2700769

PANMURE GORDON & CO

Report and Financial Statements
For the year ended 31 December 2010

Financial performance

- Reported adjusted operating loss for the year of £3 2m was incurred entirely in the first half
- Group H2 revenues of £23 3m, up 36% on H1
- Statutory loss for the year of £7 4m (2009 £11 1m loss), after provision for exceptional items including restructuring costs, one-off legal provisions and IFRS 2 charges
- Adjusted loss per share 2 20p (2009 1 24p loss)
- Statutory loss per share 5 10p (2009 10 63p loss)

Operating and business highlights

- Group acted on fundraisings which raised more than £980m for clients and M&A teams acted on transactions worth over £900m
- Appointed to 19 new corporate clients in the UK, with an increasing emphasis on companies that have exposure to growing economies
- In UK, Extel results improved significantly with our smaller company research being top four ranked
- Second half investment banking revenue at US subsidiary ThinkEquity was four times greater than first half
- Momentum in US investment banking continues
- Created Joint Venture with Ambit Capital, one of India's fastest growing investment banks
- Panmure Gordon Singapore office to open in first half of 2011, reflecting recent business gains and opportunities

Chairman's Statement

I am pleased to present my first Chairman's statement since assuming the role in September I am delighted to have been appointed Chairman of one of the City's oldest and most respected firms at a time of great change and opportunity

The Panmure Gordon name has thrived for 135 years in large part because of the firm's strong international presence From raising funds in the London market for the Chinese Government, American breweries and railroads in the late nineteenth century, to raising funds for a Malaysian palm oil company and listing companies on NASDAQ in 2011, Panmure Gordon's great strength has been its international reach and reputation for integrity

Although difficult markets over the past few years have obviously required a great deal of hard work and some refinements to our business, our overall vision for the Group remains clear Our objective is for Panmure Gordon to be the leading independent boutique investment bank and stockbroker for ambitious companies seeking access to UK and US capital markets

Our strategy for achieving this goal is to deliver excellent service for clients, to be an employer of choice and to capitalise on opportunities in growing markets

As detailed in the Chief Executive's review, our colleagues delivered demonstrable progress They grew our client list, boosted our research ratings, completed ground-work to permit the opening of our first office in Asia, established an Indian joint venture, and ensured that corporate deals were executed

These successes were achieved against a backdrop of extremely challenging market conditions, both for primary and secondary business These conditions are reflected in the adjusted loss that the Group posted for the full year, all of which was recorded in the first six months of the year

Our UK business, in spite of equity markets being subdued and reduced commission levels across the market, was profitable for the year before year-end incentives paid to retain staff Our investment banking team executed some excellent transactions during the year, including a pioneering debt refinancing for one of our clients The UK business continued to win new corporate clients throughout 2010 and this has continued into the New Year It is very pleasing to see corporate clients from a broad range of sectors choosing Panmure Gordon as their adviser Reflecting our own internationalisation, our client list now includes some very significant companies with operations in sub-Saharan Africa and Asia

The improvement in business performance in the second half was most marked in the US, where our efforts to strengthen ThinkEquity have resulted in the business winning good mandates in highly competitive markets The second half provided a slight thawing of markets which were then receptive to those quality mandates On an adjusted operating profit basis[1], excluding year-end incentives paid to retain staff, ThinkEquity was profitable in the second half, providing encouraging momentum into 2011 ThinkEquity is now a much leaner and stronger firm than it was in 2008, and this is being recognised by talented senior individuals who continue to be attracted to the firm During the year ThinkEquity invested in broadening its research universe to include the consumer sector, where significant growth companies are emerging in the field of e-commerce

We have made further strides towards the greater internationalisation of our operations Our major shareholder, QInvest, has been an excellent partner in this regard We signed a joint venture with Ambit Capital, one of India's fastest growing independent investment banks, following QInvest's acquisition of a significant stake in that business We look forward to working with Ambit's investment banking, research and sales teams to service both institutional and corporate clients

I wish to thank Simon Heale for his interim chairmanship until September last year and his continued commitment as Senior Independent Director to the success of Panmure Gordon During 2010, Rommie Bhutani, a QInvest-appointed director, departed the board and we thank him for his contribution in bringing our two firms together

After an extensive executive search programme, the board is close to confirming a new Chief Financial Officer / Chief Operating Officer and expects to make an announcement soon

On behalf of the board I thank the employees of the firm who have worked on behalf of the Group's clients and shareholders We enter 2011 with a strong team in place, a promising pipeline of business, and the determination that Panmure Gordon will continue to deliver integrity in investment banking as it has done for so many years

Ed Warner
Chairman

16 March, 2011

1 Adjustments include redundancy, restructuring and share-based payments charges, depreciation, amortisation of intangibles and inter-company financial expense

Group Chief Executive's review

2010 was very much a year of two halves In the first six months of the year we struggled with continuing difficult markets and, as reported in September 2010, recorded a disappointing financial performance, particularly in the US

The second half of the year however showed a marked improvement ThinkEquity's investment banking revenue was some four times that recorded in the first half of the year and it is encouraging to see this momentum continue We have made a conscious decision to invest in and retain the team we have built over the last two years As the US markets continue to improve and be receptive to equity capital market deals we expect the much improved performance to continue

In the UK we completed a sizeable number of investment banking transactions towards the year end and again showed progress half-year on half-year

In subdued equity markets, the Group acted on fundraisings which raised more than £980m for our clients and our M&A teams acted on 17 transactions worth over £900m ThinkEquity acted on three IPOs and seven follow-on transactions Panmure Gordon also acted on its first UK debt private placement for a client which successfully raised £100m

It was encouraging to record 19 new UK corporate clients in 2010, and I thank those clients for choosing Panmure Gordon as their corporate broker In January of this year, Hemscott recognised Panmure Gordon as scoring the most gains in number of nominated adviser appointments in the final quarter of the reporting period Our new clients represent a wide range of sectors – mining, consumer, healthcare and agribusiness Included within these were a sizeable number of businesses whose primary geographic activity is in Asia and other growing markets

As our Chairman notes in his statement, we signed a joint venture agreement with Ambit Capital, a fast growing full service Indian investment bank We have already commenced co-branding and distribution of research on Indian companies to international investors While these are early days we are encouraged by the initial results QInvest, our major shareholder, is also a major shareholder in Ambit, reinforcing yet again the strategic importance and depth of our relationship

Following our success in winning corporate clients whose primary area of operation is in Asia, we will be opening a Singapore office in the first half of this year and look forward to gaining more clients from that region

Our international activity is a continuation of the firm's heritage It is also appreciated by our listed clients, for whom throughout the year we were able to leverage our business footprint, experience and contacts to conduct transatlantic investor roadshows

While investment banking activity showed some return to more normal markets, commission levels across the Group remained impacted by subdued market volumes

During the year I was pleased to see that our Extel results improved significantly, with Panmure Gordon's smaller company research being top four ranked in the UK In addition a number of individual analysts and sales people were recognised for the quality of their work Our analysts across the Group also scored further accolades during the reporting period from Starmine, for earnings accuracy and stock picking Earlier this month, Panmure Gordon was further recognised by Starmine as the only independent broker to feature in Starmine's Top 10 UK & Ireland brokers for FTSE250 stock picking and earnings accuracy in 2010

In the US we made a number of hires across the business and have begun the process of extending Think's coverage into the consumer sector

Dividend

The board has not recommended a dividend for the year, but the board does intend to pay dividends as the firm returns to sustained profitability

Outlook

At the time of writing there is uncertainty arising from developments in the Middle East and Japan Despite this there are positive signs of a continuing improvement in business

So far this year, our US business has been active on five transactions and although there may be the usual second-half weighting, we do expect a much improved first half compared to the first half of 2010 In the UK, we have undertaken two sizeable fundraisings in the year so far While the UK pipeline is encouraging, market conditions remain challenging and we anticipate a second-half weighting to transactions

Against the momentum in investment banking we are managing the business with an expectation that commission levels will remain subdued

The last few years have been very difficult and I would like to pass on my thanks to colleagues for their efforts As markets begin to improve, we are taking steps to ensure we retain key employees across the Group

There are significant opportunities for the Group in 2011 and beyond We have a much improved business, a broad geographic spread, a supportive major shareholder and an excellent growing client list While the threat of exogenous economic and political shocks to the global economy remain, we see 2011 as a year to further strengthen the business and establish the platform for significant shareholder value creation

Tim Linacre
Group Chief Executive

16 March, 2011

Operating review

Adjusted financial results

	2010 £'000	2009 £'000
Net revenue	40,455	50,858
Net gain/(loss) on available for sale investments	446	(894)
Administrative expenses (including bonuses)	(45,071)	(52,967)
Adjusted operating loss	**(4,170)**	**(3,003)**
Interest payable and similar items	(91)	(76)
Adjusted loss before tax	**(4,261)**	**(3,079)**
Taxation	1,057	1,781
Adjusted loss	**(3,204)**	**(1,298)**
Adjusted loss per share	(2 20)p	(1 24)p
Adjusted loss removing gain/(loss) on available for sale investments	(2 42)p	(0 63)p
Weighted average number of shares in issue	145,759,376	104,584,370

The full statutory income statement is set out on page 24 of the financial statements

The adjusted earnings reconcile to the loss on ordinary activities after taxation contained in the consolidated income statement on page 24 as follows

	2010 £'000	2009 £'000
Adjusted loss	**(3,204)**	**(1,298)**
Add/(less)		
Goodwill write down	-	-
IFRS 2 share-based payments	(437)	(4,087)
Amortisation of intangible assets	(141)	(140)
Deferred tax not recognised on US losses[1]	(1,854)	(3,121)
Redundancy and restructuring charges net of corporation tax	(1,147)	(2,998)
Prior year under provision of tax	(49)	(47)
Tax relief provided by exercise of share options[2]	168	181
Deferred tax (charge)/credit from the future exercise of share options[2]	(619)	542
Deferred tax liability relating to goodwill	(148)	(147)
Loss for the period	**(7,431)**	**(11,115)**
Loss per ordinary share	(5 10)p	(10 63)p

1 Management expects that these losses will provide a tax benefit in future years, although in the statutory income statement, given the uncertainty over the extent and timing of their recoverability, no credit has been taken for the potential future tax benefit provided by these losses

2 Since IFRS 2 share-based payment charges are ignored in calculating adjusted earnings, so are the tax impacts of share options

Operations

The board examines a number of key performance indicators in evaluating business performance, the key ones being

	UK operations		US operations	
	2010	**2009**	**2010**	**2009**
Revenue per employee (£'000)	195	246	182	195
Ratio of employee compensation[1] to turnover	68%	45%	69%	70%
Fixed non compensation costs per employee (£'000)	60	59	77	78
Average daily institutional revenue (£'000)	35	48	43	57

1 Employee compensation is defined as salaries and bonuses only

- Difficult market conditions impacted revenue per employee
- Effective cost control measures have ensured a constant fixed cost base per employee

Risks and uncertainties
Panmure Gordon is proud of its reputation for integrity We actively guard against risk by regularly reviewing the business and by actively promoting a culture founded on irreproachable ethics and compliance throughout the business

We have identified the Group's top five risks as follows, and have geared our capital planning and risk controls accordingly

(i) Risk of market malaise/cyclicality

As with other firms in our sector, the Group is generally dependent on financial market health and appetite for new and secondary issues The Group has seen continued subdued markets in which it operates as economic conditions remain uncertain and are likely to remain so with the developments in both the Middle East and Japan Action is taken to reduce our exposure to market risk by regularly reviewing stock limits and the overall size of our trading books We continue to expand market share and win clients while diversifying our investment banking operations to ensure we can take advantage of revenue and cyclical opportunities, and continue to grow our client base Further strategic developments will help to reduce capital cyclical exposure, and adequate capital has been allocated to fund the strategic initiatives

(ii) Change of market structure/commission erosion

The possible risk of commission erosion can be based on a number of factors

- An absence of IPO activity due to difficult markets,
- Direct Market Access (DMA) where transactions are executed directly with market makers,
- Internal Crossing of trades made possible due to large amounts of natural liquidity flowing through trading desks enabling brokers to potentially match both sides of a trade within their own shop, and
- Dark Pools of liquidity which are also crossing networks that provide liquidity that is not displayed on order books allowing traders the option to move large numbers of shares without revealing themselves to the open market

(iii) Senior management stretch

With a thin layer of senior management, its time can be stretched too thinly There is a risk that executive management can be diverted from key planning and strategic tasks to managing much more on a micro-operational level The Group has in place training plans and budget to ensure talented key individuals receive the necessary training to progress

(iv) Loss of key performers

The Group and the sector it operates in is a people-orientated business and hence the loss of key performers is a potential risk We value our staff as a key asset and continually strive to ensure that our clients are serviced by some of the highest quality teams in the market place Despite current market conditions, the competition for our highest quality employees remains active Creating a profitable business further creates an environment for retention and is an important aim for mitigation

(v) Compliance culture

The Group recognises the need for strong internal controls and compliance culture throughout its activities as fundamental to our market reputation Any breach of our internal controls could result in regulatory sanction as well as adverse impact on the strength of our client relationships Panmure Gordon has built a reputation of integrity with both our clients and the wider market, on the back of strong internal controls and highest standards or ethics in dealing with the market

More information on the Group's internal controls is contained in the corporate governance report

Environment

The Group realises that, although its environmental footprint is relatively small, its offices contribute to emissions and produce waste

We continue to be active in recycling programmes and use paper from sustainable forestry or recycled paper where practical We encourage staff only to print documents where necessary and we run a pre-tax bicycle purchase benefit for employees

Electrical waste in all our offices is disposed of safely either through using approved contractors or recycling Old equipment is donated to charity for refurbishment and reuse by Non-Governmental Organisations throughout the developing world

We recognise good environmental practice also helps to reduce costs Low energy fluorescent light bulbs are installed extensively throughout our offices, many of which are activated via motion sensor Our employees are strongly encouraged to use public transport to attend meetings outside the office We also provide high quality, filtered water to clients and staff in reusable bottles to ensure waste in the office is minimised

REPORT OF THE DIRECTORS

Fınancial statements
The dırectors have pleasure ın submıttıng theır annual report together wıth the consolıdated financıal statements of the Company and ıts subsıdıary undertakıngs for the year ended 31 December 2010

Prıncipal actıvıties
The prıncıpal actıvıty of the Group ıs to provıde corporate and ınstıtutıonal ınvestment bankıng and stockbrokıng servıces The Group's UK busıness ıs conducted through one regulated operatıng subsıdıary, Panmure Gordon (UK) Lımıted, whıch ıs authorısed and regulated by the Fınancıal Servıces Authorıty and ıs a member of the London Stock Exchange Panmure Gordon (UK) Lımıted also has a representatıve office ın Nyon, Swıtzerland, whıch trades under the name of Quaker Securıtıes

The Group's US busıness ıs carrıed out through ThınkEquıty LLC, whıch ıs a member of the Fınancıal Industry Regulatory Authorıty and the Securıtıes Investor Protectıon Corporatıon and ıs an SEC regıstered broker-dealer and ınvestment advıser It ıs a member of NASDAQ and a tradıng permıt holder for the NYSE / Arca Exchange

The shares of Panmure Gordon & Co plc are traded on the AIM market of the London Stock Exchange (PMR L)

Busıness revıew
A detaıled revıew of the busıness and a descrıptıon of the maın trends and factors lıkely to affect the future development, performance and posıtıon of the Group can be found ın the Chıef Executıve's revıew on pages 5 to 6 and the operatıng revıew on pages 7 to 10

Results and dividends
The Group recorded a loss after tax of £7 4m (2009 loss of £11 1m) Further ınformatıon on the result for the perıod ıs ıncluded wıthın the Chıef Executıve's revıew on pages 5 to 6 and the operatıng revıew on pages 7 to 10

The dırectors do not recommend the payment of a dıvıdend for the year ended 31 December 2010 (2009 nıl)

Board of dırectors
The followıng dırectors were ın office durıng the year ended 31 December 2010

Rommıe Bhutanı	Non-executıve Dırector	Resıgned 14 June 2010
Anthony Cann	Non-executıve Dırector	
Sımon Heale	Non-executıve Dırector	Acted as ınterım Chaırman to 30 September 2010, appoınted as Senıor Independent Dırector 1 October 2010
Davıd Lıddell	Executıve Dırector	Resıgned 31 March 2010
Tım Lınacre	Executıve Dırector	
Asar Mashkoor	Non-executıve Dırector	
Shahzad Shahbaz	Non-executıve Dırector	
Nader Shenouda	Non-executıve Dırector	
Edmond Warner	Non-executıve Dırector	Appoınted as Chaırman 1 October 2010

Dırectors' ındemnıty arrangements
The Company has purchased and maıntaıned throughout the year dırectors' and officers' lıabılıty ınsurance The Company has also executed deeds of ındemnıty for the benefıt of each dırector of the Company These provısıons, whıch are qualıfyıng thırd party provısıons, were ın force durıng the 2010 fınancıal year and remaın ın force at the date of thıs report

Substantial shareholders
At 31 December 2010, the followıng had notıfied the Company of an ınterest of 3% or more of the Company's ordınary shares

Benefıcıal owner	Number of ordinary shares	% of issued share capıtal
QInvest LLC	67,514,813	46 45%
UKPG Holdıngs LLC	11,821,295	8 13%
Praxıs Trustees Lımıted on behalf of the Panmure Gordon & Co plc No 2 Employee Benefit Trust	9,746,421	6 71%
Northcote (IOM) Lımıted	7,250,000	4 99%
EFG-Hermes Regıonal Investments Ltd	7,168,130	4 93%
Lloyds Bankıng Group plc	4,886,491	3 36%

Acquisition of own shares for treasury
At the annual general meeting of the Company held on 24 May 2010, the Company was given authority to purchase up to 14,470,399 ordinary 4p shares This authority will expire at the 2011 annual general meeting and shareholders will be asked to give a similar authority

During the year the Company purchased 346,140 of its own ordinary 4p shares for a total consideration of £147,110 to be held in treasury (2009 nil) 1,191,697 shares were transferred out of treasury during the year to satisfy the vesting of awards under an employee share scheme (2009 116,666) The number of shares held in treasury at the year end totalled 2,508,308 (2009 3,353,865) At 31 December 2010 the Company had 147,843,389 shares in issue, therefore the total number of shares held in treasury represents 1 7% (2009 2 28%) of the issued share capital Shares held in treasury may be used to contribute to staff incentive plans in the future

Employee benefit trusts
The Group has three employee benefit trusts ("EBTs") 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 and former employees of the Group The Panmure Gordon & Co plc No 2 Employee Benefit Trust ("EBT2") purchased 1,113,334 of the Company's shares in the market during the year (2009 300,000) and at 31 December 2010 held a total of 9,746,421 shares (2009 11,875,949) The Company has entered into a Trading Plan with EBT2 under which EBT2 will continue to purchase shares in the market until 30 April 2011 Purchases are limited to no more than 100,000 ordinary shares in any single calendar month and the maximum price paid per ordinary share can be no more than 110% of the middle market quotation of the Company's shares on the first business day of the calendar month in which the shares are purchased

Risk management and financial risk
The risks and uncertainties facing the Group are discussed in the operating review on pages 7 to 10 In addition, the financial instruments and risk profile of the Group are set out in note 19

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 2010 trade creditors represented approximately 46 days trade purchases for the Group (Parent Company 26 days)

Political and charitable donations
No political donations were made by the Group during 2010 (2009 nil) The Group made charitable donations of £22,933 in 2010 (2009 £4,619)

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 director who was a member of the board at the time of approving the directors' report (as listed on pages 17 and 18), 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 annual general meeting of the Company will be held on Monday 23 May 2011 at 2 00pm

Approved by order of the board on 16 March 2011

S. A. Wigley
Sarah Wigley
Company Secretary

Directors' remuneration report

The board of directors presents the following remuneration report for the year ended 31 December 2010

Remuneration Committee

The Remuneration Committee, which consists solely of non-executive directors, is responsible for determining the firm's remuneration policy and terms and conditions of service of the executive directors, the chairman and other senior management including any individuals whose remuneration might be expected to exceed the median compensation of executive board members It is also responsible for determining the remuneration packages of employees in compliance, risk management and internal audit functions and for considering the introduction of incentive schemes for the executive directors and the Group's employees more generally Further detail on the Remuneration Committee is included within the corporate governance report on pages 19 to 22

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 remuneration awarded to directors reflects consideration of comparable market compensation packages 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 are a blend of

- basic annual salary and related benefit,
- discretionary bonus payments, and
- share incentive schemes

The level of directors' discretionary bonus payments (and those of other members of senior management) is determined by a number of factors including the Group's and the individual's financial performance and individual non-financial performance, taking into account the general good management of the firm and the compliance culture and attitude to risk engendered by the executive throughout the firm

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, no executive directors hold any external directorships at present, however

The remuneration of the non-executive directors is determined by the Chairman and the executive directors

Basic salary

Each executive director's basic salary is determined by the Remuneration Committee taking into consideration standards within the financial services industry, market conditions and the individual's experience and potential value to the Group Salaries are reviewed annually 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 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, life assurance and permanent health insurance schemes These benefits are in line with the benefits afforded to all Group employees

The non-executive directors are paid an annual basic salary (with the exception of Asar Mashkoor, Shahzad Shahbaz and Nader Shenouda, whose contracts are governed by the terms of the Subscription Agreement entered into in May 2009 between Panmure Gordon & Co plc and QInvest LLC) and are reimbursed all reasonable expenses incurred solely in relation to their duties as non-executive director

Share options and awards
Directors' options and other share awards 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 Company currently operates the following incentive plans

- Approved Share Option Plan
- 2005 Employee Share Option Plan
- Performance Share Option Plan
- Matching Share Plan
- Overseas Share Option Plan
- ThinkEquity Accrued Bonus Plan
- Performance Share Plan
- Growth Securities Ownership Plan

Options or awards made under the Performance Share Option Plan, the Performance Share Plan and the Growth Securities Ownership Plan are usually subject to the attainment of certain performance conditions, no specific performance criteria have been set for exercise of share options or vesting of share awards under the other plans

Directors' contracts
Tim Linacre has a service contract without fixed term which is terminable on twelve months' notice by the Company or six months' notice by the director Should a director's contract be terminated by the Company 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 non-executive directors all have service contracts without fixed terms which are terminable on three months' notice, with the exception of Asar Mashkoor, Shahzad Shahbaz and Nader Shenouda, whose contracts are governed by the terms of the Subscription Agreement entered into in May 2009 between Panmure Gordon & Co plc and QInvest LLC

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 Tim Linacre and Simon Heale will be standing for re-election by the shareholders at the annual general meeting

Directors' emoluments

Emoluments paid to each director during the period ended 31 December 2010 were as follows

	Salary	Bonus	Pension	Benefits	Loss of office	Total	Total
	2010	2010	2010	2010	2010	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R Bhutani[1,2]	-	-	-	-	-	-	-
A Cann	40	-	-	-	-	40	40
S Heale	63	-	-	-	-	63	43
D Liddell[3]	70	-	41	3	81	195	179
T Linacre	200	100	25	4	-	329	384
A Mashkoor[1]	-	-	-	-	-	-	-
S Shahbaz[1]	-	-	-	-	-	-	-
N Shenouda[1]	-	-	-	-	-	-	-
E Warner	50	-	-	-	-	50	3
Total	**423**	**100**	**66**	**7**	**81**	**677**	**649**

1 Rommie Bhutani, Asar Mashkoor, Shahzad Shahbaz and Nader Shenouda were appointed to the board on completion of the placing of shares to QInvest LLC on 7 August 2009 Their contracts are governed by the terms of the Subscription Agreement in place between Panmure Gordon & Co plc and QInvest LLC Under this agreement, while QInvest has a beneficial interest in 25% or more of the issued share capital of the Company, it is entitled to appoint a maximum of four non-executive directors to the board (the "Appointed Directors"), 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

2 Resigned 14 June 2010

3 Resigned 31 March 2010

Directors' interests in the Company

Shareholdings

The following directors of the Company had beneficial interests in the Company on 31 December 2010

	Ordinary shares of 4p each as at 31 December 2010	Ordinary shares of 4p each as at 31 December 2009
Anthony Cann	196,962	196,962
Simon Heale	64,240	64,240
Tim Linacre	119,240	86,740
Ed Warner	100,000	100,000

Since the year end, Ed Warner has purchased a further 100,000 shares

The figures above exclude vested share options under the 2005 Employee Share Option Plan held within the Panmure Gordon & Co plc No 2 Employee Benefit Trust as detailed below

Share options and incentive awards

Tim Linacre is currently the only director holding any share options or awards The details of the awards which were outstanding at 31 December 2010 are provided in the following tables

Approved Share Option Plan

Date of grant	Earliest exercise date	Expiry date	Exercise price (p)	No. outstanding at 1 January 2010	Granted in period	Lapsed in period	No. outstanding at 31 December 2010
Tim Linacre							
26/05/10	26/05/13	26/05/20	41	-	73,170	-	73,170

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 2010	Granted in period	Lapsed in period	No. outstanding at 31 December 2010
Tim 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

Performance Options

The performance criteria having been met, Tim Linacre holds 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

Matching Share Plan

The Matching Share Plan was introduced in March 2007 and all employees of the Group at the time were invited to participate in the plan Under the plan, free shares are awarded to match the number of shares employees purchase themselves, subject to a three year holding period Executive directors have participated in the plan as follows

Date of grant	Vesting date	No. outstanding at 1 January 2010	Granted in period	Vested in period	No. outstanding at 31 December 2010
Tim Linacre					
31/03/07	31/03/10	12,500	-	12,500	-

There are no options or awards outstanding to directors under the Overseas Share Option Plan, the ThinkEquity Accrued Bonus Plan, the Performance Share Plan or the Growth Securities Ownership Plan

During the period and up to the date of this report, the current directors have exercised none of the above share options or awards, save for the vesting of shares under the Matching Share Plan as set out above

The market price of the Company's shares at 31 December 2010 was 31 5p (31 December 2009 38p) and the range during the period was 27p to 44 5p

Approved by order of the board on 16 March 2011

S. A. Wigley

Sarah Wigley
Company Secretary

Board of directors

Chairman
Ed Warner (47)

Ed was appointed Chairman in October 2010, having joined the board as a non-executive director in December 2009 He is currently Chairman of UK Athletics Limited, the sport's national governing body, and derivatives exchange, LMAX He is a non-executive director of Clarkson PLC, The Eastern European Trust plc, Standard Life European Private Equity Trust plc, and Tradition UK Limited He is also an independent non-executive of Grant Thornton UK LLP He was previously a director and Chief Executive of IFX Group PLC, the financial trading and spread betting company, Chief Executive of Old Mutual Financial Services UK, Head of Pan European Equities at BT Alex Brown, and Head of Global Research at both NatWest Markets and Dresdner Kleinwort Benson

Chief Executive
Tim Linacre (52)

Tim has worked in the City for 28 years, originally a chartered accountant, he moved to Hoare Govett before joining Panmure Gordon in 1992 He has helped steer the firm through its various incarnations, being Head of Investment Banking for WestLB Panmure, Head of Corporate Broking and Head of Technology Banking before being appointed Chief Executive of WestLB Panmure in 2003 He orchestrated the sale of the business to Lazard in 2004 becoming a managing director of Lazard with responsibility for Lazard Capital Markets which he integrated within Panmure Gordon Following the combination with Durlacher in 2005, Tim became Chief Executive of the listed business

Senior Independent Director
Simon Heale (57)

Simon is currently a non-executive director of The Morgan Crucible Company plc, Kazakhmys plc, PZ Cussons plc and MAREX Financial and is a Trustee of Macmillan Cancer Support He acted as Chief Executive of CHINA NOW, a festival devoted to Chinese culture which ran from February 2008 until the Beijing Olympics in August 2008 He was previously Chief Executive of the London Metal Exchange, held roles as Group Finance Director and Chief Operating Officer of Jardine Fleming in Hong Kong and spent a long career with the Swire Group, holding positions in the US, Japan and Hong Kong

Non-executive Director
Anthony Cann (63)

Anthony spent his career as a solicitor with Linklaters, a global law firm, and served as worldwide Senior Partner from 2001 to 2006 He worked principally in the firm's corporate department, working on a broad range of M&A transactions, privatisations and several financings, specialising particularly in public and private M&A and joint ventures Anthony is currently a non-executive director of Smiths News PLC, a Trustee of Adventure Capital Fund, a director of Social Investment Business Ltd and a Governor of Haberdashers' Aske's Federation Trust He is also a strategy consultant to Kinstellar, a Central and Eastern European law firm

Non-executive Director
Asar Mashkoor (38)

Asar Mashkoor is the Head of Investment Banking at QInvest He has 17 years of investment banking and finance experience, including 7 years at Merrill Lynch in London Asar joined QInvest from Emirates-NBD investment bank where he was Co-Head of Capital Markets, Structured Finance and Advisory He is a qualified chartered accountant (ICAEW) and holds an Honours degree in Information Systems Engineering from Imperial College (University of London)

Non-executive Director
Shahzad Shahbaz (51)

Shahzad Shahbaz is Chief Executive Officer of QInvest He has close to 30 years banking experience, of which 25 years is with Bank of America, including 13 years in London, at first heading up the emerging markets business, and then as head of the regional investment banking platform for Europe, the Middle East and Africa He spent two years as Chief Executive Officer of Emirates-NBD investment bank, successfully setting up and building a regional investment banking, asset management and private equity business with approximately 100 employees Shahzad holds a BA in Economics from Oberlin College, Ohio, USA

Non-executive Director
Nader Shenouda (45)

Nader Shenouda is the Head of Placement & Distribution at QInvest He has 19 years of client relationship management experience in the MENA region, joining QInvest from Coutts & Co in the UK where, as Executive Vice President based in London, he led the Middle East Wealth Management team Prior to joining Coutts, Nader was a Financial Consultant with Merrill Lynch International based in London where he focused on ultra high net worth families, family offices and institutional clients in the Middle East He holds a BSc in Mechanical Engineering from the American University in Cairo and studied Investment Management at London Business School He is a Trustee of The Prince's School of Traditional Arts

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 reporting period As an AIM listed company, Panmure Gordon is not required to comply with the code, nevertheless the directors have chosen to disclose below where the Group does not comply with the code's provisions

Board of directors
The board currently consists of one executive and six non-executive directors, whose biographies can be found on pages 17 and 18 A search is currently underway for a further executive director to fulfil the role of Chief Financial Officer / Chief Operating Officer 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 eight and ten 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 in the UK is delegated to the Management, Risk and New Business Committees and in the US to the board of Panmure Gordon Holdings US LLC and the ThinkEquity Management Committee 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 Ed Warner was appointed Non-executive Chairman on 1 October 2010 replacing Simon Heale who had acted as interim chairman whilst the search for a new chairman was conducted Simon Heale is now the Senior Independent Director

Of the non-executive directors, Anthony Cann 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 judgment, as was Ed Warner prior to his appointment as Chairman Asar Mashkoor, Shahzad Shahbaz and Nader Shenouda were appointed by QInvest LLC, a major shareholder, pursuant to the Subscription Agreement entered into at the time of the placing of shares to QInvest in 2009 They are not therefore 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

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 13 to 16 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 13 to 16

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

Audit Committee
The Audit Committee comprises Anthony Cann, Simon Heale and Nader Shenouda and is chaired by Simon Heale The Committee meets four times a year and monitors and reviews the 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 and monitors the effectiveness of the Group internal audit function Other personnel, including the Chief Executive, the Financial Controller and the Head of Internal Audit, may be invited to attend the Audit Committee meetings as required

Nomination Committee
The Nomination Committee currently comprises Anthony Cann, Simon Heale, Shahzad Shahbaz and Ed Warner and is chaired by Simon Heale The Committee meets at least once a year and as necessary to consider and make recommendations to the board in respect of further board appointments External search consultants are used as appropriate, having been appointed to assist in the search for a new chairman and in the current search for a Chief Financial Officer

Remuneration Committee
The Remuneration Committee meets at least twice a year and on an ad hoc basis as and when required The members of the Committee are Anthony Cann, Simon Heale, Shahzad Shahbaz and Ed Warner and it is chaired by Anthony Cann The Committee is responsible for determining the firm's remuneration policy, the terms and conditions of service of the Company's executive directors, the Chairman and other senior executives, including any individuals whose remuneration might be expected to exceed the median compensation of executive board members It is also responsible for determining the remuneration packages of employees in compliance, risk management and internal audit functions 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

Compliance & Risk Committee
The Compliance & Risk Committee comprises Anthony Cann, Asar Mashkoor and Ed Warner It is chaired by Anthony Cann and meets four times a year Its responsibilities include review of the Group's controls and procedures for the evaluation, monitoring and management of risks, advising the board on the Group's risk strategy and review of the Group's compliance with its regulatory obligations

Attendance at meetings

	Scheduled board meetings	Audit Committee	Remuneration Committee	Compliance & Risk Committee	Nomination Committee
Number of meetings in the year	9	5	3	4	1
Anthony Cann	9/9	5/5	3/3	4/4	1/1
Simon Heale	9/9	5/5	2/3		1/1
Tim Linacre	9/9				
Asar Mashkoor	8/9			3/4	
Shahzad Shahbaz	8/9		3/3		1/1
Nader Shenouda[1]	8/9	2/2			
Ed Warner[2]	9/9		2/2	4/4	1/1

1 Nader Shenouda was appointed to the Audit Committee on 15 July 2010
2 Ed Warner was appointed to the Remuneration Committee on 8 March 2010

Board performance evaluation
The board has undertaken a formal review of its own performance and that of the board committees 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 exercise have already been used to introduce improvements to board processes and others will be used to build upon strengths and to tackle weaknesses identified

Auditor 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 In addition, a formal policy for audit and non-audit services has been introduced during the year

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 judgmental areas

The annual appointment of auditors by shareholders in the annual general meeting is a fundamental safeguard of 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 Audit Plc is set out in note 5

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 activity The Audit Committee, the Compliance & Risk Committee and the board have all reviewed and discussed the Group's Internal Capital Adequacy Assessment Process during the year In addition the Audit Committee and the board reviewed and approved the Group's Individual Liquidity Adequacy Assessment

The Group has established a number of committees for the day-to-day running of the business

In the UK, the Managing Directors' Committee comprises the Chief Executive, all business unit heads and all other functional managing directors It is chaired by the Chief Executive and meets weekly The New Business Committee, which is also chaired by the Chief Executive and comprises appropriate executives from corporate finance and institutional equities, reviews all new clients and transactions as well as giving consideration to any reputational issues that may arise Furthermore the Global Operations & Risk Committee ("Plumbers' meeting"), which meets twice a month, focuses on both market and financial risks and any operational risks arising This committee includes members from the UK business, from ThinkEquity, the Group's US business, and from Quaker Securities, the Group's Swiss representative office The minutes of the Management and Risk Committees are reviewed at each meeting of the board of directors

In the US, representatives from each business area are members of the Management Committee, the committee charged with overseeing the day-to-day running of the business, which meets fortnightly There are also two functional committees to review new business one which is tasked with reviewing potential equity transactions and a second which approves new M&A transactions In addition, the Investment Management Committee reviews new customers and relative client performance in our investment advisory business

The Compliance department runs a robust compliance monitoring programme to monitor on a real-time basis the compliance of individuals and the firm with internal procedures and external laws and regulations

A dedicated internal audit function was established at the beginning of 2010 The Head of Internal Audit has a reporting line directly to the chairman of the Audit Committee and presents the audit findings to each meeting of the Audit Committee

Going concern
The directors have formed a judgment, 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 12 month period For this reason the 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 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 is authorised and regulated by the Financial Services Authority ThinkEquity is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation and is an SEC registered broker-dealer and investment adviser

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON & CO PLC

We have audited the financial statements of Panmure Gordon & Co plc for the year ended 31 December 2010 set out on pages 24 to 63 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion

• the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended,
• the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
• the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
• the parent company financial statements are not in agreement with the accounting records and returns, or
• certain disclosures of directors' remuneration specified by law are not made, or
• we have not received all the information and explanations we require for our audit

R Faulkner

R Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
16 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Commission and trading income		21,929	28,842
Commission and trading expense		(3,568)	(3,446)
Net commission and trading income		**18,361**	**25,396**
Corporate finance and other fee income		22,094	25,462
Net commission and fee income		**40,455**	**50,858**
Net gain/(loss) on available for sale investments		446	(894)
Administrative expenses[1]		(46,254)	(53,107)
Redundancy, restructuring and other non-recurring charges[1]	3	(1,252)	(2,832)
Operating loss before share-based payments and goodwill impairment		**(6,605)**	**(5,975)**
Share-based payments[1]	4	(437)	(4,087)
Operating loss		**(7,042)**	**(10,062)**
Financial income	6	111	139
Financial expense	6	(202)	(215)
Net financial expense	6	(91)	(76)
Loss before tax		**(7,133)**	**(10,138)**
Income tax	8	(298)	(977)
Loss for the period attributable to the owners of the Company		**(7,431)**	**(11,115)**
Basic loss per share	10	(5 10)p	(10 63)p
Diluted loss per share	10	(5 10)p	(10 63)p

1 These are all part of administrative expenses which total £47 9m (2009 £60 0m) that have been presented separately owing to their nature and size

The notes on pages 32 to 63 form part of these financial statements

Consolidated statement of comprehensive income & expense

For the year ended 31 December 2010

	2010 £'000	2009 £'000
Loss for the period attributable to the owners of the Company	**(7,431)**	**(11,115)**
Other comprehensive (loss)/income		
Foreign exchange translation differences	369	(2,879)
Unrealised gain on available for sale investments	-	569
Available for sale gains transferred to the income statement	(569)	-
Total other comprehensive loss for the period net of tax	**(200)**	**(2,310)**
Total comprehensive loss for the period attributable to the owners of the Company	**(7,631)**	**(13,425)**

The notes on pages 32 to 63 form part of these financial statements

Consolidated statement of financial position

As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Intangibles	11	30,168	29,558
Plant and equipment	12	1,999	2,536
Available for sale investments	13	2,640	3,771
Deferred tax asset	18	4,490	4,958
Other receivables	14	2,458	-
Total non-current assets		**41,755**	**40,823**
Securities held for trading	21	5,082	3,916
Trade and other receivables	14	29,172	23,141
Cash and cash equivalents	26	26,166	38,903
Total current assets		**60,420**	**65,960**
Current liabilities			
Trade payables	15	(21,252)	(11,774)
Tax and social security		(663)	(977)
Other payables	15	(8,808)	(15,595)
Held for trading liabilities	21	(693)	(570)
Interest bearing loans and borrowings	16	(3,000)	-
Total current liabilities		**(34,416)**	**(28,916)**
Net current assets		**26,004**	**37,044**
Interest bearing loans and borrowings	16	-	(3,000)
Deferred tax liability	18	(856)	(739)
Total non-current liabilities		**(856)**	**(3,739)**
Net assets		**66,903**	**74,128**
Equity			
Issued share capital	23	5,914	5,874
Shares to be issued (including share premium)	24	129	298
Share premium account		36,084	35,879
Merger reserve	24	21,810	21,810
Special reserve	24	9,595	9,595
Fair value reserve	24	-	569
Other reserve	24	(2,725)	(776)
Foreign currency translation reserve	24	3,340	2,971
Treasury shares		(3,454)	(5,013)
Retained earnings		(3,790)	2,921
Total equity		**66,903**	**74,128**

The notes on pages 32 to 63 form part of these financial statements

Approved by the board on 16 March 2011 and signed on its behalf by

Tim Linacre
Chief Executive

Company statement of financial position

As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Plant and equipment	12	373	589
Investments in subsidiary undertakings	13	29,939	29,608
Amounts owed by subsidiary undertakings	13	37,167	42,480
Available for sale investments	13	2,620	3,750
Deferred tax asset	18	595	976
Other receivables	14	2,113	-
Total non-current assets		**72,807**	**77,403**
Trade and other receivables	14	1,134	3,390
Cash and cash equivalents	26	16	24
Total current assets		**1,150**	**3,414**
Current liabilities			
Trade payables	15	(278)	(158)
Other payables	15	(8,553)	(8,798)
Accruals, provisions and deferred income	15	(1,310)	(1,925)
Total current liabilities		**(10,141)**	**(10,881)**
Net current liabilities		**(8,991)**	**(7,467)**
Net assets		**63,816**	**69,936**
Equity			
Issued share capital	23	5,914	5,874
Shares to be issued (including share premium)	24	129	298
Share premium account		36,084	35,879
Merger reserve	24	1,715	1,715
Special reserve	24	9,595	9,595
Fair value reserve	24	-	569
Other reserve	24	(2,725)	(776)
Treasury shares		(3,454)	(5,013)
Retained earnings		16,558	21,795
Total equity		**63,816**	**69,936**

The notes on pages 32 to 63 form part of these financial statements

Approved by the board on 16 March 2011 and signed on its behalf by

Tim Linacre
Chief Executive

Panmure Gordon & Co plc registered number 2700769

Consolidated statement of cash flow

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Cash flows from operating activities		
Loss before tax	(7,133)	(10,138)
Net financial expense	91	76
Depreciation and amortisation	956	1,297
Net (gain)/loss on available for sale investments	(367)	894
Loss on disposal of fixed assets	9	95
Movement in securities held for trading	(1,043)	(425)
Decrease/(increase) in net amounts owed by market counterparties	1,559	(908)
Increase in trade and other receivables	(295)	(1,041)
(Decrease)/increase in trade payables and provisions	(7,154)	3,348
IFRS 2 share-based payment charges	720	3,842
Net cash outflow from operating activities	**(12,657)**	**(2,960)**
Income taxes paid	(201)	(106)
Net cash from operating activities	**(12,858)**	**(3,066)**
Cash flows from investing activities		
Financial income received	111	139
Acquisition of plant and equipment	(190)	(951)
Proceeds from disposal of investments	1,030	-
Net cash from investing activities	**951**	**(812)**
Cash flows from financing activities		
Proceeds from the issue of share capital	76	22,954
Expenses of share issue	-	(739)
Purchase of own shares for treasury	(148)	-
Purchase of own shares for EBT	(385)	(125)
Financial expense	(202)	(215)
Repayment of EBT loan	143	89
Net cash from financing activities	**(516)**	**21,964**
Net (decrease)/increase in cash and cash equivalents	(12,423)	18,086
Cash and cash equivalents at 1 January	38,903	21,106
Effect of exchange rate fluctuations	(314)	(289)
Cash and cash equivalents at 31 December	**26,166**	**38,903**

The notes on pages 32 to 63 form part of these financial statements

Company statement of cash flow

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Cash flows from operating activities		
Loss before tax	(5,500)	(19,811)
Net financial income	(1,111)	(824)
Depreciation and amortisation	302	559
Impairment of investment in subsidiary	1,145	13,574
Impairment of loan to subsidiary	5,788	2,749
Foreign exchange (gain)/loss on loan to subsidiary	(777)	2,269
(Gain)/loss on available for sale investments	(392)	878
Decrease in trade receivables	142	149
Decrease in trade payables and provisions	(772)	(499)
IFRS 2 share-based payment charges	10	22
Net cash (outflow)/inflow from operating activities	**(1,165)**	**(934)**
Cash flows from investing activities		
Financial income received	-	348
Capital injection into subsidiary	(766)	-
Net loan to/from subsidiaries	1,302	(21,934)
Acquisition of plant and equipment	(95)	(216)
Proceeds from disposal of available for sale investments	1,030	-
Net cash from investing activities	**1,471**	**(21,802)**
Cash flows from financing activities		
Proceeds from the issue of share capital	76	22,954
Expenses of share issue	-	(739)
Purchase of own shares for treasury or EBT	(533)	(125)
Repayment of EBT loan	143	89
Net cash from financing activities	**(314)**	**22,179**
Net decrease in cash and cash equivalents	(8)	(557)
Cash and cash equivalents at 1 January	24	581
Cash and cash equivalents at 31 December	**16**	**24**

The notes on pages 32 to 63 form part of these financial statements

Consolidated statement of changes in equity for the year ended 31 December 2010

£'000	Issued share capital	Shares to be issued	Share premium	Merger reserve	Special reserve	Fair value reserve	Other reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total equity
At 1 January 2010	5,874	298	35,879	21,810	9,595	569	(776)	2,971	(5,013)	2,921	74,128
Total comprehensive income for the period											
Loss for the year	-	-	-	-	-	-	-	-	-	(7,431)	(7,431)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	-	-	-	369	-	-	369
Available for sale gain recycled	-	-	-	-	-	(569)	-	-	-	-	(569)
Other items recorded directly in equity											
Share-based payments	-	-	-	-	-	-	-	-	-	720	720
Shares issued under employee share plans	40	(169)	205	-	-	-	-	-	-	-	76
Shares transferred under employee share plans	-	-	-	-	-	-	(1,707)	-	1,707	-	-
Purchase of own shares for EBT	-	-	-	-	-	-	(385)	-	-	-	(385)
Decrease in shares held by EBT	-	-	-	-	-	-	143	-	-	-	143
Purchase of shares for treasury	-	-	-	-	-	-	-	-	(148)	-	(148)
At 31 December 2010	**5,914**	**129**	**36,084**	**21,810**	**9,595**	**-**	**(2,725)**	**3,340**	**(3,454)**	**(3,790)**	**66,903**

Consolidated statement of changes in equity for the year ended 31 December 2009

£'000	Issued share capital	Shares to be issued	Share premium	Merger reserve	Special reserve	Fair value reserve	Other reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total equity
At 1 January 2009	3,167	611	16,058	21,200	9,595	-	(566)	5,850	(5,187)	10,804	61,532
Total comprehensive income for the period											
Loss for the year	-	-	-	-	-	-	-	-	-	(11,115)	(11,115)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	-	-	-	(2,879)	-	-	(2,879)
Unrealised gain on available for sale investments	-	-	-	-	-	569	-	-	-	-	569
Other items recorded directly in equity											
Share-based payments	-	-	-	-	-	-	-	-	-	3,842	3,842
Shares issued under employee share plans	7	(313)	306	-	-	-	(174)	-	174	-	-
Shares issued	2,700	-	20,254	-	-	-	-	-	-	-	22,954
Cost of share issue	-	-	(739)	-	-	-	-	-	-	-	(739)
Purchase of own shares for EBT	-	-	-	-	-	-	(125)	-	-	-	(125)
Decrease in shares held by EBT	-	-	-	-	-	-	89	-	-	-	89
Transfer to merger reserve	-	-	-	610	-	-	-	-	-	(610)	-
At 31 December 2009	**5,874**	**298**	**35,879**	**21,810**	**9,595**	**569**	**(776)**	**2,971**	**(5,013)**	**2,921**	**74,128**

Company statement of changes in equity for the year ended 31 December 2010

£'000	Issued share capital	Shares to be issued	Share premium	Merger reserve	Special reserve	Fair value reserve	Other reserve	Treasury shares	Retained earnings	Total equity
At 1 January 2010	5,874	298	35,879	1,715	9,595	569	(776)	(5,013)	21,795	69,936
Total comprehensive income for the period										
Loss for the year	-	-	-	-	-	-	-	-	(5,957)	(5,957)
Other comprehensive income										
Available for sale gain recycled	-	-	-	-	-	(569)	-	-	-	(569)
Other items recorded directly in equity										
Share-based payments	-	-	-	-	-	-	-	-	720	720
Shares issued under employee share plans	40	(169)	205	-	-	-	-	-	-	76
Shares transferred under employee share plans	-	-	-	-	-	-	(1,707)	1,707	-	-
Purchase of own shares for EBT	-	-	-	-	-	-	(385)	-	-	(385)
Decrease in shares held by EBT	-	-	-	-	-	-	143	-	-	143
Purchase of shares for treasury	-	-	-	-	-	-	-	(148)	-	(148)
At 31 December 2010	**5,914**	**129**	**36,084**	**1,715**	**9,595**	**-**	**(2,725)**	**(3,454)**	**16,558**	**63,816**

Company statement of changes in equity for the year ended 31 December 2009

£'000	Issued share capital	Shares to be issued	Share premium	Merger reserve	Special reserve	Fair value reserve	Other reserve	Treasury shares	Retained earnings	Total equity
At 1 January 2009	3,167	611	16,058	1,105	9,595	-	(566)	(5,187)	38,058	62,841
Total comprehensive income for the period										
Loss for the year	-	-	-	-	-	-	-	-	(19,495)	(19,495)
Other comprehensive income										
Unrealised gain on available for sale investments	-	-	-	-	-	569	-	-	-	569
Other items recorded directly in equity										
Share-based payments	-	-	-	-	-	-	-	-	3,842	3,842
Shares issued under employee share plans	7	(313)	306	-	-	-	(174)	174	-	-
Shares issued	2,700	-	20,254	-	-	-	-	-	-	22,954
Costs of share issue	-	-	(739)	-	-	-	-	-	-	(739)
Purchase of own shares for EBT	-	-	-	-	-	-	(125)	-	-	(125)
Decrease in shares held by EBT	-	-	-	-	-	-	89	-	-	89
Transfer to merger reserve	-	-	-	610	-	-	-	-	(610)	-
At 31 December 2009	**5,874**	**298**	**35,879**	**1,715**	**9,595**	**569**	**(776)**	**(5,013)**	**21,795**	**69,936**

1 Legal status and basis of preparation

Panmure Gordon & Co plc (the "Company") is a company domiciled in the United Kingdom The address of the Company's registered office is Moorgate Hall, 155 Moorgate, London, EC2M 6XB The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group")

1.1 Basis of preparation and statement of compliance

Both the Group and Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") On publishing the Company's financial statements here together with the Group's financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements

The financial statements are presented in sterling, rounded to the nearest thousand The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements

The preparation of financial statements in conformity with adopted IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from those estimates Judgments made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 27

The Group's exposure to financial instruments and associated risk profiles is set out in note 19 to these financial statements

The Group has cash resources of £26 2m at 31 December 2010 (2009 £38 9m) The only debt in the Group is a subordinated loan of £3m, which was repaid in February 2011 The Group has to maintain sufficient regulatory capital to satisfy regulations in the UK and the US At 31 December 2010, the Group had excess regulatory capital under FSA regulations of £23m (2009 £27 5m) (unaudited)

The Group does not have any significant balance sheet risk in the form of loans to third parties or other assets where deterioration in asset quality or market values could affect the Company's capital, other than its Available for Sale Investments and Trading Book holdings Consequently, the chief impact on the Group's capital will be in terms of operating performance, the excess of revenue over expenditure The directors therefore have a reasonable expectation that the Company and the Group have adequate resources, both in terms of liquidity and regulatory capital, to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chief Executive's review on pages 5 to 6 and the Operating review on pages 7 to 10 The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in note 26 In addition note 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body

1.2 Basis of consolidation

1.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that are presently exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases In the Company's financial statements investments in subsidiaries are stated at cost less any impairment losses

1.2.2 Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

1 2 3 Employee Benefit Trusts

The Group has accounted for each Trust as a branch of the Company Holdings of shares by the Trusts are accounted for as treasury shares and disclosed as 'other reserves' When the Trusts transfer shares to employees, this is accounted for as a distribution of those shares to the employees

1.3 Functional and presentational currency

These consolidated financial statements are presented in sterling, which is the Group's presentational currency The Company's financial statements are presented in sterling, which is the Company's functional and presentational currency Except where indicated, financial information presented in sterling has been rounded to the nearest thousand

1.4 Foreign currency

1 4.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction, to the respective functional currencies of the Group entities Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to their respective functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to their respective functional currency at foreign exchange rates ruling at the dates the fair value was determined

1 4.2 Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date The revenues and expenses of foreign operations are translated to sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions Foreign exchange differences arising on retranslation of assets and liabilities are recognised directly in a separate component of equity known as the 'foreign currency translation reserve' When a foreign operation is disposed of, in part or in full, the relevant amount in the 'foreign currency translation reserve' is transferred to the income statement

1.5 Plant and equipment

1.5 1 Owned assets

Items of plant and equipment are stated at cost, less accumulated depreciation (see 1 5 2) and any impairment losses (see 1 10 3)

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment and depreciated accordingly

1 5.2 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment The estimated useful lives are as follows

(i) Fixtures and fittings	5 years
(ii) Furniture and office equipment	6 - 7 years
(iii) Computer and telephone equipment	3 years

1.6 Intangible assets

1 6 1 Goodwill and intangible assets

Goodwill arises on business combinations, including the acquisition of subsidiaries, and on the acquisition of interests in joint ventures and associates, when the cost of acquisition exceeds the fair value of Panmure Gordon's share of the identifiable assets, liabilities and contingent liabilities acquired If Panmure Gordon's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of an acquired business is greater than the cost of acquisition, the excess is recognised immediately in the income statement

The Company has not made an acquisition during the year and therefore the introduction of IFRS 3 *Business combinations (2008)* has not had an impact on the Group's accounting policies

Intangible assets are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably

1.6.2 Other intangible assets
Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see 1 6 4) and impairment losses

1.6 3 Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates All other expenditure is expensed as incurred

1.6.4 Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite The estimated useful lives of intangibles are up to five years

1.7 Trading securities and available for sale investments

The Group uses the following classification

1. securities held for trading,
2. held for trading liabilities, and
3. available for sale investments

The classification depends on the purpose for which the assets or liabilities were acquired Management determines the classification of its investments at initial recognition

1 7 1 Recognition
All trading securities and available for sale investments (afs) are initially recognised and measured at fair value (plus directly attributable transaction costs, in the case of afs) on the trade date at which the Group or Company becomes a party to the contractual provisions of the financial instrument

1.7.2 Derecognition
The Group derecognises all 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

1.7 3 Held for trading assets and liabilities
The terms "securities held for trading" and "held for trading liabilities" 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 income statement A financial asset or liability is classified in this category if acquired principally for the purpose of selling or buying back in the short term Purchases and sales of investments are recognised on trade date, being the date on which the Group or Company commits to purchase or sell the asset

1.7.4 Available for sale investments
The available for sale investments of the Group and the Company consist wholly of equity investments which are not held for short term trading and are held at fair value 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 The difference between acquisition cost and fair value is taken to equity, and to the income statement if the asset is impaired The Group and Company 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 On disposal, any profit or loss previously recognised within equity is reversed, and the actual profit or loss on disposal is recognised in the income statement

1.8 Trade and other receivables

Trade and other receivables are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost At each balance sheet date such receivables are reviewed to determine whether there is an indication of impairment If any such indication exists, the recoverable amount is estimated Impairment losses are recognised in the income statement

1.9 Cash and cash equivalents

Cash and cash equivalents (including money market funds) comprise cash balances and call deposits with an original maturity of three months or less Bank overdrafts that are repayable on demand and form an integral part of the Group's treasury function are included as a component of cash and cash equivalents for the purpose of the statement of cash flows Cash and cash equivalents are held at amortised cost in the balance sheet

1.10 Impairment

1.10 1 Available for sale investments

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement

1.10 2 Goodwill and other intangibles

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes Impairment testing is performed at least annually, and whenever there is an indication that the cash-generating unit may be impaired, by comparing the recoverable amount from a cash-generating unit with the carrying amount of its net assets, including attributable goodwill The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use Value in use is the present value of the expected future cash flows from a cash-generating unit If the recoverable amount is less than the carrying value, an impairment loss is charged to the income statement Goodwill is stated at cost less accumulated impairment losses

1.10.3 Plant and equipment

For plant and equipment, an impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

1.11 Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity

1.12 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis

1.13 Employee benefits

1.13.1 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

1 13.2 Share-based payment transactions

The Group has applied the requirements of IFRS 2 *Share-based Payments* to all grants of equity instruments

The Group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The grant-date fair value of share-based payment awards granted to employees is recognised as a share-based payment expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date

Where Panmure Gordon & Co plc enters into share-based payment arrangements involving employees of subsidiaries, the cost is recognised in 'Investment in subsidiaries' and credited to the 'Share-based payment reserve' over the vesting period Where the cost is recharged to the subsidiary, it is recognised as an inter-company debtor, not as an investment in subsidiary Where a subsidiary has funded the share-based payment arrangement, 'Investment in subsidiaries' is reduced by the fair value of equity instruments

1 13.3 Matching Share Plan

Under the Matching Share Plan, the Group grants free shares to employees to match the number they have purchased This is recorded as an expense based on its estimate of the number of shares expected to vest on a straight-line basis over the vesting period At each reporting date the amount recognised as an expense is adjusted to reflect the actual number of leavers More information on the Matching Share Plan can be found in note 4

1.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, which can be estimated reliably, and it is probable that the Group will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle that obligation at the balance sheet date

1.15 Trade and other payables

Trade and other payables are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost

1.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business

- If revenue is earned on the execution of a significant act, it is recognised when the significant act has been completed (for example, commissions from institutional equities and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement for the acquisition of shares or other securities)
- Trading positions are marked to market on a daily basis and resulting trading profits or losses are recognised in revenue
- If revenue is earned as services are provided, it is recognised as the services are provided (for example, asset management, portfolio and other management advisory and service fees)
- Financial income and financial expenses are recognised using the effective interest rate method

1.17 Segmental reporting

IFRS 8 requires an entity to disclose information about its segments which enables users to evaluate the nature and financial effects of its business activities and the economic environments in which it operates The Group's chief operating decision maker regularly reviews operating activity on a number of bases, including by geographical region

The segmental analysis is presented on a geographical basis because, although information is reviewed on a number of bases, capital resources are allocated and performance is assessed primarily by geographical region

1.18 Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Under IAS 17 guidelines, lease incentives received are recognised in the income statement as an integral part of the total lease expense

1.19 Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Deferred tax is not recognised for the following temporary differences the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future

2 Segmental analysis

The Group has reported its operating segments according to how the Group's chief operating decision maker ("CODM") allocates resources to each segment and assesses performance In this respect the Group's CODM has been defined as the Group's CEO The CODM allocates resources across the Group based on results and performance in each geographic area of operation This is consistent with the basis of segmentation in the Report and Financial Statements 2009

Segmental analysis for the year ended 31 December 2010 and reconciliation to the statutory income statement

	UK		US		Swiss		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net commission and trading income	7,417	10,594	9,174	12,662	1,770	2,140	18,361	25,396
Corporate finance fee income	11,828	15,830	8,067	7,839	-	-	19,895	23,669
Wealth management and other income	112	-	2,087	1,793	-	-	2,199	1,793
Net gain/(loss) on AFS investments	471	(879)	(25)	(15)	-	-	446	(894)
Foreign exchange (loss)/gain	-	-	314	(229)	(19)	-	295	(229)
Ongoing administration costs	(20,303)	(21,591)	(24,220)	(28,947)	(1,885)	(2,200)	(46,408)	(52,738)
Segmental operating (loss)/profit	**(475)**	**3,954**	**(4,603)**	**(6,897)**	**(134)**	**(60)**	**(5,212)**	**(3,003)**
Redundancy and restructuring charges	(561)	(7)	(691)	(2,825)	-	-	(1,252)	(2,832)
Amortisation of intangibles	-	-	(141)	(140)	-	-	(141)	(140)
Share-based payment charges	(58)	(3,749)	(379)	(338)	-	-	(437)	(4,087)
Operating profit/(loss)	**(1,094)**	**198**	**(5,814)**	**(10,200)**	**(134)**	**(60)**	**(7,042)**	**(10,062)**
Net financial income/(expense)	994	730	(1,085)	(806)	-	-	(91)	(76)
Profit/(loss) before tax	**(100)**	**928**	**(6,899)**	**(11,006)**	**(134)**	**(60)**	**(7,133)**	**(10,138)**
Income tax	(298)	(977)	-	-	-	-	(298)	(977)
(Loss)/profit for period attributable to the owners of the Company	**(398)**	**(49)**	**(6,899)**	**(11,006)**	**(134)**	**(60)**	**(7,431)**	**(11,115)**

All revenue is from external customers The segmental operating profit reconciles to the statutory profit above, which was the basis for segmental disclosure in the Report and Financial Statements 2009 There are no discontinued activities

In respect of assets and non-current assets, the basis of segmentation is the same as in the Report and Financial Statements 2009 There are no regular major customers that account for more than 10% of revenue

	UK		US		Swiss[1]		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets (inc goodwill)	19,610	16,751	22,145	24,072	-	-	41,755	40,823
Current assets	51,668	54,503	8,752	11,457	-	-	60,420	65,960
Current liabilities	(29,315)	(20,472)	(5,101)	(8,444)	-	-	(34,416)	(28,916)
Non-current liabilities	(897)	(3,739)	41	-	-	-	(856)	(3,739)
Capital expenditure	(95)	(217)	(95)	(734)	-	-	(190)	(951)

1 The Swiss business operates as a representative office of the UK business and therefore shares assets with the UK business

2 The amounts disclosed as non-current exclude intragroup balances of £35 4m (2009 £27 4m) payable to the UK business

3 Redundancy and restructuring charges

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Redundancy charges	374	869
Onerous leases	-	(135)
Other provision	-	(315)
Litigation costs	878	2,413
	1,252	**2,832**

4 IFRS 2 share-based payments

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) The assets and liabilities of each EBT are consolidated within the Group's financial statements

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 par value of these shares, less exercised shares, is currently shown within the other reserve section of the balance sheet 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

In addition the Company has share options and awards outstanding under the following plans

- The Company Approved Share Option Plan, under which options are granted at market price at date of grant

- The Panmure Gordon & Co plc Matching Share Plan which is in essence a buy one get one free plan, under which, for each ordinary share in Panmure Gordon & Co plc which is purchased and lodged with the Company, matching shares are issued free of charge after three years, provided the shares have not been disposed of and provided that the employee is still employed by a Group company at the time of vesting

- The ThinkEquity Accrued Bonus Plan which was established at the time of the acquisition of ThinkEquity in 2007 One quarter of ThinkEquity's 2006 bonus pool was settled in the form of shares vesting over a three year period Certain awards which have been forfeited by leavers have been re-allocated, these have been treated as grants of new awards

- The Performance Share Plan under which awards are made over shares which are issued free of charge after a vesting period, provided any performance conditions imposed at the time of grant are fulfilled and provided the employee is still employed by a Group company at the time of vesting

- The Growth Securities Ownership Plan ("GSOP") which was implemented in 2009 in the UK Under the terms of the GSOP a participant enters into a financial instrument, the value of which is linked to the earnings per share of the Company In accordance with IFRS 2, the GSOP is treated as an equity-settled plan as the Company has the option to settle in cash or shares

The Group has adopted the provisions of IFRS 2 as regards share-based payment 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 income statement over the vesting period of the options Since this charge is neither a cash item nor a diminution in asset value, there is an equal and opposite credit to reserves of the amount of the share-based payment charge

Other related share-based payment charges refer to payments to employees in compensation for employer's National Insurance Contributions borne by them on the exercise of share options under the 2005 Employee Share Option Plan

The fair value of options on the date of grant has been estimated using a Black-Scholes valuation model and a Monte Carlo simulation Where options have been granted with an exercise price of 4p or less, the fair value of options on the date of grant has been estimated at their intrinsic value as this does not give a materially different result to the Black-Scholes model The significant inputs to the model were

(a) Share price on the date of grant,
(b) Exercise price (see below),
(c) Expected volatility (40% based on historic volatility) (2009 40%),
(d) Risk free rate on the date of grant, and
(e) Expected dividend yield (nil)

The weighted average fair value of share-based payments granted during the period was 36 4p (2009 27 1p)

Over the 12 months to 31 December 2010 the following number and weighted average exercise price of options and incentive awards were recorded

Group

	2010		2009	
	Number	Weighted average price	Number	Weighted average price
Outstanding at the beginning of the period	28,179,213	£0 12	27,782,702	£0 22
Granted during the period	4,601,186	£0 05	13,663,065	£0 12
Forfeited during the period	3,254,217	£0 19	10,296,148	£0 37
Exercised during the period	5,470,305	£0 08	2,970,406	£0 20
Outstanding at the end of the period	24,055,877	£0 10	28,179,213	£0 12
Exercisable at the end of the period	8,190,876	£0 09	11,400,178	£0 09

Of the number of options outstanding at the end of the period, 7,778,052 relate to shares which are already in issue and which are held within EBT2 (2009 10,946,014)

Company

	2010		2009	
	Number	Weighted average price	Number	Weighted average price
Outstanding at the beginning of the period	7,401,229	£0 08	7,916,378	£0 18
Granted during the period	73,170	£0 41	264,851	£0 11
Forfeited during the period	394,391	£0 67	780,000	£1 12
Exercised during the period	3,368,969	£0 04	-	-
Outstanding at the end of the period	3,711,039	£0 05	7,401,229	£0 08
Exercisable at the end of the period	3,539,409	£0 04	7,112,878	£0 08

Included in the granted amounts in the Group and Company tables above are GSOP units The number of shares which may be represented by a GSOP unit will vary depending on the performance targets ultimately attained in each performance period and the share price at the relevant payment date

	Year ended 31 December 2010 £'000	**Year ended 31 December 2009 £'000**
IFRS 2 share-based payment charges	720	3,842
Other related IFRS 2 share-based payment charges	(283)	245
	437	**4,087**

5 The operating loss for the Group before taxation is stated after charging

Auditor's remuneration

The following fees were payable by Panmure Gordon to the Group's principal auditor, KPMG Audit Plc and its associate in the US (together KPMG)

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Audit fees for statutory audit		
Fees relating to current year	120	114
Fees payable to KPMG for other services provided to the Group		
Audit related services		
Audit of subsidiaries	66	70
Other services pursuant to legislation	74	48
Tax services	70	45
Other services	9	-
Total fees payable	**339**	**277**

6 Net financial income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Financial income		
Cash and money market deposits	111	139
Other	-	-
	111	**139**
Financial expense		
Bank loans and overdrafts	(10)	(23)
Subordinated loan	(192)	(192)
	(202)	**(215)**
Net financial expense	**(91)**	**(76)**

7 Staff costs

Group	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Staff costs including directors' emoluments		
Wages and salaries	25,006	29,775
Social security costs	2,214	2,576
Pensions (defined contribution scheme)	1,636	1,092
Total	**28,856**	**33,443**

The Group operates a defined contribution pension scheme At the balance sheet date the Group had no outstanding pension contribution liabilities The charge for the period to 31 December 2010 was £1,636,000 (2009 £1,092,000)

Actual number of persons, including directors, employed by the Group as at 31 December 2010

	Group Total 2010	UK 2010	Swiss 2010	US 2010	Group Total 2009
Institutional equities	115	43	6	66	123
Corporate finance	50	22	-	28	54
Other	67	41	4	22	60
Total	**232**	**106**	**10**	**116**	**237**

As at 31 December 2010, the average number of persons, including directors, employed by the Group was

	Group Total 2010	UK 2010	Swiss 2010	US 2010	Group Total 2009
Institutional equities	116	46	4	66	129
Corporate finance	46	22	-	24	57
Other	68	42	5	21	62
Total	**230**	**110**	**9**	**111**	**248**

Directors' emoluments

Emoluments paid to directors were as follows

	Emoluments 2010 £'000	Pension 2010 £'000	Share option gain 2010 £'000	Emoluments 2009 £'000	Pension 2009 £'000	Share option gain 2009 £'000
Aggregate	611	66	10	731	24	-
Highest paid director	304	25	5	371	13	-

Two directors accrued benefits under the Group's defined contribution pension scheme during the year Two directors received vested share awards under the Company's Matching Share Plan

The directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a director

8 Income tax expense

The analysis of the total income tax credit/(expense) is as follows

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Analysis of tax credit/(charge) in period		
UK corporation tax at 28%		
Current year tax credit/(charge)	217	(1,272)
Prior year adjustment – loss carry back claim	466	-
Other prior year adjustments	(254)	(47)
	429	**(1,319)**
Deferred tax		
Prior year adjustments to deferred tax credit	43	-
Current year deferred tax (charge)/credit	(770)	342
	(727)	**342**
Tax charge on profits on ordinary activities	**(298)**	**(977)**
Effective tax rate charge	**(4 2)%**	**(9 6)%**
Factors affecting tax charge		
Loss on ordinary activities before tax	(7,133)	(10,138)
Profit on ordinary activities multiplied by rate of UK corporation tax at 28% (2009 28%)	1,997	2,839
Effects of		
Expenses not deductible for tax purposes	(117)	(321)
Tax losses not recognised	(1,854)	(3,121)
Differences relating to share schemes	(266)	(327)
Change in corporation tax rate	(9)	-
Deemed goodwill amortisation	148	147
Goodwill on consolidation	(148)	(147)
Adjustment to tax charge in respect of previous periods	(49)	(47)
Total tax charge on profits on ordinary activities	**(298)**	**(977)**

9 Result of the Company

As permitted by section 408 of the Companies Act 2006, the Company's income statement is not presented as part of these financial statements The Company's loss for the financial period was £5 9m (2009 loss of £19 5m)

10 Earnings per share

Earnings per share (EPS) are calculated on a net basis using the profit on ordinary activities after taxation divided by the weighted average number of shares detailed below

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Loss on ordinary activities after taxation (LAT)	**(7,431)**	**(11,115)**
Add IFRS 2 share-based payment charges	437	4,087
Tax relief from exercise of options	(168)	(181)
Prior year tax under provision	49	47
Deferred tax from the future exercise of share options	619	(542)
Deferred tax relating to goodwill	148	147
Redundancy and restructuring net of tax	1,147	2,998
Amortisation of intangibles	141	140
Deferred tax credit not recognised on US losses	1,854	3,121
Adjusted loss after taxation (Adj LAT)	**(3,204)**	**(1,298)**
Weighted average number of shares in issue	145,759,376	104,584,370
Fully diluted weighted average number of shares in issue	147,971,186	105,957,514
Basic earnings per share (based on LAT)	(5 10)p	(10 63)p
Diluted earnings per share (based on LAT)	(5 10)p	(10 63)p
Adjusted earnings per share (based on Adj LAT)	(2 20)p	(1 24)p

11 Goodwill and other intangibles

	Goodwill UK £'000	Goodwill US £'000	Intangible US £'000	Total £'000
Cost				
At 1 January 2010	13,201	32,844	678	**46,723**
Exchange differences	-	1,509	31	**1,540**
At 31 December 2010	**13,201**	**34,353**	**709**	**48,263**
Accumulated impairment and amortisation				
At 1 January 2010	-	(16,781)	(384)	**(17,165)**
Charge for the year	-	-	(141)	**(141)**
Exchange differences	-	(771)	(18)	**(789)**
At 31 December 2010	**-**	**(17,552)**	**(543)**	**(18,095)**
Net at 31 December 2010	**13,201**	**16,801**	**166**	**30,168**

	Goodwill UK £'000	Goodwill US £'000	Intangible US £'000	Total £'000
Cost				
At 1 January 2009	13,201	37,344	753	**51,298**
Exchange differences	-	(4,500)	(75)	**(4,575)**
At 31 December 2009	**13,201**	**32,844**	**678**	**46,723**
Accumulated impairment and amortisation				
At 1 January 2009	-	(18,644)	(273)	**(18,917)**
Charge for the year	-	-	(140)	**(140)**
Exchange differences	-	1,863	29	**1,892**
At 31 December 2009	**-**	**(16,781)**	**(384)**	**(17,165)**
Net at 31 December 2009	**13,201**	**16,063**	**294**	**29,558**

Goodwill represents the excess of purchase price paid over net assets acquired, being in respect of

(i) The acquisition of Panmure Gordon (UK) Limited in April 2005, which represents the UK cash-generating unit ("CGU")

(ii) The acquisition of ThinkEquity in March 2007, which represents the US CGU

(iii) The intangible assets acquired relate to customer relationships, the estimated useful life of which is five years

Goodwill impairment

Approach to goodwill impairment testing

The process of identifying and evaluating goodwill impairment is inherently uncertain because it requires significant management judgment in making a series of estimations, the results of which are highly sensitive to the assumptions used The review of goodwill impairment represents management's best estimate of the factors below

- The future cash flows of the cash-generating units ("CGUs"), which are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the average long-term sustainable cash flows thereafter Forecasts take into account previous actual performance and externally verifiable economic and market data and expectations both in past and future periods However, the cash flow forecasts also necessarily and appropriately reflect management's view of future business prospects at the time of the assessment

  Detailed cash flow forecasts over five years have been projected (2009 three years) for the US business, in light of improved budgeting processes applied by management, providing greater visibility over future performance Management believes that the additional information regarding detailed forecasts presents the cash flows for the growth business more appropriately Detailed cash flow forecasts for the UK business are over three years, and

- The discount rates used to discount the future expected cash flows are based on the cost of capital assigned to an individual CGU, and can have a significant effect on the CGU's valuation The cost of capital is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and an equity risk premium The cost of capital is then adjusted to reflect the inherent and specific risks of the business being evaluated, to obtain the discount rates

  These variables are subject to fluctuations in external market factors and economic conditions outside of management's control and are therefore established on the basis of management judgment and are subject to uncertainty

  For the value in use calculation in respect of the US CGU, an additional risk premium has been included within the discount rate applied to long-term sustainable cash flows (as opposed to the periods for which detailed forecasts are available), given the greater inherent uncertainty concerning the value of longer term forecasts A single discount rate has been applied to projected cash flows generated by the UK CGU

When this exercise demonstrates that the expected cash flows of a CGU have declined and/or that its cost of capital has increased, the effect is to reduce the CGU's estimated recoverable amount If this results in an estimated recoverable amount that is lower than the carrying value of the CGU, a charge for impairment of goodwill will be recognised in the Group's income statement for the year

All recoverable amounts were measured based on value in use The key assumptions and approach to determine value in use calculations are solely estimates for the purpose of assessing impairment on acquired goodwill The calculation uses cash flow projections based on budgets and forecasts approved by management covering three (UK) and five (US) years These projections are then extrapolated using a nominal long-term growth rate appropriate for the CGU

Key assumptions

The three key assumptions upon which management has based its determination of the recoverable amount of a CGU are five-year and three-year cash flow forecasts for the US and UK CGUs respectively, in addition to long-term sustainable cash flows (discussed above), the discount rates (discussed above), and the long-term growth rate, which is based on expected long-term GDP growth for the country concerned Further detail regarding the assumptions used and the results of sensitivity analyses performed are outlined below

Goodwill following the acquisition of ThinkEquity (US CGU)

A prior impairment of this CGU of £13 7m was recognised in 2008

A further impairment review has been carried out at 31 December 2010, showing the CGU's recoverable amount exceeds its carrying amount by £2 6m ($4 1m) This has resulted in no further impairment of goodwill at this stage

The discount rates and the long-term growth rate used in the impairment testing of ThinkEquity at 31 December 2010 are

	2010	2009
Long-term growth rate	2 0%	2 0%
Discount rate (applied to five-year detailed forecasts (2009 three-year))	11 4%	13 4%
Discount rate (applied to long-term sustainable cash flows)	12 8%	13 4%

The pre-tax discount rates applied to detailed and long-term cash flows were 14 7% and 16 1% respectively (2009 18 2%)

In assessing the sensitivity of the key assumptions on the recoverable amount of the US CGU, an analysis was conducted to determine the respective change in each factor (assuming no effects on other variables) that would be required to derive a value in use which approximated to the carrying value of the CGU

The following summarises the changes to the individual key assumptions which would result in a recoverable amount approximately equal to the carrying amount

	2010
Cash flow forecasts (reduction)	(10 2%)
Long-term growth rate (reduction)	(2 9%)
Discount rates increase	1 3%

The goodwill impairment testing performed for ThinkEquity is highly sensitive to the assumptions and estimates used, and it is possible that the outcomes in 2011 could be different from the assumptions and estimates made as at 31 December 2010

Goodwill following the acquisition of Panmure Gordon (UK) Limited (UK CGU)

Management considers that the business and cash flows emanating from Panmure Gordon (UK) Limited are integral to the operations of the Group in the UK As such management has reviewed forecast cash flows in respect of the business and is satisfied that the present value of these cash flows is considerably in excess of the carrying value of the CGU, thus fully supporting the allocated goodwill of £13 2m at 31 December 2010

	2010	2009
Long-term growth rate	2 0%	2 0%
Discount rate	10 9%	12 3%

The pre-tax discount rate applied was 14 4% (2009 16 1%)

The result of the value in use calculations determines that there is a significant amount of headroom over the goodwill balance allocated to the UK CGU A 100 basis point increase in the discount rate, assuming no effects on other variables, would not lead to any impairment of the goodwill In terms of cash flow forecasts, a drop of 10% in cash flow estimates, assuming no effects on other variables, would not lead to any impairment of the goodwill

12 Plant and equipment

Group

2010	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2010	1,403	4,032	1,147	6,582
Additions	78	48	64	190
Disposals / write offs	(275)	(1,471)	(526)	(2,272)
Foreign exchange	78	98	70	246
At 31 December 2010	**1,284**	**2,707**	**755**	**4,746**
Accumulated depreciation				
At 1 January 2010	(559)	(2,471)	(1,016)	(4,046)
Charge for the year	(254)	(346)	(211)	(811)
Disposals / write offs	266	1,471	526	2,263
Foreign exchange	(42)	(57)	(54)	(153)
At 31 December 2010	**(589)**	**(1,403)**	**(755)**	**(2,747)**
Net book value				
At 31 December 2010	**695**	**1,304**	**-**	**1,999**
At 31 December 2009	844	1,561	131	2,536

Company

2010	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2010	407	1,935	779	3,121
Additions	17	14	64	95
Disposals / write offs	(275)	(1,471)	(526)	(2,272)
At 31 December 2010	**149**	**478**	**317**	**944**
Accumulated depreciation				
At 1 January 2010	(304)	(1,684)	(544)	(2,532)
Charge for the year	(58)	(109)	(135)	(302)
Disposals / write offs	266	1,471	526	2,263
At 31 December 2010	**(96)**	**(322)**	**(153)**	**(571)**
Net book value				
At 31 December 2010	**53**	**156**	**164**	**373**
At 31 December 2009	103	251	235	589

Group

2009	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2009	1,387	4,120	1,136	6,643
Additions	380	363	208	951
Disposals	(201)	(218)	-	(419)
Foreign exchange	(163)	(233)	(197)	(593)
At 31 December 2009	**1,403**	**4,032**	**1,147**	**6,582**
Accumulated depreciation				
At 1 January 2009	(537)	(2,245)	(832)	(3,614)
Charge for the year	(237)	(578)	(342)	(1,157)
Disposals	107	217	-	324
Foreign exchange	108	135	158	401
At 31 December 2009	**(559)**	**(2,471)**	**(1,016)**	**(4,046)**
Net book value				
At 31 December 2009	**844**	**1,561**	**131**	**2,536**
At 31 December 2008	850	1,875	304	3,029

Company

2009	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2009	402	2,218	601	3,221
Additions	5	33	178	216
Disposals	-	(316)	-	(316)
At 31 December 2009	**407**	**1,935**	**779**	**3,121**
Accumulated depreciation				
At 1 January 2009	(241)	(1,686)	(362)	(2,289)
Charge for the year	(63)	(314)	(182)	(559)
Disposals	-	316	-	316
At 31 December 2009	**(304)**	**(1,684)**	**(544)**	**(2,532)**
Net book value				
At 31 December 2009	**103**	**251**	**235**	**589**
At 31 December 2008	161	532	239	932

13 Investments and amounts owed by Group undertakings

Available for sale investments

Group	31 December 2010 £'000	31 December 2009 £'000
Available for sale investments (equity) - quoted	2,620	3,028
Available for sale investments (equity) - unquoted	20	743
Total	**2,640**	**3,771**

Available for sale investments

Company	31 December 2010 £'000	31 December 2009 £'000
Available for sale investments (equity) - quoted	2,620	3,028
Available for sale investments (equity) - unquoted	-	722
Total	**2,620**	**3,750**

An amount of £320,000 (2009 £894,000) was recognised as impairment of available for sale investments in the income statement

Company

Investment in subsidiary undertakings

At 1 January 2010	29,608
Investment in subsidiary	766
Share-based payments on behalf of subsidiaries	710
Impairment of investment	(1,145)
At 31 December 2010	**29,939**
At 1 January 2009	39,362
Share-based payments on behalf of subsidiaries	3,820
Impairment of investment	(13,574)
At 31 December 2009	**29,608**

Amounts owed by subsidiary undertakings

At 1 January 2010	42,480
Movement in period	(302)
Impairment of loan	(5,788)
Foreign exchange loss	777
At 31 December 2010	**37,167**
At 1 January 2009	20,080
Movement in period	27,418
Impairment of loan	(2,749)
Foreign exchange gain	(2,269)
At 31 December 2009	**42,480**

Impairment

A total impairment of £6 9m (£1 1m against investment and £5 8m against loan) has been made in the Company's income statement representing the write down of the Company's investment in Panmure Gordon Holdings US LLC, the parent company of ThinkEquity and the loan thereto, such that the carrying value equals the recoverable amount (2009 total impairment of £16 3m, £13 6m against investment and £2 7m against loan) The recoverable amount is based upon value in use of $40 5m (£26 1m at year end exchange rate of 1 5524) (2009 value in use of $39 6m, £24 4m at year end exchange rate of 1 6221)

The calculation of this recoverable amount uses five year cash flow projections which are extrapolated thereafter at a rate of 2% per annum (based on the expected long-term growth rate of the US business) (2009 2%), with discount rates of 11 4% applied to detailed cash flows and 12 8% to long-term sustainable cash flows (2009 13 4% applied to both detailed and long-term sustainable cash flows)

Additional information on subsidiary undertakings

At 31 December 2010 the Company owned 100% of the ordinary share capital of the following subsidiary undertakings other than those indicated

Name	Country of incorporation	Nature of business
Panmure Gordon (UK) Limited	United Kingdom	Stockbroking, corporate finance and market making
Panmure Gordon (Broking) Limited	United Kingdom	Dormant
Durlacher Corporate Finance Limited	United Kingdom	Dormant
Durlacher Fund Management Limited	United Kingdom	Dormant
Durlacher Research Limited	United Kingdom	Dormant
Durlacher Ventures Limited	United Kingdom	Dormant
Life Capital Limited	United Kingdom	Dormant
Panmure General Partner Limited	United Kingdom	General partner
Rotherfield Nominees Limited[1]	United Kingdom	Dormant
web-angel Limited	United Kingdom	Dormant
web-angel Services Limited[2]	United Kingdom	Dormant
United Energy Limited[2]	United Kingdom	Dormant
United Energy Property Limited[2]	United Kingdom	Dormant
Moorfields GP Limited (33%)	United Kingdom	General partner
Panmure Gordon Holdings US LLC	United States	Holding company
ThinkEquity LLC[3]	United States	FINRA/SEC registered broker dealer

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

14 Trade and other receivables

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	£'000	£'000	£'000	£'000
Non-current assets				
Other receivables	2,458	-	2,113	-
Total	2,458	-	2,113	-
Due within one year				
Current assets				
Trade receivables	3,400	2,959	-	-
Market receivables	22,240	14,046	-	-
Corporation tax receivable	466	34	-	-
Other receivables	1,834	4,802	470	2,695
Prepayments and accrued income	1,232	1,300	664	695
Total	**29,172**	**23,141**	**1,134**	**3,390**

Within non-current assets, other receivables represent loans made to employees under the Group's Matching Share Plan These loans were included within current assets in prior years as they were due to be repaid during the current year However, the directors have agreed to extend these loans for a further period of three years and therefore, these loans have been classified as non-current assets as at 31 December 2010

15 Trade and other payables

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	£'000	£'000	£'000	£'000
Trade payables	(572)	(847)	(278)	(158)
Market payables	(20,680)	(10,927)	-	-
Total trade payables	**(21,252)**	**(11,774)**	**(278)**	**(158)**
Other payables	(1,655)	(1,793)	(8,553)	(8,798)
Provisions	(393)	(2,488)	-	(200)
Accruals and deferred income	(6,760)	(11,314)	(1,310)	(1,725)
Total other payables	**(8,808)**	**(15,595)**	**(9,863)**	**(10,723)**

16 Interest bearing loans and borrowings

	Group		Company	
	31 December 2010 £'000	31 December 2009 £'000	31 December 2010 £'000	31 December 2009 £'000
Subordinated loan	(3,000)	(3,000)	-	-
Total	**(3,000)**	**(3,000)**	**-**	**-**

The subordinated loan is repayable and was repaid on 17 February 2011 at £3m and bears an interest rate of 6 4% payable quarterly Accordingly, this balance was presented as a current liability as at 31 December 2010 (2009 non-current liability)

17 Provisions

Group

2010	Litigation £'000	Onerous leases £'000	Total £'000
At 1 January 2010	1,758	730	**2,488**
Utilised during period	-		**-**
Charged	878		**878**
Foreign exchange	396	4	**400**
Released	(3,032)	(341)	**(3,373)**
At 31 December 2010	**-**	**393**	**393**
Current (included within trade and other payables in note 15)			**393**
			393

Company

2010	Onerous leases £'000
At 1 January 2010	200
Utilised during period	(200)
At 31 December 2010	**-**

Group

2009	Litigation £'000	Onerous leases £'000	Other £'000	Total £'000
At 1 January 2009	457	1,377	488	**2,322**
Utilised during period	-	(443)	(173)	**(616)**
Charged	1,350	-	-	**1,350**
Foreign exchange	(49)	(69)	-	**(118)**
Released	-	(135)	(315)	**(450)**
At 31 December 2009	**1,758**	**730**	**-**	**2,488**
Current (included within trade and other payables in note 15)				**2,488**
				2,488

Company

2009	Onerous leases £'000
At 1 January 2009	624
Utilised during period	(289)
Released	(135)
At 31 December 2009	**200**

Onerous leases
In previous years several properties were exited and a charge taken for the onerous lease costs

Litigation
In the normal course of business there are various litigation claims and contingencies pending against the Group which, in the opinion of management, will be resolved with no material impact on the Group's financial position or results of operations

ThinkEquity LLC is the subject of an arbitration claim filed with FINRA by a former client of its wealth management business in regards to auction rate securities owned by the client The Group considers the claim to be without merit and intends to vigorously defend itself against the claim Accordingly, the Group has not established a reserve for this proceeding

During the year, litigation with a former employee was concluded with an award made to the employee in the amount of £1 9m ($3m) No amounts remain outstanding

The Group has settled the claim relating to the failed investment in the Company by Alessandro Benedetti and Bertrand des Pallieres and their investment vehicle, P G Holdings S A The settlement was paid in November 2010

18 Deferred tax asset and liabilities

Group

Deferred tax asset

	Share-based payments £'000	UK losses £'000	US losses £'000	Plant and equipment £'000	Total £'000
Balance as at 1 January 2010	1,365	-	3,273	320	4,958
Prior year adjustment	-	-	-	43	43
Movement during year	(619)	33	-	(25)	(611)
Effect of tax rate change	(27)	(1)	-	(12)	(40)
Foreign exchange	-	-	140	-	140
Balance at 31 December 2010	**719**	**32**	**3,413**	**326**	**4,490**

A deferred tax asset of £4 49m (2009 £4 96m) has been established to reflect the tax benefit which is expected to arise from the future exercise of share options, items of plant and equipment and the use of accumulated trading losses of the US subsidiary and losses carried forward in the UK The recognition of the deferred tax assets in respect of Panmure Gordon's US operations mainly relies on the projection of future taxable profits Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise the deferred tax assets

At 31 December 2010, the Group had potential deferred tax assets of £8 7m (2009 £6 1m) and £5 5m (2009 £5 0m) relating to US trading losses and the US goodwill impairment charge respectively These assets have not been recognised in the balance sheet due to the uncertainty over timing and extent of future taxable profits beyond the levels that would support the value of the deferred tax asset already recognised

The Group also had a potential deferred tax asset of £6 6m (2009 £6 8m) relating to UK losses brought forward These assets have also not been recognised in the balance sheet due to the uncertainty over the extent and timing of their recoverability

Deferred tax liability

	Goodwill £'000
Balance as at 1 January 2010	739
Effect of tax rate change	(31)
Movement during year	148
Balance at 31 December 2010	**856**

A deferred tax liability of £0 9m (2009 £0 7m) has been established to reflect the difference between the carrying value and the tax value of goodwill generated following the acquisition of Panmure Gordon (UK) Limited in 2005

Company

Deferred tax asset

	Share-based payments £'000	UK losses £'000	Plant and equipment £'000	Total £'000
Balance as at 1 January 2010	735	-	241	976
Prior year adjustment	-	-	43	43
Movement during year	(423)	33	(12)	(402)
Effect of tax rate change	(11)	(1)	(10)	(22)
Balance at 31 December 2010	**301**	**32**	**262**	**595**

A deferred tax asset of £0 6m (2009 £1 0m) has been established to reflect the tax benefit which is expected to arise from the future exercise of share options and items of plant and equipment

19 Financial instruments and risk profile

The Group and Company's financial instruments comprise cash and cash equivalents, trading positions, available for sale investments, trade receivables and payables arising from operations and subordinated debt The Group and Company have recognised the following risks arising from these financial instruments

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Group and Company do not trade in financial instruments other than marketable securities, which are traded as part of market making activities

19 1 Market risk

Equity price risk
Market risk is the risk that changes in market prices such as equity prices, interest rates and exchange rates will affect the Group and Company's income or the value of its holdings in financial instruments The Group and Company manages these risks within pre-approved parameters, while seeking to optimise the return on risk Market risk is monitored by means of

Single stock limits are calculated by applying an agreed set of formulas to a set of risk metrics derived from the average traded volume, historical returns and market capitalisation of the specific stock The trading system holds the market value of each trading position along with the holding value limit attributed to it An embedded alarm within the trading system visually alerts management when the value of the individual trading positions breaches 90% of the calculated limit The calculated limits are updated periodically to reflect changes in the risk metrics used to calculate the limits

Segregation of the static data, input and amend functionality, within the trading system ensures that traders and order takers have no ability to amend stock limits Amendments which reflect changes in the calculated limits can only be made upon instruction from Risk Management Any request to amend a limit to a value that falls outside that of the calculated limit are put to the Risk Committee for approval

Position reporting – the largest held for trading 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 based on current market conditions

A proprietary valuation model is used to gauge potential future losses to individual securities within the trading portfolio The model looks at historic average 10 day returns, derived from the historical daily closing prices for each investment held within the trading book The average returns are then compared to the current 10 day return The model calculates an approximate valuation of potential future losses based on the positions' current value and the deviation of the current return from the historical average return The resultant valuation figure is made available to management as an indicative valuation of the market risk exposure attributable to uncharacteristic period returns for securities held within the book Management then makes the decision as to whether any action should be taken in respect of positions whose current period return differs significantly from the average historical period return There are reviews of intraday investment values and intraday revenue by the Chief Executive, Financial Controller and Head of Compliance

Available for sale investments are those investments which are not held for short-term trading All investments are held at fair value and reported to the board on a monthly basis The board reviews the suitability of all available for sale investments considering current market conditions and instructs as necessary to the Chief Executive

Equity sensitivity analysis

Group
A 10% increase or decrease in the underlying share price of held for trading investment assets/liabilities and available for sale investments, of the Group, at the reporting date would have increased/decreased equity by £703,000 (2009 £712,000) Of this amount the impact on the income statement would be £703,000 (2009 £335,000)

Company
A 10% increase or decrease in the underlying share price of available for sale investments of the Company, at the reporting date, would have increased/decreased equity by £262,000 (2009 £375,000)

Interest rate risk
Financial income arises primarily from cash and cash equivalents and will fluctuate depending on cash movements and market interest rate movements Financial income in the period is disclosed in note 6 All cash and cash equivalents mature within three months A change of 100 basis points in the average interest rate earned during the year would have increased/(decreased) financial income recognised in the consolidated income statement by £261,000

At the company level, financial income arises from loans to subsidiaries A change of 100 basis points in the average interest rate earned during the year would have increased/(decreased) financial income recognised in the consolidated income statement by £262,000

Financial expense is mainly on account of the subordinated loan of £3m, held by the Company and which is repayable and was repaid on 17 February 2011 This loan bears a fixed interest rate of 6 4%, payable quarterly, and therefore financial expense would not be impacted by a change in market interest rates

Exposure to currency risk

Sensitivity analysis on currency risk
The Group's net exposure to assets and liabilities denominated in currencies other than its functional currencies amounted to a net long position equivalent to £276,137 A 10% strengthening of the respective functional currencies at 31 December 2010 would have adversely impacted the income statement by £25,103

Foreign exchange differences arising on the re-translation of assets and liabilities of foreign operations are recognised in equity as set out in note 1 4 2

The Company has no sensitivity to currency risk, other than the re-translation of dollar denominated loan balances to its US subsidiary A 10% strengthening of GBP at 31 December 2010 would have adversely impacted the income statement by £3 1m

19 2 Credit risk

Credit risk represents the possibility that the Group will suffer a financial loss resulting from a counterparty failing to meet its contractual obligations This risk arises principally from the Group's market and trading receivables Credit risk is managed in a number of ways, namely

- new client account opening procedures which include approval of all clients by the Chief Executive and Head of 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 virtually 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 by management to be high enough to warrant the establishment and monitoring of individual credit limits The risk to the Group of non-settlement is based on the stock price movement between trade date and settlement date and is monitored daily

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

All new corporate clients are reviewed at the New Business Committee and then subjected to a due diligence test Upon an equity transaction where new funds are raised, the Group's fees are held back from the client to eliminate any possible credit risk that may occur

Other receivables
The Group actively monitors other receivables, and where there is evidence of impairment, management estimates the recoverable amount Impairment losses are recognised in the income statement

Included in other receivables is an amount of £2 1m due from employees under the Matching Share Plan Collateral is held in the form of Panmure Gordon shares to the value of £0 8m

Exposure to credit risk
The carrying value of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

	Group		Company	
	2010	**2009**	**2010**	**2009**
	£'000	**£'000**	**£'000**	**£'000**
Trade receivables	3,400	2,959	-	-
Market receivables	4,778	3,369	-	-
Other receivables	4,292	4,802	2,583	2,695

As at 31 December 2010, the majority of cash and cash equivalents were held at two major financial institutions which are AA rated financial institutions and two AA rated money funds The maximum credit exposure on cash and cash equivalents was £26 2m (2009 £38 9m)

The ageing of trade receivables at the reporting date was

Group

	Carrying amount					
	31 December 2010			**31 December 2009**		
	£'000			**£'000**		
	Gross balances	**Provisions**	**Net**	**Gross balances**	**Provisions**	**Net**
Not past due	2,392	-	2,392	1,456	-	1,456
Past due 31-60 days	443	-	443	422	-	422
Past due 61-90 days	35	-	35	524	-	524
Past due 91-120 days	158	-	158	402	(3)	399
Past due 121+ days	1,251	(879)	372	1,709	(1,551)	158
Total	**4,279**	**(879)**	**3,400**	**4,513**	**(1,554)**	**2,959**

Provisions at 1 January 2010	(1,554)
Bad debts written off	369
Provisions made during period	306
Provision at 31 December 2010	**(879)**

Provisions at 1 January 2009	(1,947)
Bad debts written off	710
Provisions made during period	(317)
Provision at 31 December 2009	**(1,554)**

No trade receivable balances were held in the parent company

19.3 Liquidity risk

Liquidity risk is the risk that the Group and Company is unable to raise sufficient funding to enable it to meet its obligations without incurring a large cost, if at all

The Group and Company's policy with regard to liquidity risk is to manage funding liquidity risk, with a full analysis of cash-flows, and constant monitoring of the Group and Company's balance sheet structure, borrowing limit, buffer assets, and cost of maintaining liquidity, in order to ensure the diversity and availability of funding sources

The Group and Company manages its funding liquidity risk through the following tools

- monitoring of cash positions on a daily basis,
- control over ensuring timely settlement by trade debtors, and
- control over timely settlement of market debtors and creditors

Liquidity risk is controlled by a process that is designed to ensure that cumulative financing requirements are considered for the next one year

The Group holds its cash and cash equivalents with a number of highly rated financial institutions and money funds All cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash without penalty

The contractual maturity of the Group's financial liabilities are all within one to six months except for

- provisions, where there is no contractual liability but are expected to be settled within one year of the balance sheet date (2009 one year)

The contractual maturity of the Company's financial liabilities are all within one to six months

19 4 Operational risk (unaudited)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural Operational risk is not just limited to the processes relating to the Group's business activities but is inherent in all of the Group's activities by virtue of the fact that the Group is a business – because it is an employer and it occupies (and is responsible for) property along with its contents including (but not limited to) assets and information not only belonging to the Group but to our clients

An established Operations and Risk Committee (comprised of senior management from all operational business areas) meets regularly not only to discuss current issues but to look to pre-empt future risks that arise as the Group grows The Committee is also responsible for updating and reviewing the risk framework in which all conceived risk events, ranging from everyday reconciliation problems to potentially severe events such as fraud, are recorded and scored depending on their likely frequency of occurrence and potential impact on the Group Also contained within the risk framework are details of mitigation strategies and controls in place around each of the risks recorded as the Group recognises that not all risks can be eliminated (errors and accidents will always occur) and is aware that even where risk can be eliminated it is not always cost effective to do so Where risks are judged to be severe, the Group concentrates primarily on putting stringent controls and mitigation strategies in place to reduce the likelihood of occurrence and impact magnitude of the risk event to a minimum Severe events include both those that are reasonably foreseeable and those that, while not predictable, are thought to be reasonably possible For lower impact risks the Group concentrates on management and monitoring

20 Capital management (unaudited)

The Group and Company's policy on capital management is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business The Group and Company has adopted the *Capital Requirement Directive* (CRD) which requires the daily monitoring of the excess of the Capital Resources (as defined by the FSA) over the Capital Resources Requirement The Group and Company's capital report is reviewed by the board on a monthly basis

The Group's capital resources consist of two tiers

	2010 £'000	2009 £'000
▪ Tier One	39 0	39 6
▪ Tier Two	0 1	0 7
	39.1	**40 3**

The Group manages its risk profile and its capital resources with the objective of maintaining a regulatory ratio comfortably in excess of the Capital Resources Requirement for all its regulated subsidiaries Based on submissions to the respective regulators of the Group's subsidiaries, this objective was achieved at all times throughout the financial year The management of the Group's capital is carried out under the principle that it should not unexpectedly need to raise new capital or significantly reduce its risk taking in order to meet its capital management objectives

Panmure Gordon (UK) Limited is authorised and regulated by the Financial Services Authority

ThinkEquity is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation and is an SEC registered broker-dealer and investment adviser

Treasury shares
From time to time the Group and Company may purchase its own shares, referred to as treasury shares in these financial statements, the timing of each purchase is governed by prevailing market prices The board approves an overall purchase policy, each individual purchase is transacted by management and then reported to the board

21 Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements The different levels have been defined as follows

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyses financial instruments carried at fair value by valuation method

Group	2010				2009			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale assets	220	20	2,400	2,640	308	21	3,442	3,771
Assets held for trading	5,082	-	-	5,082	3,916	-	-	3,916
Liabilities held for trading	(693)	-	-	(693)	(570)	-	-	(570)

Company	2010				2009			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale assets	220	-	2,400	2,620	308	-	3,442	3,750

Group and Company· analysis of level 3 assets

	£'000
Level 3 assets at 1 January 2010	3,442
Impairment recognised in income statement	(320)
Sale recognised in income statement	(722)
	2,400

	£'000
Level 3 assets at 1 January 2009	3,828
Impairment recognised in income statement	(879)
Gain recognised in other comprehensive income	493
	3,442

The carrying value of financial assets and liabilities of the Group and Company approximate its fair value

22 Other financial commitments

At 31 December 2010, the Group and Company were committed to making the following payments under non-cancellable operating leases

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Land & building annual commitments which expire·				
Within 1 year	253	200	-	200
Within 1 to 2 years	111	109	-	-
Within 2 to 5 years	880	1,037	598	598
Over 5 years	1,639	1,574	137	137
Total	**2,883**	**2,920**	**735**	**935**

The Group and the Company has a provision of £0 39m and £nil respectively for onerous leases as at 31 December 2010 (2009 Group £0 73m and Company £0 2m) These amounts are included in the future cash payments set out above

The Group is currently looking into various ways of retaining key staff During 2011 some of these plans will be put in place which will result in future financial commitments either through cash bonuses and/or new share awards

23 Share capital

During the year 872,731 shares were allotted following the exercise of share options under the Company's Performance Share Option Plan and 113,475 shares were allotted to satisfy the vesting of share awards under the Company's Accrued Bonus Plan In addition, 1,191,697 shares were transferred out of treasury during the period to satisfy the vesting of share awards under the Company's Matching Share Plan

The Company purchased 346,140 of its own shares during the period As at 31 December 2010, the number of shares in issue was 147,843,389 (31 December 2009 146,857,183) at a par value of 4p, of which 2,508,308 (31 December 2009 3,353,865) were held in treasury The fully diluted share capital was 148,419,622 (31 December 2009 151,174,912)

The 'other reserve' section of the balance sheet includes the nominal value of share capital owned by the Panmure Gordon & Co plc No 2 Employee Benefit Trust in respect of the 2005 Employee Share Option Plan and the cost of shares purchased in the market At the balance sheet date the Trust held 9,746,421 shares (December 2009 11,875,949 shares)

24 Reserves

Shares to be issued
This component of equity reflects the market value of shares at the time of the acquisition of ThinkEquity which are still unissued at the balance sheet date This relates to unvested shares within the Accrued Bonus Plan

Merger reserve
This reserve mainly reflects the difference between the market value of shares issued on business acquisitions and their nominal value The difference between the merger reserve on consolidation and the merger reserve in the Company's statement of financial position of £20,095,000 results from the acquisition of Panmure Gordon (UK) Limited in 2005 by a subsidiary within the Group

Special reserve
Following the resolution passed at the extraordinary general meeting on 22 April 2005, a Court Order dated 12 October 2005 confirmed that the share premium account and deferred share capital were cancelled and extinguished After eliminating the brought forward deficit on the Company's income statement, the surplus standing to the credit of the share premium account and deferred share capital, amounting to £9,595,000, has been transferred to a special reserve This reserve is to be treated as undistributable until such time as any debts or claims against the Company existing at 12 October 2005 have been paid off

Fair value reserve
The fair value reserve reflects unrealised gains and losses on available for sale investments being the difference between acquisition cost and fair value at the balance sheet date

Other reserve

The other reserve represents the nominal value of share capital owned by the Panmure Gordon & Co plc No 2 Employee Benefit Trust under the 2005 Employee Share Option Plan and the cost of shares purchased in the market Since this Trust is consolidated within the Group and Company accounts, the nominal value of the share capital is deducted from reserves

Foreign currency translation reserve

Foreign exchange differences arising on the retranslation of assets and liabilities of foreign operations are recognised directly in this component of equity When a foreign operation is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the income statement

25 Dividends

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Amounts recognised as distributions to equity holders in the period		
	-	-
Total	-	-

The board has not recommended the payment of a dividend for the year ended 31 December 2010 (2009 £nil)

Under an arrangement dated 22 April 2005, Praxis Trustees Limited, as Trustee of the Panmure Gordon & Co plc No 2 Employee Benefit Trust, which at 31 December 2010 held 9,746,421 ordinary shares representing 6 71% of the Company's called up share capital, has agreed to waive all dividends due on the shares held

26 Analysis of changes in net funds

Group

	31 December 2009 £'000	Cash flow £'000	Foreign exchange £'000	31 December 2010 £'000
Cash and cash equivalents	38,903	(12,423)	(314)	26,166
Cash and cash equivalents as per cash flow statement	38,903	(12,423)	(314)	26,166
Subordinated loans	(3,000)	-	-	(3,000)
Net funds	**35,903**	**(12,423)**	**(314)**	**23,166**

Company

	31 December 2009 £'000	Cash flow £'000	31 December 2010 £'000
Cash and cash equivalents	24	(8)	16
Cash and cash equivalents as per cash flow statement	**24**	**(8)**	**16**

27 Accounting estimates and judgments

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period

Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below

Goodwill and investment in subsidiaries
The critical accounting estimates and judgments in respect of goodwill and investments in subsidiaries are set out in note 11 and note 13 respectively

Deferred tax
Deferred tax is calculated on a basis of a taxable benefit arising for the firm based on an estimated number of share options being exercised, brought forward taxable losses and plant and equipment tax cost versus accounting cost The assessment of the recoverability of deferred tax assets is based mainly on the premise that the Group will generate sufficient profits in the future to realise the deferred tax assets This is reviewed at each reporting date

The amount of US deferred tax assets recognised is based on the evidence available about conditions at the balance sheet date, and requires significant judgments to be made by management, especially those based on management's projections of the timing of recovery in the US markets and economy in general Management's judgment takes into consideration the impact of both positive and negative evidence, including historical financial performance, the anticipated benefits resulting from the significant reduction in the US cost base, projections of future taxable income and the availability of loss carrybacks

Provisions
The Group/Company receives legal claims against it in the normal course of business Management has made judgments as to the likelihood of any claim succeeding in making provisions The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits Timing and cost ultimately depends on the due process in respective legal jurisdictions

Share-based payments
The Group has adopted the provisions of IFRS 2 as regards share-based payment 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 income statement over the vesting period of the options, and is based on an expected number of employees leaving before their options vest

Currently the expected lapse rate is estimated at 15% per annum If this amount increased to 20% the Group's IFRS 2 charge for the year to 31 December 2010 would have decreased by £51,295 (Company £1,000)

If the lapse rate dropped to 10% the Group's IFRS 2 charge for the year to 31 December 2010 would have increased by £54,247 (Company £1,000)

28 Related party transactions

During the year the Group and Company reported the following related party transactions

Intragroup transactions
Transactions between Group entities have been eliminated on consolidation and, as per the provisions of IAS 24, are not disclosed in this note At the balance sheet date the Company had loans and interest receivable of £45 8m (2009 £42 5m) from subsidiaries, the interest on which is charged at an arm's length rate Amounts owed to subsidiaries as at 31 December 2010 amounted to £8 3m (2009 £8 3m) These loans are unsecured and repayable on demand

Transactions with key management personnel
The compensation paid to the Group and Company's directors is disclosed in the directors' remuneration report In addition the total compensation paid to the Group and Company's key management personnel is disclosed in the table below

	2010		2009	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
Short-term employee benefits	1,570	737	1,245	788
Post employment benefits	-	-	35	24
Other long-term benefits	1	1	2	1
Share-based payments	30	10	7	-
Termination payments	81	81	-	-
Total	**1,682**	**829**	**1,289**	**813**

Significant shareholders
The Group and Company has disclosed all significant shareholders within the report of the directors The Group does not have any transactions with significant shareholders to report

29 General

The report was approved by the board of directors on 16 March 2011

This report will be sent to shareholders and will be made available to the public, upon request, at the registered office of Panmure Gordon & Co plc, Moorgate Hall, 155 Moorgate, London EC2M 6XB or from the Company's website www panmure com

Directors	Ed Warner	Chairman
	Tim Linacre	Chief Executive
	Simon Heale	Senior Independent Director
	Anthony Cann	Non-executive Director
	Asar Mashkoor	Non-executive Director
	Shahzad Shahbaz	Non-executive Director
	Nader Shenouda	Non-executive Director

Secretary	Sarah Wigley
Registered Office	155 Moorgate London EC2M 6XB
Registered Number	2700769
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
Registrars	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Solicitors	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Bankers	Barclays Bank Plc Financial Markets Team 1 Churchill Place London E14 5HP