

PANMURE GORDON & CO. PLC
PROFIT & LOSS ACCOUNT
for the ten months ended 31 October 2006

INTERIM

2700769

	Notes	Ten months 31 October 2006 £'000
Turnover	3	9,285
Cost of sales		-
Gross profit		9,285
Administrative expenses		(3,874)
Operating profit before FRS 20 option charges and exceptional items		5,411
FRS 20 option charges deemed not exceptional	4	(23)
Operating profit before exceptional items		5,388
Exceptional costs	5	(1,610)
Total administrative expenses		(5,507)
Operating profit		3,778
Net interest receivable and similar items		504
Profit on ordinary activities before taxation		4,282
Taxation	6	-
Profit on ordinary activities after taxation		4,282

The notes on pages 3 to 7 form part of these financial statements.



BALANCE SHEET as at 31 October 2006

	Notes	31 October 2006 £'000	31 December 2005 £'000
Fixed assets			
Tangible fixed assets	7	1,723	1,702
Investments in subsidiaries	8	12,024	12,024
Investments in Panmure Capital	8	3,635	-
Total fixed assets		17,382	13,726
Current assets			
Debtors	9	3,707	2,873
Investments		1,789	-
Cash and bank balances		12,190	1,531
		17,686	4,404
Creditors: amounts falling due within one year	10	(5,202)	(5,264)
Net current assets/(liabilities)		12,484	(860)
Total assets less current liabilities		29,866	12,866
Provisions for liabilities and charges	11	(190)	(370)
Net assets		29,676	12,496
Capital and reserves			
Ordinary shares	12	2,528	2,260
Share premium account	13	12,531	19
Merger reserve	13	1,595	1,715
Special Reserve	13	9,595	9,595
Treasury Shares	13	(1,395)	-
Profit and loss account	13	4,822	(1,093)
Equity shareholders' funds		29,676	12,496

The notes on pages 3 to 7 form part of these financial statements.

Approved by the Board on 14th November 2006 and signed on its behalf by:



T Linacre
Chief Executive



D Liddell
Finance Director

1. ACCOUNTING POLICIES

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

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the inclusion of investments at market value, as discussed below.

1.2 Turnover

Turnover comprises management fees, profits on sale of investments and dividends receivable from subsidiaries.

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 Investments

Quoted investments are held as current asset investments as at 31 October 2006. In line with normal industry practice, all unquoted investments are classified as fixed assets.

Unquoted investments are valued at the lower of cost and net realisable value as per the British Venture Capital Association (BVCA) guidelines. A permanent diminution in the value of fixed asset investments is charged direct to the profit and loss account.

1.5 Operating Leases

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

1.6 Debtors

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

1.7 Employee Benefit Trust and FRS 20 Option Charges

The Company 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).

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. The provisions of FRS 20 have been applied to these options. This results in a notional charge to the profit and loss account, being the estimated value of the options on their date of grant written off over the expected vesting periods of those options.

As set out in the Circular dated 30 March 2005, on completion of the acquisition by the Company 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. The resulting notional charges to the profit and loss account have been treated as exceptional items.

1.8 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.

1.9 Foreign currencies

Transactions in currencies other than sterling are recorded at the appropriate rate at the time of accounting for the transaction. Currency balances at the year end are converted at the rate ruling at that date, unless covered by an open foreign exchange contract, in which case the contractual rate is used.

2. SEGMENTAL ANALYSIS

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

3. TURNOVER ANALYSIS

The following provides an analysis of turnover by major activity:

	Ten months ended 31 October 2006 £'000
Dividend income from subsidiaries	6,500
Management charge to subsidiaries	2,535
Profit on sale of investments	250
	<hr/> 9,285 <hr/>

4. FRS 20 OPTION CHARGES

As set out in Note 1.7 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 by an independent third party 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)

	Ten months ended 31 October 2006 £'000
4.1 FRS 20 option charges not deemed exceptional	<hr/> 23 <hr/>

Options issued under the existing Durlacher approved and unapproved schemes, unconnected with the acquisition of Panmure Gordon (UK) Limited are not deemed exceptional

	Ten months ended 31 October 2006 £'000
4.2 FRS 20 option charges deemed exceptional (see note 5)	<hr/> 1,610 <hr/>

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 exceptional, as these grants were integral to the transaction by which Durlacher Corporation acquired Panmure Gordon.

5. ADMINISTRATIVE EXPENSES – EXCEPTIONAL EXPENSES

Included within administrative expenses are the following exceptional expenses:

Ten months ended
31 October 2006
£'000

Expensing of share options under FRS 20 (see note 4)

1,610

6. TAXATION

No corporation tax charge arises as there are no taxable profits.

7. TANGIBLE FIXED ASSETS

	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)	-	(21)	(38)
At 31 October 2006	341	1,832	453	2,626
Accumulated depreciation				
At 1 January 2006	(66)	(391)	(68)	(525)
Charge for the period	(45)	(290)	(64)	(399)
Disposals	-	-	21	21
At 31 October 2006	(111)	(681)	(111)	(903)
Net book value				
At 31 October 2006	230	1,151	342	1,723
At 31 December 2005	292	1,283	127	1,702

8. INVESTMENTS

Fixed asset investments

	31 Oct 2006 £'000	31 December 2005 £'000
Investments in subsidiaries	12,024	12,024

	31 Oct 2006 £'000	31 December 2005 £'000
Investments in Panmure Capital	3,635	-

9. DEBTORS

	31 Oct 2006 £'000	31 December 2005 £'000
Due within one year:		
Amounts owed by Group undertakings	1,912	931
Other debtors	1,220	1,547
Prepayments and accrued income	575	395
Total	3,707	2,873

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 October 2006 £'000	31 December 2005 £'000
Trade creditors	(140)	(173)
Amounts owed to Group undertakings	(2,541)	(2,583)
Corporation Tax	-	(185)
Other creditors	(232)	(248)
Accruals and deferred income	(2,289)	(2,075)
Total	(5,202)	(5,264)

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation & Reconstruction £'000	Total £'000
Provisions at 1 January 2006	(370)	(370)
Utilised during the period	180	180
Charged during the period	-	-
As at 31 October 2006	(190)	(190)

12. SHARE CAPITAL

	31 October 2006 £'000	31 December 2005 £'000
Authorised:		
100,507,117 (2005: 100,507,117) ordinary shares of 4p each	4,020	4,020
Allotted, called up and fully paid:		
63,196,555 (2005: 56,510,778) ordinary shares of 4p each	2,528	2,260

On 19 January 2006, the Company issued 4,886,363 ordinary shares to Bank of Scotland by way of a placing, raising £10.75m. During the ten months to 31 October 2006, 1,799,414 shares were allotted to satisfy the exercise of options for an aggregate consideration of £2.03m.

At 31 October 2006 the following options granted to Directors and employees to acquire ordinary shares in the Company were outstanding:

Scheme	No of shares	Exercise price (p)	Exercise dates
2002 Approved Share Option Plan	142,471	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 Option 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 Option Plan	872,730	4	03/05/05-undated
	872,732	4	08/08/05-undated

13. RESERVES

	Share Premium £'000	Merger Reserve £'000	Special Reserve £'000	Treasury Shares £'000	Profit & Loss Account £'000
At 1 January 2006	19	1,715	9,595	-	(1,093)
Redemption of warrants/Treasury Shares	-	(120)	-	(1,395)	-
Shares issued re exercise of options	1,957	-	-	-	-
Other share issues	10,555	-	-	-	-
Profit for the period	-	-	-	-	4,282
FRS 20 option charges	-	-	-	-	1,633
At 31 October 2006	12,531	1,595	9,595	(1,395)	4,822

14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	10 months to 31 October 2006 £'000	Year ended 31 December 2005 £'000
Profit/(loss) for the period	4,282	(5,175)
FRS 20 Option Charges	1,633	4,082
Redemption of warrants	(120)	-
Shares issued	12,781	1,576
Shares repurchased into Treasury	(1,395)	-
Opening shareholders' funds	12,496	12,013
Closing shareholders' funds	29,676	12,496