

Panmure Gordon & Co Limited

Annual report and accounts
Registered number 02700769
31 December 2020

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STRATEGIC REPORT

Introduction

In accordance with Section 414A of Companies Act 2006, the directors of Panmure Gordon & Co Limited ("the Company") are pleased to present the strategic report on the progress and developments of the business for the year ending 31 December 2020.

The Company's ultimate parent company is Panmure Gordon Group Limited ("PGG Limited"), which is the lead entity for the Panmure Gordon group of companies ("the Group"). These results should be read in the context of the lead entity's accounts for the period ended 31 December 2020, which give a full picture of the Group's performance.

Principal activities

The principal activities of the business are providing administrative services to the Group and acting as Intermediate holding company. The Company provides services to its subsidiaries which it recharges on an arm's length basis in accordance with certain transfer pricing arrangements.

Financial review

The Company reported revenues of £5.4m (2019: £6.1m) during current year; administrative costs of £5.2m (2019: £5.5m), and profit after tax of £10.9m (2019: £13.7m loss). A reversal of impairment of £11.7m (2019: £14.2m impairment charge) was recognised on Investments in subsidiaries.

During the year the Company raised £9.1m new equity by issuing ordinary shares to its parent company, PGG Limited at a subscription price of £1 (4p par value) in order to continue to support the Company's investments in its underlying subsidiaries, and the Group in its strategic ambitions.

Principal risks and risk management

Given the significance of investments in subsidiaries to the Company, the principal risk is associated with these investments. The Company's risk management framework is set and monitored by the Group's risk management function. For a full analysis of this framework and the key risks, including those that may impact the subsidiaries, refer to the strategic report included in the 2020 annual report and accounts of PGG Limited.

Board engagement with our stakeholders

The directors have considered section 172 of the Companies Act 2006 and are aware of their wider responsibilities not only to the Company and its members but also to a wider group of stakeholders. We believe that the success of the Company lies in being part of a successful Panmure Gordon Group of companies. As a Group, we believe in forming strong, open and direct relationships with our key stakeholders, including employees and suppliers.

Employees: The Board receives regular updates from senior management on various metrics and feedback tools in relation to employees. Senior management keep staff updated on major developments within the business and occasionally meet with colleagues, inviting questions and feedback.

Suppliers: Signed contracts with all major suppliers are in place and contractual obligations to all suppliers are met.

Outlook

The outlook for the Company is closely intertwined with the outlook for the Group and reference should be made to the consolidated accounts of PGG Limited for the period ended 31 December 2020 for a complete description of the aims and strategic ambitions for the Group.

We have actively managed the impact of COVID-19 on the Group, following and adhering to Government guidance where applicable. Our priority has been the safety of colleagues and clients.

By order and on behalf of the Board of directors.



Tim Kacani
Director
5 May 2021

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

General Information

The Company is a private company, limited by shares, incorporated in England and Wales. The Company's registered number is 02700769. The address of the registered office is One New Change, London, EC4M 9AF.

See the strategic report on page 1 for details of the principal activities of the Company.

Results and dividends

The Company recorded a profit after tax of £10.9m (2019: £13.7m loss). The directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: nil).

Directors

The directors who held office during the period and up to the date of signing (unless otherwise indicated) were as follows:

Mehmet Dalman
Timothy Kacani
Michael Katounas
Richard Morecombe (appointed 11 November 2020)
Rich Ricci (appointed 8 October 2020)
David Schamis
Ian Axe (resigned 3 March 2020)

Going concern

The directors have formed a judgment, at the time of approving the financial statements, considering the available cash and liquid resources, the business forecasts for 2021 and 2022, and the economic environment, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Events after the balance sheet date

As at 31 December 2020, the decision had been made to terminate the prime services business. As a result, the investments in PrimeXtend Limited were fully impaired as at 31 December 2020. In February 2021 the clients and staff impacted by the closure were notified.

Directors' indemnity arrangements

The Company has purchased and maintained throughout the year third party directors' and officers' liability, professional indemnity, employer's liability and public and products liability insurance.

Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' statement as to disclosure of information to auditors

Each of the directors who were members of the board at the time of approving the directors' report, having made enquiries of fellow directors and of the Company's auditors, confirms that:

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditor is 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.

By order and on behalf of the Board:



Tim Kacani
Director
5 May 2021

One New Change
London
EC4M 9AF

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

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 ('IFRSs').

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Panmure Gordon & Co. Limited ("the Company") and for the year ended 31 December 2020 which comprise of the Company statement of profit or loss and other comprehensive income, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON & CO. LIMITED (continued)

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the accounting standards and the Financial Conduct Authority's regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON & CO. LIMITED (continued)

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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



Timothy West (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

6 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Other operating income	3	5,382	6,141
Administrative expenses	4	(5,169)	(5,540)
Impairment reversal/(charge)	11, 17	10,730	(14,169)
Operating profit/(loss)		10,943	(13,568)
Net finance costs	6	(121)	(174)
Profit/(loss) before tax from operations		10,822	(13,742)
Taxation credit	8	30	41
Total comprehensive profit/(loss) for the year		10,852	(13,701)
Earnings per share (pence)		17.56	(26.00)

All the activities of the Company are from continuing operations.

The notes on pages 11 to 22 form an integral part of these financial statements.

Statement of financial position
as at 31 December 2020

		31 December	31 December
Assets	Note	2020	2019
		£'000	£'000
Non-current assets			
Intangible assets	9	207	359
Property, plant and equipment	10	1,206	2,048
Investment in subsidiary undertakings	11	82,746	61,966
Amounts owed by group undertakings	17	-	706
Deferred tax asset	12	134	104
		84,293	65,183
Current assets			
Other receivables	13	797	867
Cash and cash equivalents		128	62
		925	929
Total Assets		85,218	66,112
Current liabilities			
Trade payables		(65)	(420)
Amounts owed to group undertakings	17	(8,931)	(8,401)
Accruals, provisions and deferred income		(861)	(1,205)
Lease liabilities		(740)	(692)
		(10,597)	(10,718)
Non-current liabilities			
Lease liabilities		(331)	(1,070)
Total Liabilities		(10,928)	(11,788)
Net assets		74,290	54,324
Capital and reserves			
Issued share capital	15	2,472	2,107
Share premium		59,314	50,565
Merger reserve	16	1,715	1,715
Retained earnings		10,789	(63)
Total equity		74,290	54,324

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:



Tim Kacani
 Director
 5 May 2021

Statement of changes in equity
for the year ended 31 December 2020

Statement of changes in equity for the year ended 31 December 2020

	Issued share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve £'000	Total equity £'000
Balance as at 1 January 2020	2,107	50,565	(63)	1,715	54,324
Profit for the year	-	-	10,852	-	10,852
Other items recorded directly in equity					
Issue of shares	365	8,749	-	-	9,114
Balance at 31 December 2020	2,472	59,314	10,789	1,715	74,290

Statement of changes in equity for the year ended 31 December 2019

	Issued share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve £'000	Total equity £'000
Balance as at 1 January 2019	1,508	36,168	13,638	1,715	53,029
Loss for the year	-	-	(13,701)	-	(13,701)
Other items recorded directly in equity					
Issue of share	599	14,397	-	-	14,996
Balance at 31 December 2019	2,107	50,565	(63)	1,715	54,324

The notes on pages 11 to 22 form an integral part of these financial statements.

Statement of cash flow
for the year ended 31 December 2020

		31 December	31 December
		2020	2019
	<i>Note</i>	£'000	£'000
Cash flows from operating activities			
Profit/(loss) before tax		10,822	(13,742)
Depreciation	10	897	1,154
Amortisation	9	63	33
Impairment (reversal)/charge	11	(10,730)	14,169
Decrease in other receivables	13	70	477
Decrease in trade and other payables, accruals, provisions and deferred income		(700)	(1,236)
Other non-cash items		298	169
Net cash generated from operating activities		720	1,024
Investing activities			
Investment in subsidiary undertakings	11	(9,111)	(14,997)
Cash flow from subsidiary undertakings	17	297	-
Acquisition of intangible assets and PPE	9	(134)	(226)
Net cash used in investing activities		(8,948)	(15,223)
Financing activities			
Issue of shares	15	9,111	14,996
Interest (received)/paid		(2)	5
Lease repayments		(815)	(815)
Net cash generated from financing activities		8,294	14,186
Net increase/(decrease) in cash and cash equivalents		66	(13)
Cash and cash equivalents at 1 January 2020		62	75
Cash and cash equivalents at 31 December 2020		128	62

The notes on pages 11 to 22 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006.

The Company's ultimate parent undertaking, PGG Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The Company had cash resources of £128k at 31 December 2020 (2019: £62k) and does not have any significant balance sheet risk in the form of loans to third parties. As an administrative service provider to the Group, the Company has third party supplier contracts necessitating recognition of accruals and other payables that are recharged to group companies in future periods. The directors therefore have a reasonable expectation that the Company has adequate resource 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.

Changes in accounting policies and disclosures

a. New and amended Standards and Interpretations adopted by the Company

The amendments and interpretations applicable for the first time in 2020 have had no significant impact on the financial statements of the Company.

b. Future accounting developments

The following new standards are not mandatory for the year ending 31 December 2020 and have not been adopted in preparing these financial statements. They are not expected to have a material impact on the Company:

- IFRS 17 'Insurance Contracts': establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.

Foreign currency

The functional and presentational currency of the Company is sterling.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the rate of exchange at the initial transaction date. Foreign exchange differences are included in the income statement.

Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

Taxation on the profit or loss for the year comprises current tax and adjustments in respect of prior years. The current tax charge is based on the taxable profit or loss for the year, using tax rates that have been enacted or substantively enacted by the year end date.

Deferred taxation

Deferred taxation arises on timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed at the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right and the Company intends to settle on a net basis.

Deferred tax liabilities are generally recognised for all taxable temporary differences. The carrying amount of deferred tax assets are reviewed at each reporting date and recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Contributions are recognised as an expense in the income statement as the employee renders the service.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as the employee render the service.

Intangible assets

Intangible assets comprise software in development for use by the business ("work in progress") and software in use. Intangible assets are recognised when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably.

Work in progress is carried on balance sheet at cost. When brought into use it is transferred to software intangibles. Software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment ("PPE") is measured at cost less accumulated depreciation and any accumulated impairment losses. 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:

Fixtures and fittings	5 - 10 years
Furniture and office equipment	6 - 10 years
Computer and telephone equipment	3 - 5 years
Right-of-use lease asset	Lease term

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis. An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset, and a gain or loss recognised in profit and loss.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Impairment of PPE and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit or group of cash-generating units to which the asset belongs. If any such indication exists, the recoverable amount of the asset (also defined as cash-generating units where applicable) is estimated to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised in profit and loss.

Investment in subsidiaries and impairment of investment in subsidiaries

Entities are recognised as a subsidiary by the Company when the Company holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. The Company's investments in subsidiaries are stated at cost less impairment losses. On an annual basis, the Company reviews the carrying amounts of its investment in subsidiaries to determine whether there is any indication of impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, based on its value-in-use ('VIU'), the carrying amount of the asset is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. New and reversing impairment losses are recognised in profit and loss.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for items measured at amortised cost, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

The financial assets and liabilities of the Company are classified at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Measurement of expected credit losses ('ECLs')

ECLs are an estimate of credit losses based on probability of default x expected loss on default. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

If there is no evidence of a significant increase in credit and no indication that the asset is credit-impaired and the Company is not using the simplified approach for qualifying trade creditors permitted by the Standard, then the Company provides for expected losses in the next 12 months. If there is evidence of a significant increase in credit risk or the asset is considered to be credit-impaired, then the Company provides for expected losses over the full life of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable quantitative and qualitative information that is relevant and available without undue cost or effort, including the use of forward-looking information when relevant.

Cash and cash equivalents

Cash and cash equivalents 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 Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Provisions and contingent liabilities

Provisions are recognised when the Company 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 Company will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle that obligation at the balance sheet date. Contingent liabilities related to legal proceedings or regulatory matters are not recognised in the financial statements but are disclosed, unless the probability of settlement is remote.

Leases

At lease commencement date, or date of transition, the Company recognises a right-of-use asset and a lease liability on balance sheet. The right-of-use asset is measured at cost or, on transition, at the value of the lease liability adjusted for the value of accruals on balance sheet prior to adoption of IFRS 16 Leases.

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date (or date of transition) to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using an estimated incremental borrowing rate of 7%. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest charges.

Notes to the financial statements (continued)**2 Critical accounting judgement and key sources of estimation uncertainty*****Accounting estimates and judgements***

The preparation of financial statements requires 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.

The areas involving a higher degree of judgment and or complexity, or areas where assumptions and estimates are significant to the financial statements include the impairment of investments in subsidiaries and the recognition of deferred tax assets.

Impairment of investments in subsidiaries

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use ('VIU'), and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

Deferred tax

Deferred tax is calculated based on the taxable temporary differences and taxable losses arising. A deferred tax asset has been recognised. The assessment of the recoverability of the deferred tax asset is based mainly on the premise that the Company will generate sufficient profits in the future to realise the deferred tax assets. This is a matter of judgment and is reviewed at each reporting date.

3 Other operating income

	31 December 2020 £'000	31 December 2019 £'000
Management charges receivable	5,382	6,141
	5,382	6,141

4 Operating expenses

The operating profit before taxation is stated after charging:

	31 December 2020 £'000	31 December 2019 £'000
Employee benefit expense	1,979	2,445
Buildings & Maintenance	726	815
Technology and information	613	695
Depreciation and impairment on PPE (see Note 10)	897	1,154
Amortisation (see Note 9)	63	33
Other	891	398
	5,169	5,540

Notes to the financial statements (continued)**5 Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
Fees relating to current year payable	31	32
Fees relating to prior year payable	-	6
Total audit fees	31	38

6 Net finance costs

	31 December 2020 £'000	31 December 2019 £'000
Interest unwind on lease liability	(123)	(169)
Other	2	(5)
	(121)	(174)

7 Directors' remuneration

The directors of the Company received no remuneration in respect of their services to the Company.

Notes to the financial statements (continued)**8 Tax on profit/(loss) on ordinary activities**

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

	31 December 2020 £'000	31 December 2019 £'000
Analysis of tax credit in period:		
Deferred tax		
Current year deferred tax credit	15	26
Prior year adjustments to deferred tax credit	15	15
Tax credit on profit/(loss) on ordinary activities	30	41
Effective tax rate charge	0.28%	0.30%
Factors affecting tax charge:		
Profit/(loss) on ordinary activities after tax	10,852	(13,701)
Tax credit on profit on ordinary activities	30	41
Profit/(loss) on ordinary activities before tax	10,822	(13,742)
Profit/(loss) on ordinary activities multiplied by rate of UK corporation tax at 19.00% (2019: 19.00%)	2,056	(2,611)
Effects of:		
Expenses not deductible for tax purposes	200	2,797
Non-taxable income	(2,324)	(102)
Fixed assets adjustments	128	131
Group relief claimed for £nil consideration	(62)	(243)
Change in corporation tax rate	(13)	2
Prior year adjustment to deferred tax	(15)	(15)
Total tax credit on profit/(loss) on ordinary activities	(30)	(41)

A reduction in the UK corporation tax rate from 19% to 17% was repealed in 2020. The deferred tax at 31 December 2020 has been calculated based on these rates.

Analysis of current tax recognised in statement of comprehensive income:

	2020	2019
UK corporation tax credit	30	41

9 Intangible assets

	WIP £'000	Software £'000	Total £'000
Cost			
At 1 January 2020	169	223	392
Additions	-	80	80
Transfers and write-offs	(169)	-	(169)
At 31 December 2020	-	303	303
Accumulated depreciation			
At 1 January 2020		(33)	(33)
Charge for the year		(63)	(63)
At 31 December 2020		(96)	(96)
Net book value			
At 31 December 2020	-	207	207

Notes to the financial statements *(continued)*

10 Property, plant and equipment

	Right-of-use lease asset	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
	£'000	£'000	£'000	£'000	£'000
2020					
Cost					
At 1 January 2020	1,943	399	1,368	506	4,216
Additions	-	-	-	55	55
At 31 December 2020	1,943	399	1,368	561	4,271
Accumulated depreciation					
At 1 January 2020	(577)	(277)	(923)	(391)	(2,168)
Charge for the year	(574)	(54)	(184)	(85)	(897)
At 31 December 2020	(1,151)	(331)	(1,107)	(476)	(3,065)
Net book value					
At 31 December 2020	792	68	261	85	1,206
2019					
Cost					
At 1 January 2019	1,943	594	1,424	2,077	6,038
Write down of fully depreciated assets	-	(195)	(56)	(1,574)	(1,825)
Additions	-	-	-	3	3
At 31 December 2019	1,943	399	1,368	506	4,216
Accumulated depreciation					
At 1 January 2019	-	(350)	(683)	(1,806)	(2,839)
Write down of fully depreciated assets	-	195	56	1,574	1,825
Charge for the year	(577)	(54)	(189)	(148)	(968)
Impairment	-	(68)	(107)	(11)	(186)
At 31 December 2019	(577)	(277)	(923)	(391)	(2,168)
Net book value					
At 31 December 2019	1,366	122	445	115	2,048

Notes to the financial statements (continued)***Leased property******Right-of-use lease asset***

The right-of-use lease asset is for the lease of the Company's office at One New Change. The lease is for a 10 year period terminating May 2022 with no right to cancel and no options to extend or purchase at the end of the lease term. Payments are for a fixed amount with no rent reviews due over the remaining life of the lease.

Maturity analysis of lease liabilities

The maturity analysis of lease liabilities as at 31 December 2020 is as follows:

	Within one year	1-2 years	Total
	£'000	£'000	£'000
Lease payments	815	340	1,155
Finance charge	(75)	(9)	(84)
Net present value	740	331	1,071

11 Investment in subsidiary undertakings

	2020	2019
	£'000	£'000
At 1 January 2020	61,966	61,138
Investments in subsidiaries during the year	9,111	14,997
Impairment reversal/(charge)	11,669	(14,169)
At 31 December 2020	82,746	61,966

During 2020, the Company acquired 9.1m additional ordinary shares in a subsidiary company, Panmure Gordon (UK) Limited, for £1 each.

Impairment testing of investments in subsidiaries

At each reporting period end, the Company reviews its investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use.

The value in use is calculated by discounting management's cash flow projections for the investment. The cash flow projections for each investment are based on the latest board-approved plans, covering a 5 year period, and a conservative long-term growth rate of 2% (2019: 2%) is used to extrapolate the cash flows in perpetuity. The rate used to discount the cash flows of 13.7% (2019: 13.7%) is based on the cost of capital, which is derived using a weighted average cost of capital ('WACC'). WACC depends on a number of inputs reflecting financial and economic variables, including risk-free rate and premium to reflect the inherent risk of business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement.

A reversal of impairment charges of £11.7m (2019: £14.2m impairment charge) was recognised in 2020 in relation to the Company's investment in subsidiaries.

A sensitivity analysis was performed on the growth and discount rates, and a marginal percentage change to either of these inputs would still result in a reversal of impairment.

Notes to the financial statements (continued)**11 Investment in subsidiary undertakings (continued)****Additional information on subsidiary undertakings**

At 31 December 2020 the Company owned 100% of the ordinary share capital of the following subsidiary undertakings, unless otherwise stated:

Name	Principal place of business and country of incorporation	Nature of business
Panmure Gordon (UK) Limited	United Kingdom – A1	Stockbroking, corporate finance and market making
Panmure Gordon Securities Limited	United Kingdom – A1	Stockbroking and market making
PrimeXtend Limited	United Kingdom – A1	Prime services
Panmure Gordon (Asia) Private Limited	Singapore – A2	Liquidated
Panmure Gordon (Broking) Limited	United Kingdom – A1	Dormant
Durlacher Research Limited	United Kingdom – A1	Dormant
Life Capital Limited	United Kingdom – A1	Dormant
Rotherfield Nominees Limited ¹	United Kingdom – A1	Dormant
Web Angel Limited	United Kingdom – A1	Dormant
United Energy Limited ²	United Kingdom – A1	Dormant
Panmure Gordon Holdings US LLC	United States of America – A3	Dormant

¹ Direct subsidiary of Panmure Gordon (Broking) Limited

² Direct subsidiary of Web Angel Limited

A1 – One New Change, London, United Kingdom, EC4M 9AF

A2 – Registered agent: Rajah & Tann Singapore LLP, 120 Robinson Road, #08-01, Singapore 068913

A3 – Registered agent: National Registered Agents, Inc, 160 Greentree Drive, Dover, Delaware 19904, USA

12 Deferred tax asset

	Short term provisions	PPE	Total
	£'000	£'000	£'000
Balance at 1 January 2020	26	78	104
Movement during the year	11	19	30
Balance at 31 December 2020	37	97	134

A deferred tax asset of £134k (2019: £104k) has been established to reflect the tax benefit which is expected to arise from accelerated capital allowances and short term timing differences.

Notes to the financial statements (continued)**13 Other receivables**

	31 December 2020 £'000	31 December 2019 £'000
Current assets		
Other receivables	300	411
Prepayments and accrued income	497	456
Total	797	867

14 Financial instruments and risk profile

The Company's financial instruments comprise cash and cash equivalents, receivables and payables arising from operations. The Company has recognised the following risks arising from these financial instruments:

- Credit risk
- Liquidity risk

Credit risk

Credit risk represents the possibility that the Company will suffer a financial loss resulting from a counterparty failing to meet its contractual obligations. For the Company, credit risk primarily arises from intercompany trade debtors and other receivables.

As at 31 December 2020, all cash and cash equivalents were held at a major financial institution, rated 'A' and above. The maximum credit exposure on cash and cash equivalents was £128k (2019: £62k).

Liquidity risk

Liquidity risk represents the possibility that the Company has insufficient funds to meet its obligations as they fall due. The Company manages liquidity risk by assessing cash-flows and monitoring the Company's balance sheet, in particular:

- monitoring of cash positions; and
- ensuring timely settlement by trade debtors and payment of creditors.

The Company holds its cash and cash equivalents with rated financial institutions. All cash and cash equivalents are short-term, liquid investments that are readily convertible to known amounts of cash without penalty.

15 Share Capital

	31 December 2020 £'000	31 December 2019 £'000
Allotted, called up and fully paid		
61,798,341 (2019: 52,687,254) ordinary shares of £0.04 each	2,472	2,107

The Company issued 9,111,087 ordinary shares of £1 each to its parent company, PGG Limited during the year. The shares were issued on 24 January 2020 for £8,500k and 10 March 2020 for a further £611k respectively. These investments support the Company in its strategic investment ambitions.

Notes to the financial statements (continued)**16 Merger reserves**

The merger reserve of £1,715k represents the difference between the market value of shares issued on business acquisitions and their nominal value and resulted from the acquisition of Panmure Gordon (UK) Limited in 2005.

17 Related party transactions*Intra-Company transactions with wholly owned subsidiaries*

	Owed by Subsidiaries 31 Dec 2020 £'000	Owed by Subsidiaries 31 Dec 2019 £'000	Owed to Subsidiaries 31 Dec 2020 £'000	Owed to Subsidiaries 31 Dec 2019 £'000
Panmure Gordon (UK) Limited	-	673	430	-
Panmure Gordon Securities Limited	-	-	29	28
Dormant entities	-	-	8,373	8,373
Balance	-	673	8,832	8,401

The amount owed by subsidiary, PrimeXtend Limited of £939k, was impaired in full (2019: £nil).

The Company reported £99k due to its parent company, PGG Limited (2019: £33k due from).

These loans are unsecured and repayable on demand.

	Admin costs recharged 31 Dec 2020 £'000	Admin costs recharged 31 Dec 2019 £'000
Panmure Gordon (UK) Limited	5,382	6,141

Transactions with key management personnel

Key management personnel are the directors of the Company. No directors received remuneration for their services to the Company.

18 Commitments and contingent liabilities

The Company had no commitments or contingent liabilities at 31 December 2020 (2019: none).

19 Events after the balance sheet date

As at 31 December 2020, the decision had been made to terminate the prime services business PrimeXtend. As a result, the investments in PrimeXtend Limited were fully impaired as at 31 December 2020. In February 2021 the clients and staff impacted by the closure were notified.

20 Ultimate parent undertaking

The Company is a subsidiary undertaking of Panmure Gordon Group Limited which is incorporated in the England and Wales. The company in which the results of the Company are consolidated is Panmure Gordon Group Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House.

The ultimate parent undertaking of the Company is AMC Luxco Holding IV SARL, incorporated in Luxembourg.