EBTs are solely for the benefit of the employees of the Group

In accordance with UITF 32, the assets and liabilities of the EBTs have been consolidated within the Group accounts as at 31 December 2006

Payments to Suppliers

The Group agrees terms and conditions for its business transactions with suppliers Payment is then made on these terms, subject to the terms and conditions being met by the supplier At 31 December 2006 trade creditors represented approximately 17 days trade purchases for the Group (Parent Company 11 days)

Political and Charitable Donations

The Group made political donations of £nil (2005 £3,130) during the period, and charitable contributions of £300 (2005 £nil)

Auditors

A resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors who were members of the Board at the time of approving the Directors' Report (as listed on page 9), having made enquiries of fellow Directors and of the Company's auditors, confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting are included in the Notice of Meeting on page 44

Approved by order of the Board on 12 March 2007

S A Wigley

S Wigley
Company Secretary

Directors' Remuneration Report

The Board of Directors presents the following Remuneration Report for the year ended 31 December 2006

The following information is not subject to audit

Remuneration Committee

The Remuneration Committee, which consists solely of Non-executive Directors, is responsible for determining the remuneration policy and terms and conditions of service of the Executive Directors Further detail on the Remuneration Committee is included within the Corporate Governance report on pages 17 to 19

Remuneration Policy

The remuneration packages of the Executive Directors are constructed with the objective of

- attracting and retaining individuals with the qualities required to drive the business forward,
- motivating Directors to increase the profile and profitability of the business whilst balancing both the short term aims and the long term objectives of the Group,
- aligning the interests of the Directors to those of the shareholders, and
- reflecting the value of the Directors whilst remaining appropriate in comparison to the reward levels of other senior employees within the Group

The level of remuneration awarded to Directors reflects consideration of comparable market compensation packages, the achievement of targets the Board sets for the Group and the individual performance of each Director, together with the Group's profitability and its position within its development cycle In order to ensure that the Directors' motivation is intrinsically linked to the Group's performance, remuneration packages consist of a blend of

- basic annual salary and related benefits,
- bonus payments, and
- share option incentive schemes

Executive Directors are entitled to accept appointments outside the Group and retain any fees associated with these appointments subject to the approval of the Board

The remuneration of the Non-executive Directors is determined by the Executive Directors

Basic Salary

The basic salary of each Executive Director is determined by the Remuneration Committee taking into consideration standards within the financial services industry at the time and with reference to the individual's experience and potential value to the Group Salaries are reviewed on an annual basis following the Group-wide annual appraisal process in December, or exceptionally during the year should there be any change to an individual's role or responsibility In addition to basic salary, each Executive Director (with the exception of Charles Stonehill) is eligible to participate in the Group's defined contribution stakeholder pension scheme, with the Group providing contributions of up to 12 5% of basic salary, depending on the Director's own contribution Other benefits consist of membership of the Group's medical insurance and life assurance schemes These benefits are in line with the benefits afforded to all employees of the Group

The Non-executive Directors are paid an annual basic salary (with the exception of Jon Hack) and are reimbursed all reasonable expenses incurred solely in relation to their duties as Non-executive Director Richard Wyatt continues to participate in the Group's medical insurance and life assurance schemes

Bonus Policy

As detailed in note 11, two Directors have received discretionary bonuses

The current bonus policy is to pay out, by way of bonus to directors and employees, 50% of consolidated operating profit

Share Options

Directors' options are granted at the discretion of the Remuneration Committee and take into account the past performance of the individual Director and the future objectives of the Group

The Board currently operates four option schemes

- 2002 Approved Share Option Plan
- 2002 Unapproved Share Option Plan
- 2005 Employee Share Option Plan
- Performance Share Option Plan

Save for options awarded under the Performance Share Option Plan, no specific performance criteria have been set for exercise of share options

The Board does intend to introduce a further option scheme during 2007, the Matching Share Plan, whereby employees may be granted shares to match the number of shares they purchase themselves, subject to a three year holding period

Directors' Contracts

The service contracts of Tim Linacre and David Liddell are terminable on twelve months' notice by the Group Should a Director's contract be terminated without giving the required notice, the Company would be obliged to pay compensation to the extent that insufficient notice was given Compensation for loss of office is negotiable by the Company

The service contracts of Charles Stonehill and the Non-executive Directors are terminable on three months' notice, with the exception of Jon Hack's contract which is governed by the terms of the Relationship Agreement in place between Panmure Gordon & Co plc, UKPG Holdings LLC and Lazard & Co , Limited

All Directors are required to retire by rotation (providing each Director is subject to re-election every three years) and one third of the Board is required to seek re-election each year

Simon Heale will be standing for election by the shareholders at the Annual General Meeting for the first time, whilst David Liddell is retiring for re-election Howard Flight will be retiring at the Annual General Meeting, but will not be standing for re-election

Director	Appointment	Unexpired Portion of Contract as at 31 December 2006	Notice Period
A Caplin	17 January 2002	ongoing	3 months
H Flight	1 November 2002	ongoing	3 months
J Hack	26 April 2005	ongoing	See note 1 below
D Liddell	6 April 2004	ongoing	12 months
T Linacre	26 April 2005	ongoing	12 months
C Stonehill	13 January 2006	ongoing	3 months
R Wyatt	26 April 2005	ongoing	3 months

[1] Contract is governed by the terms of the Relationship Agreement referred to above

The following information is subject to audit

Directors' Emoluments

Details of Directors' emoluments are set out in note 11 to the financial statements

For the financial period, a portion of the Directors' remuneration packages relates to discretionary bonus payments Of this, £535,000 is accrued against future payments

Directors' Interests in the Company

Shareholdings

The following Directors of the Company had beneficial interests in the Company on 31 December 2006

	Ordinary shares of 4p each as at 31 December 2006	Ordinary shares of 4p each as at 31 December 2005
A Caplin	127,142	127,142
H Flight	20,000	20,000
D Liddell	26,000	26,000
T Linacre	25,000	-
C Stonehill	50,000	-

Share Options

The following table provides details of Directors' share options which were outstanding at 31 December 2006

2002 Approved Share Option Plan

Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (p)	No. Outstanding at 1 January 2006	Granted in Period	Lapsed in Period	No. Outstanding at 31 December 2006
A Caplin							
06/06/03	06/06/06	06/06/13	120	25,000	-	-	25,000
D Liddell							
12/05/04	12/05/07	12/05/14	125	24,000	-	-	24,000

2002 Unapproved Share Option Plan

Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (p)	No. Outstanding at 1 January 2006	Granted in Period	Lapsed in Period	No. Outstanding at 31 December 2006
D Liddell							
26/04/05	26/04/07	27/04/15	120	500,000	-	-	500,000

During the period and up to the date of this report, the Directors have exercised none of the above share options

Options are exercisable at the exercise price Details on staff share options exercised during the period are included in note 24 to the financial statements

Some of the share options held in the Employee Benefit Trust have been sub-trusted for the potential benefit of certain Directors or their beneficiaries The current allocations, which are subject to change at the Trustees' discretion, are as follows

Date of Sub-trusting	Earliest Exercise Date	Expiry Date	Exercise Price (p)	No. Outstanding at 1 January 2006	Granted in Period	Lapsed in Period	No. Outstanding at 31 December 2006
A Caplin							
10/07/03	06/06/05	06/06/13	103	167,828	-	-	167,828
31/10/03	11/08/05	11/08/13	171	35,172	-	-	35,172
							203,000
D Liddell							
13/05/04	06/06/05	06/06/13	103	5,715	-	-	5,715
13/05/04	11/08/05	11/08/13	171	23,560	-	-	23,560
13/05/04	12/05/06	12/05/14	125	96,725	-	-	96,725
26/04/05	07/12/06	07/12/14	64	130,000	-	-	130,000
							256,000

2005 Employee Share Option Plan

The Trustees of the Panmure Gordon & Co plc No 2 Employee Benefit Trust have granted options to Directors as follows

Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (p)	No. Outstanding at 1 January 2006	Granted in Period	Lapsed in Period	No. Outstanding at 31 December 2006
D Liddell							
26/04/05	26/04/06	Undated	4	64,646	-	-	64,646
26/04/05	26/04/07	Undated	4	64,647	-	-	64,647
26/04/05	26/04/08	Undated	4	64,647	-	-	64,647
							193,940
T Linacre							
26/04/05	26/04/06	Undated	4	824,246	-	-	824,246
26/04/05	26/04/07	Undated	4	824,246	-	-	824,246
26/04/05	26/04/08	Undated	4	824,246	-	-	824,246
							2,472,738
C Stonehill							
14/09/06	26/04/07	Undated	4	-	83,333	-	83,333
14/09/06	26/04/08	Undated	4	-	83,333	-	83,333
14/09/06	26/04/09	Undated	4	-	83,334	-	83,334
14/09/06	See note 1	14/09/11	4	-	100,000	-	100,000
14/09/06	See note 2	14/09/11	4	-	100,000	-	100,000
							450,000
R Wyatt							
26/04/05	26/04/06	Undated	4	824,246	-	-	824,246
26/04/05	26/04/07	Undated	4	824,246	-	-	824,246
26/04/05	26/04/08	Undated	4	824,246	-	-	824,246
							2,472,738

1 The vesting of these shares is subject to the Company's share price reaching 275p within the next five year period
2 The vesting of these shares is subject to the Company's share price reaching 350p within the next five year period

The market price of the Company's shares at 31 December 2006 was 166p (31 December 2005 202 5p) and the range during the period was 141 5p to 238 5p

Performance Options

The performance criteria having been met, each of Richard Wyatt and Tim Linacre hold options to subscribe for 872,731 Ordinary Shares, which are currently exercisable, at an exercise price of 4p These options were granted on 26 April 2005 and became exercisable as to half of the shares under option when the market capitalisation of the Company exceeded £60m on any five consecutive AIM trading days and as to the remaining half when the market capitalisation of the Company exceeded £90m on any five consecutive AIM trading days The options have no expiry date

Approved by order of the Board on 12 March 2007

S Wigley
Company Secretary

BOARD OF DIRECTORS

Chairman

Charles Stonehill (49)

Charles has had a 27 year career in investment banking, including being Head of European Equities and Equity Capital Markets at Morgan Stanley International, and Head of Investment Banking for Credit Suisse First Boston in the Americas

He is currently a Non-executive Director of the London Metal Exchange He was previously a director of Lazard & Co , Limited

Chief Executive

Timothy Linacre (48)

On completion of the reverse of Panmure Gordon into Durlacher in April 2005, Tim was appointed Chief Executive A Chartered Accountant, Tim joined Panmure Gordon in 1992 following five years with Hoare Govett He undertook a number of roles including Joint Head of Corporate Broking in 2000, Head of Technology Investment Banking for WestLB Panmure in 2001 and Joint Head of Investment Banking for WestLB Panmure in 2002 In March 2003, Tim was appointed Chief Executive of WestLB Panmure to plan and execute the restructuring of the business In September of that year, with the restructuring of WestLB Panmure completed he became Chief Executive of Panmure Gordon, a position he held at the time of the acquisition by Lazard in January 2004 Following the acquisition of Panmure Gordon by Lazard, Tim was appointed a Managing Director of Lazard with responsibility for Lazard Capital Markets which he helped to restructure and integrate within Panmure Gordon

Finance Director

David Liddell (47)

David was appointed Finance Director in April 2004 Having read history at Cambridge he qualified as a Chartered Accountant with Deloitte Haskins & Sells in 1986 In 1988 he joined Hoare Govett Securities Limited as a financial accountant and subsequently moved to Guinness Flight Global Asset Management Limited as Finance Director in 1991 Overseeing a business that grew rapidly, including the acquisition of Hambros Fund Management from Hambros Plc, David played a leading role in the sale of Guinness Flight Hambro to Investec Group in 1998 Continuing as Finance Director of the enlarged fund management business, Investec Asset Management, until 2000, he then became head of Investec's investment trust business

Non-Executive Director

Tony Caplin (55)

Tony was appointed as a Non-executive Director of the Company in January 2002 and served as Non-executive Chairman from 1 July 2002 to 26 April 2005 Tony is specialised in turn-arounds and has also held many senior executive positions including Managing Director of Manchester News Limited, President of Pacific Telesis (European Division), Chief Executive of First City GB and Chief Executive of Hunterprint Plc He is also currently the Non-executive Chairman of Ealing Hospital NHS Trust and is a Non-executive Director of Northamber Plc and Alternative Networks Plc

Non-Executive Director

Howard Flight (58)

Howard's career in the financial services sector spans 37 years He started in 1970 with NM Rothschild & Sons as an investment advisor and then worked for Cayzer Limited and Wardley Limited (Hong Kong Bank) He later joined Guinness Mahon & Co as an investment director He was co-founder and joint Managing Director of Guinness Flight Global Asset Management, established in 1986 Since Guinness Flight was acquired by Investec in 1998, Howard has been joint Chairman and is currently a director of Investec Asset Management He served as Member of Parliament for Arundel & South Downs from 1997 until 2005 and was Shadow Chief Secretary to the Treasury from 2002 to 2004 He is currently a Commissioner of the Guernsey Financial Services Commission, a Non-executive Director of St Helen's Capital Plc, Chairman of Loudwater Trust Limited and of CIM Investment Management Limited and a director of a number of other companies in the Financial Services sector Howard has a degree in History and Economics from Cambridge and an MBA from the University of Michigan, Ann Arbor

Non-executive Director

Jonathan Hack (39)

Jon is a Managing Director in the Corporate Finance department of Lazard He is the European co-ordinator for Lazard's Financial Institutions Group and has responsibility for advising a range of financial services groups across the world Jon has worked at Lazard since 1994, prior to which he qualified as a Chartered Accountant with Price Waterhouse in London

Jon was appointed to the Board by UKPG Holdings LLC pursuant to the terms of the Relationship Agreement entered into between Panmure Gordon & Co plc, UKPG Holdings LLC and Lazard & Co , Limited at the time of the Panmure Gordon acquisition in April 2005 Under the terms of this agreement, whilst UKPG Holdings continues to have an interest in 10% or more of the ordinary share capital of the Company, it is entitled to appoint a Non-executive Director to the Board

Non-executive Director

Simon Heale (53)

Simon qualified as a Chartered Accountant before embarking on a long career with the Swire Group where he held positions in the US, Japan and Hong Kong Following a move into the investment banking arena with Jardine Fleming in Hong Kong, he has spent the last five years as Chief Executive of the London Metal Exchange He is currently a Non-executive Director of The Morgan Crucible Company plc and Kazakhmys plc

Non-executive Director

Richard Wyatt (47)

Richard served as Chairman of Panmure Gordon & Co plc from 26 April 2005 until 24 July 2006 He began his career as a stockbroker at James Capel & Co in 1980 He was one of the founders of Schroder Securities' UK equity business in 1996, becoming Head of Schroder Securities in 1999 Subsequently he was Head of European Equities and then Chairman of Equity Capital Markets at Schroder Salomon Smith Barney following the takeover of Schroders by Citigroup in 2000, he left Citigroup in 2003 Between 2001 and 2003 he was a member of the Regulatory Decisions Committee of the Financial Services Authority He became a Managing Director of Lazard, Chairman of Lazard Capital Markets and Chairman of Panmure Gordon in early 2004 He is currently Chairman of Loudwater Investment Partners Limited, the adviser to Loudwater Trust, an AIM listed fund focussed on late stage pre-IPO investment opportunities

CORPORATE GOVERNANCE

The Group is committed to a high standard of corporate governance and has, wherever possible and practicable, adopted the provisions of the Combined Code as it applied to the Group's current reporting period

Board of Directors

The Board currently consists of three Executive and five Non-executive Directors, whose biographies can be found on pages 15 to 16 The Directors collectively bring a broad range of business experience to the Board and this is considered essential for the effective management of the Group The Board has between ten and twelve scheduled meetings each year and meets more frequently when required by the needs of the business The Board has full control over strategy, investment and capital expenditure and is responsible for the overall direction and performance of the Group The day to day management of the Group's business is delegated to the Management, Risk and New Business Committees, the Board reviews the decisions of these Committees at each of its meetings

The roles of Chairman and Chief Executive are separated, ensuring a division of authority and responsibility at the most senior level within the Company Richard Wyatt served as Executive Chairman until July 2006 The decision to appoint a Chairman who was not independent was taken during the transaction to acquire Panmure Gordon in 2005 and was communicated to shareholders in the Circular published prior to that transaction It was considered that an Executive Chairman, having an active role within the business, would be best placed to ensure the smooth and successful integration of the two businesses Following Richard's decision to step down as Chairman in order to concentrate on Panmure Capital, Charles Stonehill was appointed Chairman on 24 July 2006 Charles had served on the Board as Non-executive Deputy Chairman since January 2006 and was deemed to be independent However, given the Group's need for executive management to dedicate time to strategic development in addition to the day to day requirements of the business, it was decided that Charles would devote a more substantial amount of time to the Group and take on executive responsibilities

Three of the Non-executive Directors, Tony Caplin, Howard Flight and Simon Heale, are considered by the Board to be independent of management and free from any relationship that could materially interfere with the exercise of their independent judgement Tony Caplin was awarded share options some four years ago, nevertheless the Board does not consider that this impedes his objectivity and independence in current matters Jon Hack was appointed by UKPG Holdings LLC, a major shareholder, pursuant to the Relationship Agreement entered into at the time of the acquisition of Panmure Gordon He is not therefore considered to be independent, but nevertheless applies impartial reasoning to Board involvement Richard Wyatt, currently a Non-executive Director, previously served as Executive Chairman and so cannot be considered to be independent The Non-executive Directors all contribute to the Company's strategy and policy making, in addition they assist with the monitoring of the performance of the business and its successful management

The Board has agreed not to appoint a Senior Independent Director Given the size of the organisation and the policy of active dialogue maintained with institutional shareholders by senior management, the Board is of the opinion that the appointment of a Senior Independent Director would not assist further in communication with shareholders

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information A comprehensive set of board papers including the latest monthly and year to date accounts compared to budget is presented to the Board at each of its regular meetings

Newly appointed Directors are offered training appropriate to the level of their previous experience Details of Directors' retirement and re-election requirements are detailed within the Directors' Remuneration Report on pages 11 to 14 All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are observed Any Director wishing to do so may take independent professional advice at the expense of the Company

Full details of the Company's remuneration policy and the terms and conditions of service are set out in the Directors' Remuneration Report appearing on pages 11 to 14

Board Committees

The Board has a supporting committee structure in line with the proposals of the Combined Code The Board has three committees, namely the Nomination Committee, the Audit Committee and the Remuneration Committee, as described below The terms of reference of these Committees can be viewed on the Company's website (www panmure com)

Nomination Committee

The Nomination Committee comprises Tony Caplin, Howard Flight, Jon Hack, Simon Heale and Richard Wyatt and is chaired by Jon Hack As mentioned earlier in this report, Jon Hack is not considered to be an independent Non-executive Director due to his appointment by UKPG Holdings LLC pursuant to the Relationship Agreement entered into at the time of the acquisition of Panmure Gordon However, the Committee is comprised exclusively of Non-executive Directors and the Board considers that this constitutes an effective balance of independent views on Board appointments The Committee meets as necessary to consider and make recommendations to the Board in respect of further Board appointments

In the Committee's deliberations on the appointment of Simon Heale as a Non-executive Director, the use of an external search consultancy or open advertising was not deemed to be necessary The type of experience which the Board felt it was lacking had been ascertained during the Board performance evaluation process (see below) and Simon Heale's international background and City expertise made him the ideal candidate for the role

Audit Committee

The Audit Committee comprises Tony Caplin, Howard Flight, Jon Hack and Simon Heale and is chaired by Tony Caplin The Committee meets at least twice a year and monitors and reviews the internal controls and financial reporting of the Group from information provided by the management and auditors It also considers the objectivity, independence and cost effectiveness of the external auditors Other personnel, including the Chief Executive and the Finance Director, may be invited to attend the Audit Committee meetings as required

Remuneration Committee

The Remuneration Committee meets at least once a year and on an ad hoc basis as and when required The members of the Committee are Tony Caplin, Jon Hack, Howard Flight, Simon Heale and Richard Wyatt and it is chaired by Howard Flight The Committee is responsible for determining the remuneration policy, the terms and conditions of service of the Company's Executive Directors and for considering the introduction of incentive schemes for the Executive Directors and the Group's employees more generally Other Directors, the Head of HR or representatives of external advisers are invited to attend Committee meetings as appropriate

Attendance at meetings

	Scheduled Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in the year	12	3	3	2
Tony Caplin	10	3	3	2
Howard Flight	11	3	3	2
Jon Hack	12	3	3	2
Simon Heale[1]	n/a	n/a	n/a	n/a
David Liddell	12	n/a	n/a	n/a
Tim Linacre	12	n/a	n/a	n/a
Charles Stonehill[2]	11	1	0	0
Richard Wyatt[3]	11	n/a	0	1

[1] Simon Heale was appointed on 1 January 2007

[2] Charles Stonehill was appointed on 13 January 2006 and was a member of the Audit, Remuneration and Nomination Committees between 20 February and 20 July 2006 only

[3] Richard Wyatt was a member of the Remuneration and Nomination Committees from 22 November 2006 only

Board performance evaluation

The Board has undertaken a formal review of its own performance and that of the Board committees and individual directors during the financial year The review was conducted internally by the Company Secretary and consisted of interviews with each director following a standard questionnaire Views and recommendations were consolidated into a report which was presented to the Board Some of the issues raised by the evaluation process have already been used to introduce improvements to the Board's procedures, to build upon strengths and to tackle weaknesses identified

Audit Independence

The Audit Committee and the external auditors, KPMG Audit Plc, have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised These safeguards include the auditors' report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Panmure Gordon

The overall performance and the independence of the auditors is reviewed annually by the Audit Committee taking into account the views of management The Audit Committee also has discussions with the auditors without management being present on the adequacy of controls and on any judgemental areas

The annual appointment of our auditors by shareholders in General Meeting is a fundamental safeguard to auditor independence, but beyond this, appropriate consideration is given to whether additional work performed by the auditors may be appropriate for sound commercial and practical reasons, including confidentiality Examples of work that would fall into this category include regulatory advice, taxation services and financial due diligence work

The level of audit and non-audit fees charged by KPMG is set out in note 9.

Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the period and up to the date of approval of the financial statements This process has been reviewed by the Board

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss Steps have been taken to embed internal control and risk management further into the operations of the business, as described below

As part of the Chief Executive's review presented at each Board meeting, the monthly results of each area of the business are discussed and compared to forecast Market conditions, and the risks and benefits that these afford to each business area at the time, are considered, together with any developing operational or other environmental risks surrounding each of these activities Implementation of the Capital Requirements Directive and the Markets in Financial Instruments Directive has led to even further management focus on risk issues during the year and the Group's preparations have been reviewed and discussed at Board level

The Group has established a number of committees for the day to day running of the business The Management Committee comprises the Executive Directors and those other heads of business units that the Chief Executive believes appropriate The Management Committee is chaired by the Chief Executive and meets once every two weeks A Corporate Finance Committee and an Institutional Equities Committee have also been established as sub-committees of the Management Committee These two committees meet on a monthly basis and some members of each committee are also members of the Management Committee

The Risk Committee comprises all Executive Directors, the Head of Sales, the Head of Trading, the Head of Operations and the Compliance Officer The Risk Committee, which meets once every two weeks, is chaired by the Finance Director and is tasked with consideration of all risk issues, specifically focusing on market, trading and operational risks

The New Business Committee meets as appropriate to consider proposed engagements The New Business Committee is chaired by the Chief Executive and comprises appropriate executives from Corporate Finance and Institutional Equities, as well as the Finance Director and Compliance Officer

Due to the size of the Group, the monitoring of the Group's activities by the Compliance department and the hands-on approach by the Executive Directors, the Board does not feel the need to establish a dedicated internal audit function at the present time, this will continue to be reviewed annually, however

Going Concern

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the following twelve month period For this reason Directors continue to adopt the going concern basis in preparing the financial statements

Communication with Shareholders

The Company places a great deal of importance on communicating with its shareholders and endeavours to keep shareholders informed through press releases, the Company's website and Interim and Annual Reports All shareholders are encouraged to attend, and are given at least 21 days' notice of, the Annual General Meeting, at which an opportunity is provided to ask questions The Chief Executive and Chairman are also in regular contact with the Company's major shareholders and other institutional investors throughout the year and they are responsible for ensuring that shareholders' views are communicated to the Board as a whole

Regulation

Panmure Gordon (UK) Limited and Panmure Gordon (Broking) Limited are regulated by the Financial Services Authority The Board, together with the Management Committee and the Audit Committee, have implemented systems and procedures designed to achieve compliance with the statutes and regulations relevant to each of the Group companies

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing 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 Group and parent company financial statements in accordance with UK Accounting Standards

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss 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 estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Independent Auditors' Report to the Members of Panmure Gordon & Co. plc

We have audited the Group and parent company financial statements (the "financial statements") of Panmure Gordon & Co plc for the year ended 31 December 2006 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 20

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it Our responsibilities do not extend to any other information

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2006 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London

12 March 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT
for the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Turnover	3	**43,778**	31,606
Cost of sales	4	**(1,737)**	(1,592)
Gross profit		**42,041**	30,014
Other operating income	5	**387**	-
Net revenue		**42,428**	30,014
Administrative expenses before goodwill amortisation, FRS 20 option charges and exceptional items		**(30,849)**	(24,556)
Operating profit before goodwill amortisation, FRS 20 option charges, and exceptional items		**11,579**	5,458
Goodwill amortisation		**(450)**	-
FRS 20 option charges	6	**(214)**	(542)
FRS 20 option charges arising as a result of the acquisition of Panmure Gordon (UK) Limited	6	**(6,908)**	(7,112)
Reorganisation costs arising as a result of the acquisition of Panmure Gordon (UK) Limited	7	-	(2,714)
Total administrative expenses		**(38,421)**	(34,924)
Operating profit/(loss)		**4,007**	(4,910)
Net income on termination of discontinued activities	8	**84**	242
Net interest receivable and similar items	10	**1,336**	612
Profit/(loss) on ordinary activities before taxation		**5,427**	(4,056)
Taxation on profit/(loss) on ordinary activities	12	**(1,849)**	(396)
Profit/(loss) on ordinary activities after taxation		**3,578**	(4,452)
Basic profit/(loss) per ordinary share	13	**5.76p**	(9 96)p
Diluted profit/(loss) per ordinary share	13	**5.53p**	-

Adjusted earnings per share (profit on continuing activities before goodwill amortisation, FRS 20 option charges and exceptional items and after underlying taxation) is disclosed in note 13

The notes on pages 27 to 43 form part of these financial statements

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2006

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Profit/(loss) on ordinary activities after taxation	**3,578**	(4,452)
Total recognised gains and losses	**3,578**	(4,452)
Prior year adjustment in respect of adoption of FRS 20 'share-based' payments	**-**	(528)
Total recognised gains and losses since the past annual report	**3,578**	(4,980)

The notes on pages 27 to 43 form part of these financial statements

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	**31 December 2006 £'000**	31 December 2005 £'000
Fixed assets			
Intangible assets	15	**12,751**	13,201
Tangible assets	16	**1,628**	1,702
Available for sale investments	17	**5,459**	-
Total fixed assets		**19,838**	14,903
Current assets			
Investment securities held for trading	17	**7,763**	8,114
Debtors	18	**30,030**	42,759
Cash and cash equivalents		**43,782**	21,070
		81,575	71,943
Creditors – amounts falling due within one year	19	**(42,409)**	(48,065)
Net current assets		**39,166**	23,878
Total assets less current liabilities		**59,004**	38,781
Creditors – amounts falling due after one year			
Subordinated loan	20	**(3,000)**	(3,000)
Provision for liabilities and charges	21	**(766)**	(1,189)
Net assets		**55,238**	34,592
Share capital & reserves			
Ordinary shares		**2,530**	2,260
Called up share capital	24	**2,530**	2,260
Treasury shares	25	**(2,810)**	-
Share premium account	25	**12,595**	19
Merger reserve	25	**21,810**	21,810
Special reserve	25	**9,595**	9,595
Other reserve	25	**(712)**	(741)
Profit and loss account	25	**12,230**	1,649
Equity Shareholders' funds		**55,238**	34,592

The notes on pages 27 to 43 form part of these financial statements

Approved by the Board on 12 March 2007 and signed on its behalf by

Tim Linacre
Chief Executive

David Liddell
Finance Director

BALANCE SHEET

	Notes	Company 31 December 2006 £'000	 31 December 2005 £'000
Fixed assets			
Tangible fixed assets	16	**1,628**	1,702
Investments	17	**12,024**	12,024
Available for sale investments	17	**5,459**	-
Total fixed assets		**19,111**	13,726
Current assets			
Debtors	18	**2,571**	2,873
Cash and cash equivalents		**12,239**	1,531
		14,810	4,404
Creditors: amounts falling due within one year	19	**(5,780)**	(5,264)
Net current assets/(liabilities)		**9,030**	(860)
Total assets less current liabilities		**28,141**	12,866
Provisions for liabilities and charges	21	**(154)**	(370)
Net assets		**27,987**	12,496
Capital and reserves			
Ordinary shares	24	**2,530**	2,260
Called up share capital		**2,530**	2,260
Treasury shares	25	**(2,810)**	-
Share premium account	25	**12,595**	19
Merger reserve	25	**1,715**	1,715
Special reserve	25	**9,595**	9,595
Profit and loss account	25	**4,362**	(1,093)
Equity Shareholders' funds		**27,987**	12,496

The notes on pages 27 to 43 form part of these financial statements

Approved by the Board on 12 March 2007 and signed on its behalf by

Tim Linacre
Chief Executive

David Liddell
Finance Director

CONSOLIDATED CASH FLOW

	Notes	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Net cash inflow from operating activities	27	**16,954**	11,787
Returns on investment and servicing of finance	28	**1,336**	635
Payment of taxation		**(918)**	-
Capital expenditure and financial investment	28	**(5,479)**	(812)
Acquisitions and disposals	28	**84**	809
Cash inflow before financing		**11,977**	12,419
Financing			
Proceeds of issue of ordinary share capital	28	**9,916**	94
Increase in short term loan		**819**	-
Net cash inflow from financing activities		**10,735**	94
Increase in cash		**22,712**	12,513
Reconciliation of cash inflow to movement in net funds:			
Increase in cash for the period		**22,712**	12,513
Increase in short term loan		**(819)**	-
Subordinated debt acquired with subsidiary		**-**	(3,000)
Change in net funds resulting from cash flows		**21,893**	9,513
Net funds 1 January 2006/1 January 2005		**18,070**	8,557
Net funds 31 December 2006/31 December 2005	29	**39,963**	18,070

The notes on pages 27 to 43 form part of these financial statements

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards

1.1 Basis of accounting

The financial statements have been prepared on historical cost basis except that the following assets and liabilities are stated at their fair value available for sale investments and investment securities held for trading The functional currency is sterling

The Group Financial Statements consolidate the assets and liabilities of the Company and all its subsidiary undertakings made up to 31 December 2006 and its share of the results and post acquisition reserves of subsidiary undertakings The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal Acquisitions are accounted for under the acquisition method

As referred to in the accounting policies for financial assets and liabilities, where the Group has a significant holding, being greater than 20%, these have not been consolidated as they are either held with a view to subsequent resale or the Group does not actually exercise significant influence over the financial and operating policies of these companies

1.2 Turnover

Turnover comprises gross commission, corporate finance fees and profits and losses on held for trading assets and liabilities, receivable in respect of the year

Commission and all other income have been recognised on an accruals basis and have been taken to the profit and loss account on all transactions executed during the period up to the balance sheet date Dealing profits and losses include profits and losses on market trades as well as profits and losses arising from the valuation of investment securities held for trading

Transactions are recorded in the financial books and records on the date on which the Company enters into an irrevocable commitment to carry out the transaction

1.3 Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fittings	20 00% per year
Furniture and office equipment	15 00% per year
Computer and telephone equipment	33 33% per year

1.4 Financial assets & liabilities

The Group and Company have adopted *FRS 25 Financial Instruments Disclosure & Presentation* and *FRS 26 Financial Instruments Recognition & Measurement* from 1 January 2006

The Group classifies its financial assets and liabilities as

i) investment securities held for trading – assets (formerly long positions)
ii) investment securities held for trading – liabilities (formerly short positions)
iii) available for sale investments

The classification depends on the purpose for which the assets were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

The adoption of FRS 25 and FRS 26 resulted in no impact to reserves or the profit and loss account

Recognition

All financial assets and liabilities are initially recognised, and subsequently measured at fair value on the trade date at which the Group becomes a party to the contractual provisions of the instrument

Derecognition
The Group derecognises all investment securities held for trading when the contractual rights to the cash flows on the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred

Held for trading assets and liabilities
The terms "investment securities held for trading assets" and "investment securities held for trading liabilities" (formerly long and short trading positions) represent the aggregate of trading positions in individual securities arising respectively from a net bought or net sold position These positions in securities are valued at market bid and offer prices respectively at the close of business on the balance sheet date, and movements are recognised in the profit and loss account A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management Purchases and sales of investments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset Investment securities held for trading assets and investment securities held for trading liabilities, that are quoted in active markets, are determined by reference to the current quoted bid/offer price, with held for trading assets marked to the bid price and held for trading liabilities marked to the offer price In management's opinion, held for trading assets and liabilities are held at fair value

Available for sale investments
Fair values in respect of available for sale investments that are quoted in active markets are determined by reference to the current quoted bid price Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data These may include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models such as Black-Scholes and other valuation techniques commonly used by market participants The difference between acquisition cost and fair value is taken to equity, if a profit, and to the profit and loss account if the asset is impaired The Group makes an assessment at each balance sheet date as to whether there is any objective evidence of impairment, being any circumstance where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated To the extent that any profit has been recognised previously in equity, impairment is taken first against that profit, and then to the profit and loss account To the extent there is any subsequent recovery in fair value that recovery is taken to the profit and loss account to the extent of the impairment already recognised therein, and then to equity On disposal, any profit previously recognised within equity, or any impairment previously recognised in the profit and loss account are reversed and the actual profit or loss on disposal is recognised in the profit and loss account In management's opinion, cost is the best estimate of the fair value of available for sale investments held

Significant Influence
Unquoted investments at 31 December 2006 include some interests in companies in which the Group holds in excess of 20% of the issued voting share capital of the investee company These companies have not been accounted for as associates on the basis that the Group does not actually exercise a significant influence over the operating and financial policies of these companies

1.5 Goodwill and negative goodwill
Purchased goodwill arising on business combinations in respect of acquisitions is capitalised and amortised to nil by equal annual instalments over its estimated useful life No charge is made in the year of acquisition Goodwill arising on consolidation of acquisitions before 1 January 1998 when *FRS 10 Goodwill and Intangible Assets* was adopted, was written off to reserves in the year of acquisition Upon subsequent disposal, any related goodwill previously written off to reserves is written back to the profit and loss account as part of the profit and loss on disposal Goodwill is reviewed for impairment when there are indications that the carrying value may not be recoverable

The useful life of Goodwill or any intangible asset is presumed to be 20 years or less as per *FRS 10 Goodwill and Intangible Assets* The Group has amortised Goodwill for the period of £450,000, which is included in the profit and loss account Under IFRS, which the Group will be adopting from 1 January 2007, there is no requirement to amortise Goodwill The Group will perform an annual impairment review and disclose as necessary

1.6 Operating Leases
Rentals payable under operating leases are charged on a straight line basis over the term of the lease

1.7 Market debtors and market creditors
Market debtors and market creditors represent respectively unsettled sold and bought securities transactions with clients and market counterparties They are recognised on a trade date basis

1.8 Debtors
Debtors are stated at net realisable value after taking account of any provision for bad and doubtful debts

1.9 Employee Benefit Trust and FRS 20 Option Charges
The Group has two active employee benefit trusts, the Panmure Gordon & Co plc Employee Benefit Trust (EBT1) and the Panmure Gordon & Co plc No 2 Employee Benefit Trust (EBT2) In accordance with UITF 32, the assets and liabilities of each EBT are consolidated within the Group financial statements

Certain options over the ordinary shares of Panmure Gordon & Co plc issued under the Unapproved Share Option Plan have been granted in prior periods to an Executive Share Option Scheme held in EBT1 Subsequently, options have been sub-trusted for the potential benefit of certain employees (including Directors) or their beneficiaries

On completion of the acquisition by the Group of Panmure Gordon (UK) Limited on 26 April 2005, the Company issued 18,521,295 new ordinary shares at par value to the trustees of EBT2 The trustees have granted options over some of the shares to employees, including Directors, at an exercise price equivalent to the par value of 4 pence per share Also consequent on completion of the acquisition of Panmure Gordon (UK) Limited the Company granted 1,500,000 options over ordinary shares to certain Directors under the 2002 Unapproved Share Option Plan The provisions of FRS 20 have been applied to both these options and to the options granted over shares held in EBT2

Further details on the calculation of the charges arising under FRS 20 are set out in note 6

1.10 Deferred taxation
Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date No deferred tax asset has been recognised as the transfer of economic benefit is uncertain Deferred tax balances are not discounted

1.11 Foreign currencies
Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of transactions Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payment during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for sale investments or a financial liability designated as a hedge of the net investment in a foreign operation

1.12 Treasury Shares
Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders

2. SEGMENTAL ANALYSIS

The Directors consider that the Group operates in one segment, being investment banking and in one geographic location

3. TOTAL TURNOVER ANALYSIS

The following provides an analysis of turnover by major activity

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Institutional Equities and other commission	**20,410**	12,435
Corporate Finance and other fees	**23,368**	19,171
Total	**43,778**	31,606

4. COST OF SALES

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Commission payable and settlement costs	**1,737**	1,592
Total	**1,737**	1,592

5. OTHER OPERATING INCOME

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Profit on disposal of available for sale investments	**387**	-
Total	**387**	-

6. FRS 20 OPTION CHARGES

As set out in Note 1 9 the Group has adopted the provisions of FRS 20 as regards share option charges These provisions require a calculation of the fair value at the date of grant of share options granted to directors and employees This fair value is then charged to the profit and loss account over the vesting period of the options Since this charge is not a cash item nor a diminution in asset value, there is an equal and opposite credit to reserves of the amount of the share option charge

The fair value of options on the date of grant has been estimated using a proprietary valuation model The significant inputs to the model were

(a) Share price on the date of grant
(b) Exercise price (see below)
(c) Expected volatility (50% based on historic volatility)
(d) Risk free rate on the date of grant
(e) Expected dividend yield (1% where applicable)
(f) Expected lapse rates (15% per annum)

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
6 1 FRS 20 option charges	**214**	542

Options issued under the Durlacher approved and unapproved schemes which pre-date and are unconnected with the acquisition of Panmure Gordon (UK) Limited, are not deemed exceptional and are derived from the following issue of options

Type of Scheme	Date of Grant	No. of Options Granted	Exercise Price (p)	Vesting Period (years)
2002 Approved	06/06/2003	43,036	103	3
2002 Approved	11/08/2003	19,464	174	3
2002 Approved	12/05/2004	103,863	125	3
2002 Unapproved	12/05/2004	589,450	125	2
2002 Unapproved	07/12/2004	533,000	64	2

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
6 2 FRS 20 option charges arising as a result of the acquisition of Panmure Gordon (UK) Limited	**6,908**	7,112

Options issued over shares granted to the Panmure Gordon 2005 scheme and options issued under the 2002 Unapproved Scheme on the date of the completion of the acquisition of Panmure Gordon (UK) Limited are deemed to be of a different nature to previous issues, as these options were integral to the transaction by which Durlacher Corporation acquired Panmure Gordon The Board believes that without the presence of this shareholder enabled equity the transaction would not have occurred and hence the Company would not exist in its present form On the date of the transaction (26 April 2005), the EBT subscribed for 18,521,295 new ordinary shares, representing at that time, approximately one third of the equity of the Company The creation of the EBT broadly reflected the understanding which Lazard had previously reached with the senior management of Panmure Gordon to create a scheme whereby one half of the equity of the then existing Panmure Gordon would be transferred to existing and future employees Both from the value and nature of these options, therefore, they do not form part of ordinary administrative expenses When all the shares gifted to the EBT at the transaction have been granted, all future option grants will be deemed not related to that transaction

Of the 2006 option charge £1 2m relates to options granted in 2006 over shares issued to the EBT at the time of the transaction Of the 2005 charge £3 2m relates to options granted after 26 April 2005 over shares issued to the EBT at the time of the transaction

This charge is derived from options granted as follows

Type of Scheme	Date of Grant	No. of Options Granted	Exercise Price (p)	Vesting Period (years)
2002 Unapproved	26/04/2005	500,000	120	2
2005 EBT (tranche 1)	26/04/2005	1,971,725	4	1
2005 EBT (tranche 2)	26/04/2005	1,971,725	4	2
2005 EBT (tranche 3)	26/04/2005	1,971,725	4	3
2005 EBT (tranche 1)	31/05/2005	1,465,961	4	0 9
2005 EBT (tranche 2)	31/05/2005	1,465,961	4	1 9
2005 EBT (tranche 3)	31/05/2005	1,465,958	4	2 9
2005 EBT (tranche 1)	31/05/2005	1,669,156	4	0 9
2005 EBT (tranche 2)	31/05/2005	1,142,491	4	1 9
2005 EBT (tranche 3)	31/05/2005	1,134,184	4	2 9
2005 EBT (tranche 1)	16/08/2005	61,667	4	0 7
2005 EBT (tranche 2)	16/08/2005	61,667	4	1 7
2005 EBT (tranche 3)	16/08/2005	61,666	4	2 7
2005 EBT (tranche 1)	16/08/2005	6,000	4	0 7
2005 EBT (tranche 2)	16/08/2005	6,000	4	1 7
2005 EBT (tranche 3)	16/08/2005	6,000	4	2 7
2005 EBT (tranche 1)	24/11/2005	10,000	4	0 42
2005 EBT (tranche 2)	24/11/2005	10,000	4	1 42
2005 EBT (tranche 3)	24/11/2005	10,000	4	2 42
2005 EBT (tranche 1)	10/03/2006	355,369	4	1 13
2005 EBT (tranche 2)	10/03/2006	352,036	4	2 13
2005 EBT (tranche 3)	10/03/2006	352,048	4	3 13
2005 EBT (tranche 1)	15/05/2006	53,333	4	0 95
2005 EBT (tranche 2)	15/05/2006	53,333	4	1 95
2005 EBT (tranche 3)	15/05/2006	53,334	4	2 95
2005 EBT (tranche 1)	17/07/2006	5,000	4	0 78
2005 EBT (tranche 2)	17/07/2006	5,000	4	1 78
2005 EBT (tranche 3)	17/07/2006	5,000	4	2 78
2005 EBT (tranche 1)	14/09/2006	93,333	4	0 61
2005 EBT (tranche 2)	14/09/2006	93,333	4	1 61
2005 EBT (tranche 3)	14/09/2006	93,334	4	2 61
2005 EBT (tranche 1)	14/09/2006	100,000	4	5
2005 EBT (tranche 2)	14/09/2006	100,000	4	5
2005 EBT (tranche 1)	11/10/2006	8,333	4	0 54
2005 EBT (tranche 2)	11/10/2006	8,333	4	1 54
2005 EBT (tranche 3)	11/10/2006	8,334	4	2 54
Performance options (first tranche)	26/04/2005	872,731	4	0 02
Performance options (second tranche)	26/04/2005	872,731	4	0 28

7. ADMINISTRATIVE EXPENSES – EXCEPTIONAL EXPENSES

Included within total administrative expenses are the following exceptional expenses

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Termination, redundancies and one-off residual costs relating to realisation of investments	-	2,714
Expensing of share options under FRS 20 (see note 6)	**6,908**	7,112
Total	**6,908**	9,826

8. DISCONTINUED ACTIVITIES

The net income on termination of discontinued activities of £84,000 (2005 £242,000) represents consideration received and to be received less costs of disposal in respect of these activities

9. THE PROFIT/(LOSS) FOR THE GROUP ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Audit of these financial statements	**125**	162
Further Assurance Services	-	35
Other services relating to taxation	**30**	16
Other services pursuant to such legislation	**54**	22

10. NET INTEREST RECEIVABLE

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Interest receivable and similar items		
Cash deposits	**1,276**	547
Investments	**8**	-
Other	**270**	249
	1,554	796
Interest payable and similar charges		
Bank loans and overdrafts	**(26)**	(30)
Subordinated loan	**(192)**	(154)
	(218)	(184)
Net interest receivable	**1,336**	612

11. STAFF COSTS

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Staff costs including Directors' emoluments		
Wages and salaries	**20,139**	14,855
Social security costs	**2,527**	1,966
Pensions (defined contribution scheme)	**1,072**	815
Total	**23,738**	17,636

The group operates a defined contribution pension scheme, accruing costs as paid At the balance sheet date the Group had no outstanding pension contribution liabilities The charge for the period to 31 December 2006 was £1,072,000 (2005 £815,000)

The only employees of the Company are the Directors

Average number of persons, including Directors, employed by the Group during the year

	2006	2005
Institutional Equities	**63**	55
Corporate Finance	**28**	25
Other	**36**	31
Total	**127**	111

As at 31 December 2006, the number of persons, including Directors, employed by the Group was

Institutional Equities	**59**
Corporate Finance	**30**
Other	**36**
Total	**125**

Directors' emoluments

Emoluments paid to each Director during the period ended 31 December 2006 were as follows

	Salary	Bonus	Loss of Office	Pension	Benefits	Payments to Third Parties	Total	Total
	2006	2006	2006	2006	2006	2006	2006	2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A Caplin	52	-	-	-	-	-	**52**	52
H Flight	52	-	-	-	-	-	**52**	52
D Liddell	120	125	-	35	2	-	**282**	213
T Linacre	175	410	-	112	2	-	**699**	500
R Wyatt	106	-	-	-	2	-	**108**	153
C Stonehill	57	-	-	-	-	-	**57**	-
J Hack*	-	-	-	-	-	-	-	-
Total	**562**	**535**	-	**147**	**6**	-	**1,250**	970

* Jon Hack's contract is governed by the terms of the Relationship Agreement in place between Panmure Gordon & Co plc, UKPG Holdings LLC and Lazard & Co , Limited Under this agreement, UKPG is entitled to appoint a Non-executive Director to the Board (the "Appointed Director"), to remove any Appointed Director from office and to appoint another person in the place of any Appointed Director who for any reason ceases to be a Director

The Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a Director

Refer to the Report of the Directors on page 9 and the Directors' Remuneration Report on pages 11 to 14 for further detail on Directors' emoluments

12. TAXATION

The current tax charge for the period is different to the standard rate of corporation tax in the UK of 30% (2005 30%) The amounts are compared below

	31 December 2006 £'000	31 December 2005 £'000
Analysis of current tax charge in period		
Current period UK corporation tax	**(2,254)**	(16)
Prior year corporation tax over/(under) provision	**405**	(380)
Current tax charge	**(1,849)**	(396)
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**5,427**	(4,056)
Current tax at 30% (2005 30%)	**(1,628)**	1,217
Effects of:		
Sundry permanent differences	**(286)**	(191)
Brought forward losses utilised	**1,117**	1,342
Timing differences		
FRS 20 option charges	**(2,136)**	(2,296)
Tax relief from exercise of share options	**828**	-
Proportion of capital gains accounted for tax purposes in prior year	**-**	175
Prior year corporation tax over/(under) provision	**405**	(380)
Other	**(149)**	(263)
Current tax per profit and loss statement	**(1,849)**	(396)

Deferred taxation

At 31 December 2006 the Group had a potential deferred tax asset as set out below This asset has not been recognised in the balance sheet due to the uncertainty over the timing of its recoverability In addition, no deferred tax asset has been recognised in respect of the potential future benefit arising from exercise of share options, in respect of which a charge has been recognised under FRS 20 in the profit and loss account in the current period, the timing of such tax benefit is not known and the size unquantifiable

	31 December 2006 £'000	31 December 2005 £'000
Potential deferred tax asset	7,202	7,721

13. EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and numbers of shares

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Profit/(loss) attributable to ordinary shareholders	**3,578**	(4,452)
Weighted average number of shares in issue	**62,081,645**	44,688,195
Diluted weighted average number of shares in issue	**64,686,485**	-
Basic profit/(loss) per share (pence)	**5.76**	(9 96)
Diluted profit/(loss) per share (pence)	**5.53**	-

ADJUSTED EARNINGS PER SHARE

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Profit/(loss) on ordinary activities after taxation	**3,578**	(4,452)
Reorganisation costs arising as a result of the acquisition of Panmure Gordon (UK) Limited	-	2,714
Goodwill amortisation	**450**	-
FRS 20 charges	**214**	542
FRS 20 option charges arising as a result of the acquisition of Panmure Gordon (UK) Limited	**6,908**	7,112
Income on termination of discontinued activities	**(84)**	(242)
Tax relief provided by exercise of share options	**(828)**	-
Prior year tax (over)/under provision	**(405)**	380
Profit on continuing activities before goodwill amortisation, FRS 20 option charges and exceptional items, and after taxation	**9,833**	6,054
Analysed as		
Operating profit before goodwill amortisation, FRS 20 option charges and exceptional items	**11,579**	5,458
Interest receivable and similar items	**1,336**	612
Underlying taxation	**(3,082)**	(16)
	9,833	6,054
Weighted average number of shares in issue	**62,081,645**	44,688,195
Diluted weighted average number of shares in issue	**64,686,485**	46,850,789

Adjusted earnings per share (pence)	**15.83**	13 55
Adjusted diluted earnings per share (pence)	**15.20**	12 92

14. RESULT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented as part of these financial statements The Parent Company's profit for the financial period was £3 0m (2005 loss of £5 2m)

15. INTANGIBLE FIXED ASSETS

	Positive goodwill £'000
Cost and net book value	
At 1 January 2006	13,201
Goodwill amortised during the period	(450)
At 31 December 2006	**12,751**

On 26 April 2005 the Group completed the acquisition of Panmure Gordon (UK) Limited (previously Panmure Gordon & Co , Limited) The net assets acquired were as follows

	£'000
Net investment securities held for trading	1,125
Debtors	109,842
Cash	1,518
Creditors	(100,281)
Subordinated loan	(3,000)
Net assets	**9,204**
Direct costs of acquisition	(1,569)
Add goodwill on consolidation	13,201
	20,836
Satisfied by	
Issue of 18,521,294 shares (market price of £1 125)	**20,836**

This acquisition, which was accounted for under acquisition accounting in 2005, resulted in an increase in the merger reserve created on consolidation of £20,095,000 being the difference between the market value of the shares issued and their nominal value of £741,000 (4p per share)

16. TANGIBLE FIXED ASSETS

Group and Company	Furniture and Office Equipment £'000	Fittings £'000	Computer and Telephone Equipment £'000	Total £'000
Cost				
At 1 January 2006	358	1,674	195	2,227
Additions	-	158	279	437
Disposals	(17)	(1)	(22)	(40)
At 31 December 2006	**341**	**1,831**	**452**	**2,624**
Accumulated depreciation				
At 1 January 2006	(66)	(391)	(68)	(525)
Charge for the year	(54)	(351)	(89)	(494)
Disposals	-	1	22	23
At 31 December 2006	**(120)**	**(741)**	**(135)**	**(996)**
Net book value				
At 31 December 2006	**221**	**1,090**	**317**	**1,628**
At 31 December 2005	292	1,283	127	1,702

17. INVESTMENTS

Available for sale investments

Group	31 December 2006 £'000	31 December 2005 £'000
Available for sale investments - quoted	**1,824**	-
Available for sale investments - unquoted	**3,635**	-
Total	**5,459**	-

Investment in subsidiary undertakings

Company	31 December 2006 £'000	31 December 2005 £'000
Shares in subsidiary undertakings	**12,024**	12,024
Total	**12,024**	12,024

Movement in available for sale investments (excluding subsidiaries) were as follows:

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Carrying value at start of period/year	-	-
Additions	**5,459**	-
Disposals	-	-
Impairment	-	-
Carrying value at 31 December	**5,459**	-

Available for sale investments include participating interests which it is not appropriate either to consolidate or equity account on the basis that the Group exercises no control or significant influence over them

Additional information on subsidiary undertakings:

At 31 December 2006 the Company owned 100% of the ordinary share capital of the following subsidiary undertakings, all of which operate in the United Kingdom and are registered in England and Wales

Name	Nature of business
Panmure Gordon (UK) Limited	Stockbroking, corporate finance and market making
Panmure Gordon (Broking) Limited	Stockbroking, corporate finance and market making
Durlacher Corporate Finance Limited	Dormant
Durlacher Fund Management Limited	Dormant
Durlacher Research Limited	Dormant
Durlacher Ventures Limited	Dormant
Life Capital Limited	Dormant
Panmure General Partner Limited	General Partner
Rotherfield Nominees Limited[2]	Dormant
web-angel Limited	Dormant
web-angel Services Limited[1]	Dormant
United Energy Limited[1]	Dormant
United Energy Property Limited[1]	Dormant
Moorfields GP Limited (33%)	General Partner

[1] Direct subsidiaries of web-angel Limited
[2] Direct subsidiary of Panmure Gordon (Broking) Limited

Investment securities held for trading

The market value of the investment securities held for trading at 31 December was as follows

	Group		Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Shares traded on the London Stock Exchange	**6,825**	6,337	-	-
Shares traded on AIM	**938**	1,758	-	-
Other	-	19	-	-
Total	**7,763**	8,114	-	-

18. DEBTORS

	Group		Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Due within one year				
Trade debtors	**1,015**	392	**46**	-
Stock borrows	**4,602**	6,933	-	-
Market debtors	**22,572**	33,798	-	-
Amounts owed by Group undertakings	-	-	**660**	931
Other debtors	**894**	967	**1,211**	1,547
Prepayments and accrued income	**947**	669	**654**	395
Total	**30,030**	42,759	**2,571**	2,873

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Overdraft	**(819)**	-	-	-
Trade creditors	**(256)**	(732)	**(87)**	(173)
Market creditors	**(19,424)**	(29,925)	-	-
Held for trading investments	**(4,636)**	(4,572)	-	-
Amounts owed to Group undertakings	-	-	**(2,541)**	(2,583)
Corporation Tax	**(1,404)**	(581)	-	(185)
Other taxation and social security	**(461)**	(529)	-	-
Other creditors	**(578)**	(376)	**(230)**	(248)
Accruals and deferred income	**(14,831)**	(11,350)	**(2,922)**	(2,075)
Total	**(42,409)**	(48,065)	**(5,780)**	(5,264)

20. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Subordinated loan	**(3,000)**	(3,000)	-	-
Total	**(3,000)**	(3,000)	-	-

The subordinated loan is repayable on 17 February 2011 at £3m and bears an interest rate of 6 4% payable quarterly

21. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Reorganisation & Reconstruction £'000	Legal Action £'000	Other £'000	Total £'000
Provisions at 1 January 2006	(401)	(538)	(250)	(1,189)
Utilised during the period	247	176	-	423
Charged during the period	-	-	-	-
As at 31 December 2006	**(154)**	**(362)**	**(250)**	**(766)**

The Group has received in previous years a small number of complaints regarding the management of certain investment portfolios in the period up to 2002 Legal action has been served against the Company in respect of certain complaints while others have been referred to the Financial Ombudsman Service Having carefully considered the Group's position and after taking legal advice on specific complaints, the Directors have established a provision representing their best estimate of the liabilities likely to arise in respect of these complaints The timing of any payment is dependent on how the cases develop

Company	Reorganisation & Reconstruction £'000	Total £'000
Provisions at 1 January 2006	(370)	(370)
Utilised during the period	216	216
Charged during the period	-	-
As at 31 December 2006	**(154)**	**(154)**

22. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise cash and cash equivalents, trade debtors and creditors arising from operations and financial instruments The risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk and liquidity risk

The Group does not trade in financial instruments other than marketable securities, which are traded as part of market making activities Senior management regularly review policies for managing the risks summarised below

Market risk

Market and trading risks

The firm's market making and customer trading activities generate market risk exposure These activities are monitored by means of

- Single stock limits – maximum positions in each stock are calculated by reference to a variety of factors such as volume, volatility and market capitalisation Fidessa management screens then report individual positions which exceed the stock limits attributed to them These limits can only be amended by approval of the Risk Committee, traders have no ability to amend the limits programmed into Fidessa themselves

- Position reporting – the largest positions (both long and short), together with the gross long and short positions, are reported to and reviewed by management on a daily basis and to the Risk Committee every two weeks The Risk Committee establishes an acceptable level of maximum net long position

- Value at risk (VaR) – the VaR is calculated and reported to management on a daily basis and to the Risk Committee every two weeks An acceptable level of VaR is agreed by the Risk Committee

- Intra day review of position sizes, profits and losses by the Chief Executive and Finance Director

Credit risk

Credit risks are mitigated by

- new client account opening procedures which include approval of all clients by the Chief Executive and Compliance
- the general policy of dealing only with counterparties authorised by the FSA (or equivalent overseas regulators) or listed on a recognised investment exchange

Credit limits are not established for each counterparty Given that all trades are settled on a delivery versus payment basis and the vast majority of counterparties are financial institutions, the risk of non-settlement of trades is not considered to be high enough to warrant the establishment and monitoring of individual credit limits There is a risk of non-payment of retainers by corporate clients, again this is considered a low risk as the amounts involved are relatively small and overdue amounts are actively pursued

Interest rate risk

Interest income arises primarily from cash and cash equivalents and will fluctuate depending on cash movements and market interest rate movements All cash and cash equivalents mature within three months Management believe interest rate risk to be immaterial as cash is generally placed on overnight or short-term deposit Interest income in the period is disclosed in note 10 The subordinated loan of £3m is repayable on 17 February 2011 and bears a fixed interest rate of 6 4%, payable quarterly

Foreign currency risk

The base currency of the Group is sterling and therefore the Group is not significantly exposed to foreign currency risk At 31 December 2006 the Group was overdrawn (£795k) of cash denominated in US Dollars (2005 £293k) The Group also held £183k of cash denominated in Euros (2005 £125k)

Liquidity risk

The Group has £43 8m in cash and cash equivalents (2005 £21 1m) and debt of £3m at 31 December 2006 (2005 £3m) Senior management regularly review the liquidity of the Group to ensure continuity of adequate funding As per FRS 1, cash and cash equivalents repayable on demand with any qualifying financial institution are treated as cash Deposits are treated as cash and cash equivalents if they can be withdrawn at any time without notice and without penalty

The carrying value of financial assets and liabilities in the financial statements where not at fair value, is not significantly different to their fair value

23. OTHER FINANCIAL COMMITMENTS

At 31 December 2006, the Company was committed to making the following payments under non-cancellable operating leases

	Group		Company	
	2006 £'000	**2005 £'000**	**2006 £'000**	**2005 £'000**
Land & building annual commitments which expire:				
Within one year	-	-	-	-
Within 1 to 2 years	-	-	-	-
Within 2 to 5 years	**209**	222	**209**	222
Over 5 years	**564**	600	**564**	600
Total	**773**	822	**773**	822

24. SHARE CAPITAL

	31 December 2006 £'000	**31 December 2005 £'000**
Authorised:		
100,507,117 (2005 100,507,117) ordinary shares of 4p each	**4,020**	4,020
Total	**4,020**	4,020
Allotted, called up and fully paid:		
63,250,198 (2005 56,510,778) ordinary shares of 4p each	**2,530**	2,260
Total	**2,530**	2,260

Share options

Durıng the year shares were allotted followıng the exercıse of optıons by certaın ex-members of staff as follows

Number of Shares	Exercise Prıce (p)	Scheme
67,892	120	Approved Share Optıon Plan
1,929	174	Approved Share Optıon Plan
8,000	125	Approved Share Optıon Plan
203,752	103	Unapproved Share Optıon Plan
70,451	171	Unapproved Share Optıon Plan
247,033	125	Unapproved Share Optıon Plan
254,000	64	Unapproved Share Optıon Plan
1,000,000	120	Unapproved Share Optıon Plan

On 19 January 2006, the Company ıssued 4,886,363 ordınary shares to Bank of Scotland by way of a placıng

At 31 December 2006 the followıng optıons granted to Dırectors and employees to acquıre ordınary shares ın the Company were outstandıng, as follows

Scheme	Number of Shares	Exercıse Price (p)	Exercıse Dates
2002 Approved Share Optıon Plan	43,036	120	06/06/06-06/06/13
	19,464	174	11/08/06-11/08/13
	103,863	125	12/05/07-12/05/14
2002 Unapproved Share Optıon Plan	195,263	103	06/06/05-06/06/13
	289,484	171	11/08/05-11/08/13
	589,450	125	12/05/06-12/05/14
	533,000	64	07/12/06-07/12/14
	500,000	120	26/04/07-26/04/15
Performance Share Optıon Plan	872,730	4	03/05/05-undated
	872,732	4	08/08/05-undated
	4,019,022		

25. RESERVES

Group	Share Premıum £'000	Treasury Shares £'000	Merger Reserve £'000	Specıal Reserve £'000	Other Reserve £'000	Ordınary Shares £'000	Profit & Loss Account £'000
At 1 January 2006	19	-	21,810	9,595	(741)	2,260	1,649
Shares ıssued re exercıse of optıons	2,021	-	-	-	-	75	-
Repayment of loan by EBT	-	-	-	-	29	-	-
Other shares ıssued	10,555	-	-	-	-	195	-
Redemptıon of warrants	-	-	-	-	-	-	(120)
Treasury shares	-	(2,810)	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	3,578
FRS 20 optıon charges	-	-	-	-	-	-	7,123
At 31 December 2006	**12,595**	**(2,810)**	**21,810**	**9,595**	**(712)**	**2,530**	**12,230**

Company	Share Premıum £'000	Treasury Shares £'000	Merger Reserve £'000	Specıal Reserve £'000	Other Reserve £'000	Ordınary Shares £'000	Profit & Loss Account £'000
At 1 January 2006	19	-	1,715	9,595	(741)	2,260	(1,093)
Shares ıssued re exercıse of optıons	2,021	-	-	-	-	75	-
Repayment of loan by EBT	-	-	-	-	29	-	-
Other shares ıssued	10,555	-	-	-	-	195	-
Redemptıon of warrants	-	-	-	-	-	-	(120)
Treasury shares	-	(2,810)	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	2,964
FRS 20 optıon charges	-	-	-	-	-	-	2,611
At 31 December 2006	**12,595**	**(2,810)**	**1,715**	**9,595**	**(712)**	**2,530**	**4,362**

26. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Group		
Profit/(loss) for the period	**3,578**	(4,452)
FRS 20 option charges	**7,123**	7,654
Acquisition of Panmure Gordon (UK) Limited		
Shares issued	-	741
Merger reserve	-	20,095
Shares issued re exercise of options	**2,096**	94
Other shares issued	**10,750**	-
Treasury shares	**(2,810)**	-
Redemption of warrants	**(120)**	-
Reduction in shares held by EBT	**29**	-
Opening shareholders' funds	**34,592**	10,460
	55,238	34,592

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Company		
Profit/(loss) for the period	**2,964**	(5,175)
FRS 20 option charges	**2,611**	4,082
Shares issued	**9,916**	1,576
Opening shareholders' funds	**12,496**	12,013
Closing shareholders' funds	**27,987**	12,496

27. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Operating profit/(loss) after exceptional items	**4,007**	(4,910)
Depreciation and write down of tangible and intangible fixed assets	**943**	469
Loss on disposal of fixed assets	**17**	62
Other operating income	**(387)**	-
Movement in investment securities held for trading	**415**	(2)
Decrease in net amounts owed by counterparties	**3,056**	9,793
FRS 20 option charges	**7,123**	7,654
Increase in debtors	**(698)**	(1,770)
Increase in creditors and provisions	**2,478**	491
Net cash inflow from operating activities	**16,954**	11,787
Net cash inflow from operating activities comprises:		
Continuing operating activities	**16,954**	12,647
Discontinued operating activities	**-**	(860)
	16,954	11,787

28. ANALYSIS OF CASH FLOW FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Returns on investment and servicing of finance		
Interest received	**1,545**	795
Interest on investments	**8**	-
Interest paid	**(217)**	(160)
Net cash inflow for returns on investments and servicing of finance	**1,336**	635

Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(437)**	(812)
Purchase of investments	**(6,192)**	-
Proceeds from sale of investments	**1,121**	-
Repayment of loan to EBT	**29**	-
Net cash outflow from capital expenditure and financial investment	**(5,479)**	(812)
Acquisitions and disposals		
Proceeds in respect of termination of discontinued activities	**84**	860
Acquisition costs	**-**	(1,569)
Cash acquired	**-**	1,518
Net cash inflow from acquisitions and disposals	**84**	809
Proceeds from the issue of ordinary share capital		
Proceeds from share issue	**12,846**	94
Repurchase of warrants	**(120)**	-
Treasury shares	**(2,810)**	-
Net cash inflow from acquisitions and disposals	**9,916**	**94**

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December 2005 £'000	Cash Flow £'000	At 31 December 2006 £'000
Cash and cash equivalents	21,070	22,712	**43,782**
Loans	(3,000)	(819)	**(3,819)**
Net funds	18,070	21,893	**39,963**

30. RELATED PARTY TRANSACTION

In January 2006, the Company and Bank of Scotland Corporate established Panmure Capital LP, a co-investment vehicle targeting late stage pre-IPO funding opportunities

The first general partner of Panmure Capital LP is Panmure General Partner Limited, a subsidiary of the Company The second general partner, manager and operator of the partnership is Loudwater Investment Partners Limited (previously named Panmure Capital Partners Limited), a company whose shares are owned by Edward Forwood and Richard Wyatt, a Non-executive Director (and previous Chairman) of the Company

The Company, Bank of Scotland, Richard Wyatt and Edward Forwood each have economic interests in Panmure Capital LP of 47 5%, 47 5%, 3 33% and 1 67% respectively, reflecting their relative investments

31. Post balance sheet events

Acquisition of ThinkEquity Partners LLC

On 20 February 2007 the Company announced that it had entered into a definitive agreement to acquire ThinkEquity Partners LLC ("ThinkEquity"), a US based investment bank The consideration for the acquisition will be US$62 3m (£32 3), of which approximately US$35 3m (£18 3m) will be paid for the equity of ThinkEquity and approximately US$27m (£14 0m) for the assumption and repayment of debt and liabilities and the recapitalisation of the company

The consideration for the equity will be funded by the issue of approximately 8 9m shares together with cash of US$3 5m The assumption of debt and liabilities of US$27m will be settled by the issue of up to 0 97m shares and the balance in cash, expected to be approximately US$23 6m

ThinkEquity had revenues of approximately US$64m in 2006, employs approximately 190 people and has offices in San Francisco, New York, Boston, Chicago, Minneapolis and Chennai

Loudwater Trust Lımıted

On 29th January 2007, concurrent wıth the first day of dealıngs of Loudwater Trust Lımıted, a new Guernsey regıstered closed-end ınvestment Company, the Company transferred ıts share of certaın ınvestments ın Panmure Capıtal at faır value ın exchange for 3 461m shares ın Loudwater Trust Lımıted The Company also subscrıbed £1 539m of cash for a further 1 539m shares ın Loudwater Trust Lımıted As at 12 March the company held 5 mıllıon shares ın Loudwater Trust Lımıted, amountıng to 6 7% of the ıssued share capıtal It ıs expected that Panmure Capıtal wıll be wound down once ıt has dısposed of ıts remaınıng ınvestment

Loudwater Trust Lımıted ıs advısed by Loudwater Investment Partners Lımıted, of whıch Rıchard Wyatt ıs the major shareholder and Chıef Executıve

FIVE YEAR RECORD

	2002	**2003**	**Restated 18 months 2004**	**2005**	**2006**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	7,146	6,645	15,574	31,606	**43,778**
Operatıng profit/(loss)	(7,680)	(7,991)	(7,224)	(4,910)	**4,007**
Profit/(loss) before tax	(9,906)	(1,497)	(5,945)	(4,056)	**5,427**
Profit/(loss) after tax	(10,024)	(981)	(6,022)	(4,452)	**3,578**
Profit/(loss) per share (p) adjusted for share reorganısatıon	(247 15)	(17 57)	(38 51)	(9 96)	**5.76**
Net assets	1,677	4,388	10,460	34,592	**55,238**

NOTICE OF ANNUAL GENERAL MEETING

Please see notes on page 47 to 50 for a brief explanation of each of the proposed resolutions

Notice is hereby given that the Annual General Meeting of the Company will be held at Moorgate Hall, 155 Moorgate, London EC2M 6XB on Wednesday 2 May 2007 at 2 00 pm for the following purposes

Ordinary Business

To consider and, if thought fit, pass the following Resolutions numbered 1 - 8 (inclusive) as ordinary resolutions

1 To receive the accounts together with the reports of the Directors and Auditors for the year ended 31 December 2006

2 To elect Simon Heale, who was appointed as a director of the Company since the last Annual General Meeting

3 To elect Michael Moe, subject to his appointment as a director of the Company prior to the Annual General Meeting following the completion of the acquisition of ThinkEquity Partners LLC by the Company, who, at such time, would have been appointed as a director of the Company since the last Annual General Meeting

4 To elect Deborah Quazzo, subject to her appointment as a director of the Company prior to the Annual General Meeting following the completion of the acquisition of ThinkEquity Partners LLC by the Company, who, at such time, would have been appointed as a director of the Company since the last Annual General Meeting

5 To re-elect David Liddell, who retires by rotation, as a director

6 To re-appoint KPMG Audit Plc, as Auditors of the Company to hold office until the conclusion of the next meeting at which the accounts are laid before

7 To authorise the Directors to set the remuneration of the Auditors

8 To approve the Directors' Remuneration Report for the year ended 31 December 2006

Special Business

To consider and, if thought fit, pass the following resolutions of which Resolutions 9 to 11 will be proposed as ordinary resolutions and Resolutions 12 to 14 (inclusive) will be proposed as special resolutions

Ordinary resolutions

9 Authority to allot shares

That, in substitution for all existing authorities granted to the Directors in respect of the allotment of relevant securities but without prejudice to the proper exercise of such authorities, the directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £937,250 provided that such authority shall expire on 2 May 2012 save that the Company may, before such expiry, make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this Resolution had not expired

10 Approval of Overseas Share Option Plan and amendment of existing share option plans

That, conditional upon the completion of the acquisition of ThinkEquity Partners LLC by the Company,

(a) the Panmure Gordon & Co plc Overseas Share Option Plan be approved and adopted in the form produced to the Meeting and initialled by the Chairman,

(b) the rules of the Company's 2002 Approved Share Option Plan and 2002 Unapproved Share Option Plan be amended as set out in the revised rules produced to the Meeting and initialled by the Chairman

11 Adoption of the Companies Act 2006 shareholder communication provisions

That, any notice or other document or information sent or supplied by or to the Company (whether authorised or required to be sent or supplied by the Companies Acts or otherwise) to or by a member, or to or by a person entitled to enjoy or exercise all or any specified rights of a member in relation to the Company, may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information to be sent or supplied by or to the Company for the purposes of the Companies Acts including in particular by the Company making them available on a website The "Companies Acts" means the company law provisions of the Companies Act 2006, the Companies Act 1985, the Companies Consolidation (Consequential Provisions) Act 1985 and the Companies Act 1989 in so far as the same are in force from time to time

Special resolutions

12 Authority to disapply pre-emption rights

That, subject to the passing of Resolution 9, the Directors be empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94(2) to Section 94(3A) of the Act) for cash pursuant to the authority conferred by Resolution 9 as if Section 89(1) of the Act did not apply to such allotment but without prejudice to the prior exercise of such authorities, provided that this power shall be limited to the allotment of equity securities

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares, open for acceptance for a fixed period by the Directors on a fixed record date, in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory, and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £281,175, and

shall expire on 2 May 2012, save that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred by this Resolution had not expired

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this Resolution the words "pursuant to the authority conferred by Resolution 9" were omitted

13 Authority to purchase own shares

That, the Company be generally and unconditionally authorised in accordance with Section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 4p each in the capital of the Company ("Ordinary Shares") provided that

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is limited to an aggregate of 6,139,373 Ordinary Shares (representing 10% of the Company's issued ordinary share capital at the date of this notice (excluding treasury shares)),

(b) the minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 4p,

(c) the maximum price, exclusive of expenses, which may be paid for each Ordinary Share is an amount equal to 5% above the average of the middle market price of the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy the Ordinary Shares concerned,

(d) this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 2 November 2008 unless such authority is revoked or renewed prior to such time, and

(e) the Company may make a contract to purchase Ordinary Shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares pursuant to any such contract as if such authority had not expired

14 Changes to the articles of association

That the Company's articles of association be altered as follows

(a) Article 91 shall be altered by the deletion of the amount "£250,000" in the fifth sentence, to be replaced by the amount "£400,000",

(b) Article 172(a) and 172(b) shall be deleted and replaced with the following new Articles 172 to 174 (inclusive)

"172 Subject to the provisions of and so far as may be permitted by and consistent with the Statutes, each current or former director, secretary or other officer (other than an auditor) of the Company or any Associated Company (as defined in Section 309A(6) of the Companies Act 1985) shall be indemnified out of the assets of the Company against

(a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company other than

(i) any liability to the Company or any Associated Company, and

(ii) any liability of the kind referred to in Sections 309B(3) or (4) of the Companies Act 1985,

(b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office,

(c) where a current or former director, secretary or other officer (other than an auditor) of the Company is indemnified against any liability in accordance with this Article 172, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto

173 Subject to the provisions of and so far as may be permitted by the Companies Acts (meaning the company law provisions of the Companies Act 2006, the Companies Act 1985, the Companies Consolidation (Consequential Provisions) Act 1985 and the Companies Act 1989 in so far as the same are in force from time to time or otherwise), the Directors may exercise all the powers of the Company to

(a) provide any current or former director, secretary or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company, or in connection with any application under the provisions mentioned in Section 337A(2) of the Companies Act 1985, and

(b) do anything to enable any such person to avoid incurring such expenditure, but so that the terms set out in Section 337A(4) of the Companies Act 1985 shall apply to any such provision of funds or other things done provided that for the purpose of this Article 173 references to "director" in Section 337A(4) of the Companies Act 1985 shall be deemed to include references to a former director or a current or former secretary or other officer (other than an auditor) of the Company

174 Without prejudice to the provisions of Article 172, the Directors may purchase and maintain, for or for the benefit of any person who holds or has at any time held a relevant office, insurance against any liability or expense incurred by him in relation to the Company or any Associated Company of the Company or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant office concerned or otherwise in connection with the holding of that relevant office and for this purpose "relevant office" means that of director, officer (other than an auditor) or employee of the Company or any company which is or was an Associated Company of the Company or any predecessor in business of the Company or of any such Associated Company or that of trustee of any pension fund or retirement, death or disability scheme or other trust for the benefit of any officer or employee or former officer or former employee of the Company or any such Associated Company or of any such predecessor in business or their respective dependants "

By order of the Board

Sarah Wigley
Company Secretary
12 March 2007

Notes

1 A member who is entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf A proxy need not be a member of the Company

A Form of Proxy is enclosed

2 To be effective, a completed and signed Form of Proxy and any power of attorney under which it is signed (or a

notarially certified copy of such power of attorney) must be lodged with the Company's Registrars, Computershare Investor Services PLC, PO Box 82, Bridgwater Road, Bristol, BS99 7NH, not less than 48 hours before the time of the Meeting Completion and return of a Form of Proxy will not preclude a shareholder from attending and voting at the Meeting in person

3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Register of Members of the Company as at close of business on the day which is two days before the date of the meeting (or, if the meeting is adjourned, those members registered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time Changes to entries on the register after this time shall be disregarded in determining the rights of any persons to attend or vote at the AGM

4 In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy, but the vote of the first named on the Register of Members will be accepted to the exclusion of other joint holders

EXPLANATORY NOTES

TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolution 1 – Report and Accounts

The Directors are required to lay the accounts for the year ended 31 December 2006 before a general meeting

Resolution 2 – Appointment of Director

Simon Heale was appointed as a director of the Company on 1 January 2007 The Articles of Association of the Company require any director appointed since the previous Annual General Meeting to stand for election at the next Annual General Meeting

Resolution 3 – Appointment of Director

Michael Moe is to be appointed as a director of the Company upon completion of the acquisition of ThinkEquity Partners LLC Assuming that such appointment takes place before the Annual General Meeting, the Articles of Association of the Company require any director appointed since the previous Annual General Meeting to stand for election at the next Annual General Meeting

Resolution 4 – Appointment of Director

Deborah Quazzo is to be appointed as a director of the Company upon completion of the acquisition of ThinkEquity Partners LLC Assuming that such appointment takes place before the Annual General Meeting, the Articles of Association of the Company require any director appointed since the previous Annual General Meeting to stand for election at the next Annual General Meeting

Resolution 5 – Re-appointment of Director

The Articles of Association of the Company require one third of the directors to retire at each Annual General Meeting David Liddell will retire by rotation and seek re-election Howard Flight will also retire by rotation, but will not be seeking re-election

Resolution 6 – Re-appointment of Auditors

The Company is required to appoint auditors at each Annual General Meeting to hold office until the next general meeting at which accounts are presented It is proposed that the Company's current auditors, KPMG Audit Plc, be re-appointed

Resolution 7 – Remuneration of Auditors

It is proposed that the Directors be authorised to agree the remuneration of the auditors

Resolution 8 – Remuneration Report

In the interests of good corporate governance, the members of the Company are invited to approve the Directors' Remuneration Report for the year ended 31 December 2006

Resolution 9 - Authority to allot shares

The Company requires the flexibility to allot equity securities from time to time Accordingly, this Resolution seeks to grant the directors authority to allot equity securities up to an aggregate nominal amount of £937,250 If granted, such authority would expire in five years' time Save in respect of the issue of new ordinary shares pursuant to the employee share schemes, the Directors currently have no plans to allot relevant securities but the Directors believe it to be in the interests of the Company for the Board to be granted this authority to enable the Board to take advantage of appropriate opportunities which may arise in the future In calculating the authority to allot, the shares to be issued as consideration for the acquisition of ThinkEquity Partners LLC have been treated as if they will have been issued prior to the passing of this Resolution

Resolution 10 – Approval of Overseas Share Option Plan and amendment of existing share option plans

As part of the acquisition of ThinkEquity Partners LLC, the Company intends to introduce a share option plan for the benefit of US based employees In order to qualify as 'Incentive Stock Options' under US law, the terms of the Plan must be approved by the Company in general meeting The Overseas Share Option Plan is based on the same terms as the Company's existing 2002 Unapproved Share Option Plan, its main terms being as follows

(i) *Eligibility*

All employees of the Panmure Gordon & Co plc Group (the "Group") and executive directors of the Group are eligible to participate

(ii) *Limit*

The maximum number of Ordinary Shares which may on any day be placed under option for subscription under the Overseas Share Option Plan is equal to 10% of the aggregate merger consideration paid to the shareholders in ThinkEquity Holdings LLC

(iii) *Exercise price*

The option exercise price of initial grants of options will be the market value of the Company's shares at the time of the acquisition of ThinkEquity Partners LLC

(iv) *Grant of options*

Options may normally only be granted within 42 days of the announcement by the Company of its interim or final results for any years Options may, in addition, be granted outside those periods if the Board considers that exceptional circumstances have arisen which justify such a grant No payment is required upon the grant of an option

(v) *Rights of exercise*

In normal circumstances, an option may only be exercised between the third and tenth anniversary of its grant Generally, options will lapse on cessation of employment Exceptionally, where a participant ceases employment due to death, injury, disability, redundancy or for any other reason which the Board reasonably considers justifies the exercise of his option, his options will lapse six months (twelve months in the case of death) after cessation of employment or, if later, six months after the third anniversary of grant

(vi) *Change of control*

In the event of a takeover, reconstruction, amalgamation or voluntary winding-up, options may be exercised within the specified period after the relevant event or, in certain circumstances, exchanged for options over shares in the acquiring company or an associated company

(vii) *Rights attaching to option shares*

Options are neither transferable nor assignable As soon as practicable after the exercise of an option granted over unissued Ordinary Shares, the appropriate number of Ordinary Shares will be allotted and issued to the participant The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or their rights attaching to such shares by reference to a record date prior to their issue Ordinary Shares may also be transferred on the exercise of an option

(viii) *Variation of capital*

In the event of a variation of share capital including a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company, the number of shares the subject of any option and the price for each of these shares shall be adjusted in such manner as the auditors of the Company confirm in their opinion is fair and reasonable *(ix) Termination*

The Overseas Share Option Plan may be terminated at any time by the Board or by the Company in general meeting but will otherwise terminate upon the tenth anniversary of its establishment

As part of the acquisition of ThinkEquity Partners LLC, two new share incentive plans will be implemented, namely, the ThinkEquity Accrued Bonus Plan and the ThinkEquity Performance Pool Plan It is proposed to amend the Company's 2002 Approved Share Option Plan and the 2002 Unapproved Share Option Plan to provide that any shares issued or placed under option under the ThinkEquity Accrued Bonus Plan, the ThinkEquity Performance Pool Plan and the Overseas Share Option Plan will not count for the purposes of determining the maximum number of options which can be granted under the 2002 Approved Share Option Plan and the 2002 Unapproved Share Option Plan

Resolution 11 – Electronic communications with shareholders

The Company has existing provisions in its Articles of Association that allow it to use electronic communications with its shareholders with the consent of the individual shareholder Provisions introduced by the Companies Act 2006 in January of this year allow companies greater freedom to send documents to shareholders electronically rather than having to send documents through the post Resolution 11 is designed to enable the Company to take advantage of these new provisions

The Companies Act 2006 allows the Company to communicate with its shareholders via its website However a shareholder can elect not to receive communications via a website A shareholder will be deemed to have agreed to website communication if the Company asks for his agreement and the Company does not receive a response within 28 days stating that the shareholder does not wish to receive communications via a website Subject to the passing of this Resolution the Company will write to shareholders individually to request their consent to website communication

Where a document or information is provided via the Company's website, the Company must notify the intended recipient of the presence of the document or information on the website, the place on the website where it may be accessed and how to access the document or information This notification will need to be sent in the post or, alternatively, by e-mail where the shareholder has agreed to receive documents by e-mail and has provided an e-mail address for this purpose

A shareholder who agrees or is deemed to have agreed to website communication may at any time require the Company to send him a hard copy (ie a paper copy) of any document or information which has been posted on the Company's website The Company must then send the document or information to the shareholder within 21 days of receipt of the request, free of charge

A shareholder may choose not to continue to receive communications via a website and may at any time tell the Company to send him all future documents or information through the post

One of the benefits of taking advantage of the new provisions is that it is anticipated that the number of shareholders with whom the Company can communicate electronically will increase This will result in the saving of printing costs and paper

Resolution 12 – Authority to disapply pre-emption rights

This Resolution seeks to disapply the pre-emption rights provisions of Section 89 of the Companies Act 1985 in respect of the allotment of equity securities pursuant to rights issues and other pre-emptive issues and in respect of other issues of equity securities for cash up to an aggregate nominal value of £281,175, being approximately 10% of the issued ordinary share capital following completion of the acquisition of ThinkEquity Partners LLC If given, this power will expire at the same time as the authority referred to in Resolution 9 The directors consider this power desirable due to the flexibility afforded by it They have no present intention of issuing any equity securities pursuant to this disapplication

Resolution 13 – Authority to purchase own shares

The Articles of Association of the Company provide that the Company may from time to time purchase its own shares subject to any conditions imposed by law Such purchases must be authorised by the shareholders at a general meeting This Resolution seeks to grant (until the earlier of the next Annual General Meeting or eighteen months following the passing of this Resolution) the Directors authority to purchase the Company's own shares up to a maximum of 10% of the issued ordinary share capital of the Company In proposing this Resolution, the Directors consider that it is in the best interests of the Company and its shareholders that the Directors should keep the ability to make market purchases of the Company's own shares without the cost and delay of an extraordinary general meeting to seek specific authority for a share purchase

Resolution 14 – Change to the Articles of Association

Fees of Non-executive Directors

The Articles of Association of the Company contain a limit on the aggregate amount of fees which can be paid to non-executive directors of £250,000 In the light of the recent acquisition of ThinkEquity and the appointment to the Board of two US based executive directors, consideration may be given to appointing further non-executive directors It is therefore proposed that this limit be increased in the Articles of Association to £400,000

Indemnification of directors

Since April 2005, public limited companies (and private companies) in the UK have been able to grant wider-ranging indemnities to their directors The new law was introduced largely because of concerns about directors' exposure to personal claims from third parties The Company would like to take advantage of these new provisions and wishes to agree to this in general meeting by amending its Articles of Association