Redburn (Europe) Limited

Registered Number: 4710622

Annual Report and Financial Statements
For the year ended 31 December 2021

Contents

Corporate information

Directors
A Young (Chairman from 6 July 2021)
R E J Wyatt (Chairman until 6 July 2021, resigned 6 July 2021)
A J Squires (appointed 1 July 2021)
S R V Troughton (resigned 11 January 2022)
C P Jones (resigned 22 March 2021)
R L Keattch (resigned 6 July 2021)
J R Stier (appointed 1 January 2021)
N A Pink (appointed 1 July 2021)
B J Schwieger (appointed 1 July 2021)
J M O Evans
R N Miller
B Burston

Company Secretary
B Burston

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Registered Office
10 Aldermanbury
London EC2V 7RF

Strategic report

Review of the Business

Principal activity

The principal activity of Redburn (Europe) Limited (the "Company" or "Parent") and its subsidiaries (collectively "the Group" or "Redburn") is to provide research and execution services to professional and institutional investors. The Group intends to continue with these activities and expand its service offering in 2022, as described in the Strategic Review.

Financial performance

£m	Year ended 31 December 2021		Year ended 31 December 2020	
	Statutory Basis	**Adjusted Basis (APM)**	**Statutory Basis**	**Adjusted Basis (APM)**
Turnover	63.5	63.5	71.9	71.9
Gross Profit	48.5	48.5	57.7	57.7
Administration expenses	(54.5)	(52.5)	(60.2)	(57.8)
Goodwill amortisation	(2.2)	-	(2.2)	-
(Loss) Before Tax	**(8.2)**	**(4.0)**	**(4.7)**	**(0.1)**

The Directors believe it appropriate to disclose a Group Adjusted (Loss) figure that excludes share based payment expense and goodwill amortisation, to enable a better understanding of the Group's performance. This is a non UK-GAAP Alternative Performance Measure ("APM"). See note 20 for further explanation and a reconciliation between Adjusted Loss and Statutory Loss.

- The Statutory Basis Loss on ordinary activities before taxation was £8.2m (year ended 31 December 2020: £4.7m loss).
- The Adjusted Basis Loss before taxation was £4.0m (year ended 31 December 2020: £0.1m loss).

Turnover for the year ended 31 December 2021 was £63.5m (year ended 31 December 2020: £71.9m). This 12% decline in turnover partly reflects the exceptional market volatility arising from the Covid-19 pandemic, particularly in March and June 2020. When setting the 2021 budget, management assumed that market activity would return to more typical levels in H1 2021. Investor client activity was in line with expectations in Q1 2021, but declined markedly from late March 2021 onwards. Client activity in the secondary equities market remained subdued during H2 2021.

The aggregate equity research market wallet, which has fallen significantly since the implementation of MiFID II in January 2018, remains under pressure. Direct Research Payments from existing clients that adhere to MiFID II unbundling rules, predominantly based in the EU, declined further between calendar year 2020 and 2021, although the rate of deflation has eased. This deflation was partly offset by growth in revenue from clients who operate under a bundled methodology, predominantly based in the US.

Strategic report (continued)

Administration costs (statutory basis) for the year ended 31 December 2021 were £54.5m (year ended 31 December 2020: £60.2m). Administration costs (adjusted basis) for the year ended 31 December 2021 were £52.5m (year ended 31 December 2020: £57.8m). Management's objective to keep costs under tight control continued to be aided by the behavioural changes associated with the Covid-19 pandemic. Costs relating to travel, subsistence and client events were lower than the pre-pandemic run rate. Whilst some of these costs will likely increase again in the medium term, management are committed to making more use of video conferencing to reduce travel, and sustaining other cost savings, on a longer-term basis. As explained in note 20, the benefit of a £0.9m insurance recovery has been recognised as a credit to administration expenses. Variable compensation was reduced in response to the challenging financial performance.

Strategic Review

In the 2020 Annual Report, a summary of a new strategic plan was presented. The theme of this plan was leveraging existing intellectual property through:

- diversification by product and geography; and
- increasing client numbers and depth of relationships.

Key areas of focus for 2021 included developing the existing US equities operations, growing the number of US companies under research coverage and integrating Environmental, Social and Governance ("ESG") analysis into research content.

In May 2021, the Board approved a plan to build an equity capital markets ("ECM") and corporate services business, replicating the standard operating model for broking enterprises, whereby firms leverage research, distribution and execution infrastructure in the high margin business of raising new capital for listed or unlisted corporates or selling shares in the market for existing owners by way of IPO secondary offering.

The required regulatory permissions to implement this plan have been received from the FCA in the UK and from FINRA in the US. The Company has also applied to the ACPR to vary its permissions in France, in order to service EU clients.

Acquisition by Rothschild & Co of a controlling stake in the Company

In December 2021, the Board recommended a transaction to the shareholders of the Company, whereby Rothschild & Co Continuation Holdings AG ("Rothschild & Co") would acquire a controlling stake in the Company. This transaction received shareholder approval on 11 January 2022. Rothschild & Co will acquire a controlling interest in 2022, subject to regulatory approval, and have committed to purchase the remaining outstanding shares in 2026.

As part of this investment, Rothschild & Co will inject a further £10m of new capital into the Company. After accounting for professional fees directly related to the transaction, it is estimated that this injection will result in a £9.4m increase in capital resources on completion. Rothschild & Co will own c73% of the enlarged share capital of the Company on completion in 2022. The final consideration paid by Rothschild & Co for the remaining stake in 2026 will be dependent on the performance of the Redburn business up to financial year 2025.

Strategic report (continued)

During 2021, Rothschild & Co held c25.3 per cent. of the shares of the Company and had two representatives on the Board, including Adam Young as Chairman. The Board is enthusiastic about the commercial and financial benefits which it believes will flow from the transaction and the expansion of the strategic relationship between Rothschild & Co and Redburn. This enthusiasm is based on the existing strong business relationship between the two organisations, their close and complementary cultural fit and the developed plans for further meaningful strategic co-operation.

The Board also recognises the importance of the investment of £10m of new capital at this point in the economic cycle, given Redburn's plan for investment-led growth. The challenging revenue performance in 2021 means that diversifying revenue streams through the new strategic plan is a priority. This investment of new capital will ensure that Redburn is appropriately capitalised both to support its existing operations and people, and to expand materially its strategic initiatives in Equity Capital Markets, US equities research coverage and Execution.

Covid-19

Our thoughts are with all stakeholders who have lost friends and family as a result of Covid-19.

During 2021 , the business continued to successfully work from home when required, with no adverse impact on our services to our clients or our product. Covid-19 is not expected to have an adverse impact on our services to our clients or our product in 2022. However, the news flow associated with the pandemic may have an impact (positive or negative) on market traded values and commission income in 2022.

Brexit

On 23 December 2020, the EU and UK announced a trade deal, but no deal was announced in respect of financial services. The Group therefore lost cross-border market access to clients domiciled in the EU by virtue of the passporting regime.

The Board fully activated its Brexit contingency plan in Q4 2020 and the process to novate EU clients to Redburn (France) SA, where required, commenced in December 2020. Redburn (France) SA successfully accepted orders from EU domiciled clients from 4 January 2021.

The successful implementation of the Brexit contingency plan means that there has been no meaningful disruption to the services we provide to EU clients or the revenue we receive from them. However, the establishment of a fully operational subsidiary in France has required the Group to employ additional staff and incur other additional administration costs.

Capital

The Company continued to maintain an appropriate regulatory capital surplus over and above the minimum regulatory requirement throughout the year ended 31 December 2021. However, the capital buffer reduced as a result of the trading loss in 2021 and injections of capital into overseas subsidiaries: Redburn (France) SA to support the Brexit transition and into Redburn (USA) LLC to facilitate an increase in broking activity in US equities, in accordance with the strategic plan.

Strategic report (continued)

As at 31 December 2021, the Company's capital resources after regulatory deductions, primarily goodwill, were £18.1m (31 December 2020: £25.5m). The Company's regulatory capital requirement at that date was £13.1m (31 December 2020: £13.2m). The surplus of capital resources over the regulatory capital requirement (the "capital buffer") was therefore £5.0m (31 December 2020: £12.3m). Following completion of the transaction described earlier, whereby £10m of new capital will be injected into the Company (£9.4m net of fees), subject to regulatory approval, there will be a meaningful increase in the size of the capital buffer.

From 1 January 2022, the Company was required to calculate its capital buffer under the new Investment Firms Prudential Regime ("IFPR"). This transition did not have a material impact on the Company's capital buffer.

Further details of the Company's capital position can be found in the Pillar 3 document which can be downloaded from the Company website: www.redburn.com

The Board has resolved to recommend that no dividend be declared for the year ended 31 December 2021 (year ended 31 December 2020: Nil)

Strategic report (continued)

Performance measures

In December 2020, the Board approved new performance measures to be applied for the year ended 31 December 2021. These are aligned to the strategic priorities, described earlier.

Key Performance Indicators (KPIs)

The following KPIs were adopted from 1 January 2021. They are suited to being assessed with reference to measurable numerical data.

Financial KPIs	Comment on measurement & relevance	2021 Performance
1) Group Turnover per head	Measure of productivity, accepting that this measure may also be impacted by market conditions.	**2021: £308k** 2020: £361k Average headcount increased slightly during the year to 206 (year ended 31 December 2020: 199). Additional staff were recruited to work in the new French subsidiary when the Brexit contingency plan was activated. Turnover has decreased, such that there was a unfavourable decrease in this metric
2) Group Operating margin The adjusted profit measure (APM) has been adopted for this KPI.	Measure of productivity, accepting that this measure may also be impacted by market conditions.	**2021**: -6.2% 2020: -0.1% Reflects results summarised in the financial performance section.
3) Company Capital Buffer	Capital resources less regulatory capital requirement. This is a measure of financial stability.	**2021: £5.0m** 2020: £12.3 m The capital buffer for the Company reduced as a result of the trading loss in 2021 and injections of capital into overseas subsidiaries: Redburn (France) SA to support the Brexit transition and into Redburn (USA) LLC to facilitate an increase in broking activity in US equities, in accordance with the strategic plan. As noted on page 6, the capital buffer will increase significantly following the completion of the transaction with Rothschild & Co.
4) Non-core revenues as % of total revenues	Consistent with the strategic aim of growing revenues outside the Company's core markets.	**2021**: 8.5% 2020: 7.4% Non-core revenues are: US Shares Commission, Alpha Capture, revenue from Private Equity clients, ESG and projects with Rothschild & Co.

Strategic report (continued)

Non-Financial KPIs	Comment on measurement & relevance	2021 Performance
5) Growth in market share	The financial KPIs are impacted by market activity. Market share growth is a useful measure for assessing relative success.	Management review data provided by an independent third party – trailing 12 month change in European shares global wallet. Market share declined by 25bps or 10.5% between 2020 and 2021. Redburn's market share tends to decline during periods when market traded values are lower. However, US market share grew by 0.6bps or 9.5% during the period, reflecting our strategy to invest in greater coverage of US companies.
6) Net growth in clients	Growing client numbers is a key aspect of the strategy to better leverage existing intellectual property.	During the period, the number of active clients grew by 2% . An active client is defined as a client who contributed any form of revenue during the year.

Non-KPI measures

A range of other important factors were considered by the Board when assessing performance during the year ending 31 December 2021.

The following **Non-KPI measures** were assessed alongside KPIs:

A) Employee satisfaction
B) Regulatory breaches
C) Customer complaints
D) Client feedback
E) Risk events

Linkage between Strategy, KPIs and Non-KPI measures

The KPIs and Non-KPI measures are linked to the Group's strategy as follows:

Strategy	Relevant KPI	Non-KPI measure
Leveraging existing intellectual property through: • Diversification by product and geography • Increasing client numbers and depth of relationships.	4) Non-core revenues as % of total revenues. 5) Growth in market share. 6) Net growth in clients.	D) Client feedback.
Improving returns to shareholders through revenue growth and cost discipline.	1) Turnover per head. 2) Operating margin. 5) Growth in market share. 6) Net growth in clients.	E) Risk events.
Employer of choice in cash equities.	1) Turnover per head.	A) Employee satisfaction.

Strategic report (continued)

Strategy	Relevant KPI	Non-KPI measure
Delivering sustainable growth that does not negatively impinge on financial stability, regulatory obligations or our environment.	3) Capital Buffer.	B) Regulatory breaches. C) Customer complaints. E) Risk events.

Linkage between Remuneration, KPIs and Non-KPI measures

Individual remuneration of all senior management who could expose the firm to material risk ("Material Risk Takers" or "Code Staff"), including all members of the Group Management Committee ("GMC"), is approved by the Remuneration Committee. This Committee of the Board consists exclusively of Independent Non-Executive Directors.

The Remuneration Committee approves remuneration for Code Staff with reference to:
- Company performance;
- Individual & business area performance; and
- Industry compensation data provided by a leading third-party supplier.

The Remuneration Committee considered the results of the new KPI and Non-KPI measures when approving remuneration in respect of the year ended 31 December 2021.

See note 7 for further details about management compensation in 2021. Management Compensation declined between 2020 and 2021, reflecting the challenging financial performance and mixed KPI results.

Outlook

An update on strategy is provided in the 'Review of the Business' section. The investment in the Execution business and US shares coverage is a natural extension of our core competencies. However, the development of an ECM business is considered to be a new business activity.

MiFID II took effect on 3 January 2018, introducing new regulatory rules surrounding the payment for research services which significantly changed the way in which the Group is paid for research. The ongoing impact of these changes is described in the Financial Performance section. Given the structural, economic and regulatory challenges facing our clients, further deflation remains an inherent risk.

The Board has considered the potential impact on the Group of the economic disruption arising from the Russian invasion of Ukraine in February 2022. The Board does not believe that this event will have a significant impact on the ability of the Group to implement its strategy. Commission revenue was in line with base case expectations in Q1 2022, supported by higher volatility in financial markets. There is a risk that uncertainty associated with this event results in periods of low client activity and lower commission levels later in 2022.

Strategic report (continued)

Section 172 (1) statement

The Directors consider they have acted in a way to promote the success of the Company for the benefit of its members as a whole, and in doing so have had regard to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The table below outlines what the Directors consider to be the Company's key stakeholder groups. It provides examples of how the Directors have engaged with those groups and had regard to the matters listed above when making decisions.

Stakeholder	**Form of engagement**	**Examples**
Shareholders	The Company has fewer than 200 shareholders and around 45% of those shareholders are employees or employee families. The relatively small shareholder base supports meaningful debate at shareholder meetings. The Directors regularly engage with shareholders on a bilateral basis.	Throughout the year, members of the GMC and the Board engaged with several shareholders on a bilateral basis around the proposed additional investment in the Company by Rothschild & Co.
Employees	There are regular employee meetings where Directors discuss important matters with employees. Several meetings are held over consecutive days to maximise attendance and the ability for employees to raise concerns in smaller groups. Around 61% of employees are shareholders or have been issued share awards that will vest in future periods. The Directors consider employee and shareholder interests to be well aligned.	A series of team meetings was held in 2021, focussing on progress in implementing the new strategic plan and the Board's decision to launch an ECM offering. The new Independent Non-Executive Directors met with employees as part of their induction. The Company has made the use of video conferencing available for employee meetings in response to Covid-19 restrictions.

Strategic report (continued)

Customers	Directors regularly meet customers to obtain feedback on the Company's service offering. Formal feedback is received from many customers as an output of their process to allocate research payments. Regular updates on client feedback are provided to the Board.	Several aspects of the new strategic plan are, in part, a direct response to feedback from clients. For instance, our clients were keen to have access to ESG insights and coverage of more US companies. The Directors met with clients to explain the new strategy during 2021. The Company worked closely with clients to ensure a smooth transition of relationships to the new French subsidiary, following activation of the Brexit contingency plan.
Charities, environment and the Community	The Company makes regular donations to charity. A Charity Committee, run by employees, determines how to direct charitable donations. The Board is engaged in decisions regarding the Company's environmental impact e.g. use of video conferencing to reduce flights and printing / distribution of hard copy research reports.	During the year, the Company supported Food For All and Restore NYC. Food For All takes fresh produce that would have gone to waste and turns it into free nutritious hot meals for the community. They have recently established a field kitchen for Ukrainian refugees in Poland providing 2500 hot meals a day. Redburn employees helped raise £20,000 for them and other Ukrainian charities. Restore NYC provides various support for victims of human trafficking. Our support for charities is both financial and through gifting the time of employees to work on projects with them. Following the successful use of video conferencing during the Covid-19 pandemic, the GMC has committed to reduce levels of colleague air travel on a permanent basis. See Carbon emissions below.
Suppliers	Members of the Group Management Committee ("GMC" or "Management"), including Directors, meet with our key suppliers regularly to ensure good service levels, to assess business continuity risks and explore more efficient working practices. The payment practice and performance return is reviewed by a Director before submission.	Discussions were held with our key suppliers about how the Company would work with them most effectively following the end of the Brexit transition period. The Company remained committed to paying suppliers on a timely basis, notwithstanding the move to home working.

Strategic report (continued)

Government and Regulators	The Directors recognise the importance of open dialogue with regulators. Directors and employees attend both industry forums and bi-lateral meetings with regulators. Such attendance supports the Company in meeting the expectations of the regulators. It is also a mechanism for the Company to provide feedback on the opportunities and challenges in the industry.	Regular communication with the French regulators as the Brexit contingency plan was activated. Early engagement with the FCA about the additional investment by Rothschild & Co in the Company.

Greenhouse Gas Emissions and Energy Consumption

Redburn's business and emissions

Redburn provides research and execution services and its primary sources of Greenhouse Gas ("GHG") emissions are electricity use and employee travel.

Energy efficiency actions taken during the year

The Covid-19 pandemic has given us the opportunity to reset how we interact with our colleagues and clients, in the context of the impact travel has on the environment. Travel in 2021 was materially lower than pre-pandemic levels. This was partly due to renewed Covid travel restrictions, but also reflects our strategy of reducing travel by making greater use of video conferencing.

Reporting methodology

The first step to reducing our emissions is understanding our starting point. Hence, we report in line with the Streamlined Energy and Carbon Emissions (SECR) guidance. The figures presented below are prepared for years ended 31 December for each year reported. Where widely accepted guidance is available, we have used this guidance. In the current year, GHG emissions have been reported under the Greenhouse Gas emissions protocol[1].

[1]detailed methodology can be found at www.ghgprotocol.org

Strategic report (continued)

Greenhouse Gas Emissions and Energy Consumption (continued)

	2021	**2020**	**2019**
Scope 1 *tonnes CO_2e*	184	169	223
Scope 2 – Location based *tonnes CO_2e*	259	267	296
Electricity use *kWh*	*457,994*	*457,630*	*484,378*
Gas *kWh (m^3)*	*501,194*	*460,846*	*606,114*
Scope 3 *tonnes CO_2e*	19	60	574
Scope 3 intensity metric *tonnes CO_2e/FTE*	0.1	0.3	3.4
Scope 2 intensity metric *tonnes CO_2e / FTE*	1.2	1.4	4.7
GHG emissions from water use *Kg CO_2e*	2	5	13
Water use *m^3*	856	1,037	2,359
Waste to landfill *Tonnes*	6.45	Data not available	Data not available

Looking forward

We are currently undertaking a review of travel and electricity suppliers to assess the feasibility of moving to providers who can support us in reducing our carbon footprint. We are also moving towards disclosing our Scope 2 Market-based emissions, and key waste management, as well as establishing targets for GHG emissions and waste reduction.

Strategic report (continued)

Principal Risks and Uncertainties

The Group is exposed, through its operations, to financial and non-financial risks. The policies for managing these risks are approved by the Board after input from the Risk Committee and the GMC and are described below. Further information can be found in the Pillar 3 disclosures.

Strategic risk
Strategic risk is the risk of financial loss or failure to achieve expected revenue due to the pursuit of an unsuccessful business plan in the context of regulatory developments, political developments, macroeconomic environment and broking market conditions. The risks associated with structural industry developments are described in the Outlook section on page 9. A sustained period of depressed revenues due to an internal or external market event is considered to be a key strategic risk.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system issues, or external events. The key specific operational risks to which the Group is exposed are:

- **A material broking error**. The Group has implemented controls to reduce the risk of a material broking error. Additionally, the Group has financial loss insurance cover in place which may mitigate the financial impact of events such as broking errors.

- **Poor performance or failure of a key third party supplier** where key business activities are outsourced. The Group monitors the performance and financial condition of key third party suppliers.

- **People risk**, given the importance of retaining skilled staff to deliver a high quality product. People risk is managed through a regular appraisal cycle which allows management to identify and act upon employee dissatisfaction on a timely basis.

- **Cyber-crime**, including ransomware and denial of service attacks. The Group has implemented appropriate controls to reduce the probability and impact of a cyber attack, however there will always be a residual risk that an attack is successful.

- **Brexit**, where the UK's withdrawal from the EU has resulted in the Group losing automatic cross-border market access to clients domiciled in the EU. This is both an operational and strategic risk. As explained in the 'Review of the Business' section, the Group has successfully activated its contingency plan and this development is not expected to have a material adverse impact on the Group. However, the future regulatory landscape for UK financial services groups operating in Europe remains uncertain since EU and UK regulators continue to discuss the post-Brexit framework, including equivalence decisions.

Market risk
Currency risk arises as the Group generates income in European currencies and has operations in the US, whereas the reporting currency is sterling. Management mitigates this by monitoring currency exposures and converting foreign currency balances into sterling on a monthly basis, thus keeping foreign currency denominated assets at a minimum. Intra-month translation risk is not hedged.

Strategic report (continued)

The Group has no borrowings, so interest rate risk is limited to that arising from cash deposits. Management monitors interest rates in the context of an assessment of the credit risk of the Group's banks with whom placements are made. Our risk appetite for such credit risk is low.

The Group does not operate a trading book and so has no other direct exposure to financial markets. Indirectly, the Group is highly dependent on the level and volume of trading in the financial markets in which it acts as a broker and is therefore subject to the price, credit and liquidity risks that prevail in these markets.

Credit risk

The exposure to the possibility of financial loss resulting from counterparty default is monitored carefully. The Group aims to minimise exposure to credit risk by operating as a matched principal broker and ensuring it has no direct exposure on its own account. The Group's brokerage business is typically conducted on a delivery versus payment basis and significant credit risk is not expected to arise in the normal course of business. However, losses could arise in a scenario where one of the broking counterparties on a matched trade defaults and there is a significant movement in the price of the underlying security.

The Group is exposed to credit risk through the receivables due from its settlement and clearing agent and other authorised UK entities. These receivable balances settle on a regular basis and the credit worthiness of counterparties is monitored closely.

Non-trade related exposure is predominantly restricted to the various UK and US banks where cash is deposited. It is the Group's policy to distribute its cash deposits across a number of banks to mitigate credit risk and to regularly assess the credit risk of those banking counterparties.

Capital and liquidity risks

These risks include the possibility of having insufficient liquid resources to meet liabilities as they fall due or insufficient capital to meet regulatory requirements or absorb financial losses. In the normal course of business, liquidity risk is low since the Group maintains a cash buffer.

Short term liquidity to facilitate settlement timing differences is committed by BNP Securities Services ("BNPSS") and Pershing Securities Limited, which undertake settlement services for the Company. However, if an extreme stress event such as a material broking error or default of a broking counterparty were to materialise, this could result in a significant cash outflow and resultant liquidity and capital stress. The Company undertakes liquidity stress testing on a regular basis and has developed a Recovery Plan.

As explained in the Strategic Report and in note 23, in January 2022 the Company's shareholders approved a transaction whereby £9.4m of new capital (net of professional fees) will be injected into the Company by Rothschild & Co, subject to regulatory approval. This will restore capital and liquidity buffers, which declined during 2021. Whilst the Directors fully expect regulatory approvals to be granted, the timing of such approvals is uncertain.

Reputational risk

This is the risk of loss arising from the negative perception on the part of key third party relationships including customers, counterparties, shareholders and regulators. This risk also encompasses litigation risk as this arises for the Group where events that would typically lead to reputational risk escalate such that there is then litigation risk.

Strategic report (continued)

The Group's reputation is preserved, and the risk of a sustained period of reduced revenue therefore reduced by: ensuring compliance with regulations and ethical standards; attracting and retaining talented staff; and, providing accurate and timely execution of contractual obligations.

Compliance risk
Compliance risk is the risk of financial loss arising from regulatory action, legislation, contract or other laws and regulations. Management is committed to full regulatory compliance and has developed policies and procedures in order to conform to regulatory requirements.

Risk Management Framework
For further details about the Group's risk management framework, please refer to the Pillar 3 document attached to the Company's website: www.redburn.com

For and on behalf of the Board

B Burston
Company Secretary
29 March 2022

Directors' report

The directors present their report on the affairs of the Company and the Group for the year ended 31 December 2021.

Directors
The directors who served during the year and up to the date of this report are shown on page 2.

Going Concern
The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the directors considered the ability of the Company and Group to meet liabilities for at least the next 12 months, in the context of shareholder approval being received, on 11 January 2022, for an injection of new capital by Rothschild & Co. See note 23 for further details.

Future Developments
The directors' expectations around future developments in the business are discussed in the Strategic Report on page 3, as permitted under s414C(11) of the Companies Act 2006.

Disclosure of information to the auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditor
In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditor will be proposed to the members at the Annual General Meeting.

Political Donations
The Group made no political donations in the period.

Dividends
On 29 March 2022 the directors resolved to recommend that no dividend be paid in respect of the year ended 31 December 2021 (Year ended 31 December 2020 - £nil).

For and on behalf of the Board

Ben Burston

B Burston
Company Secretary
29 March 2022

Directors' responsibilities statement

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

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

In preparing those financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of Redburn (Europe) Limited (Continued)

Opinion

We have audited the financial statements of Redburn (Europe) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group income statement, the Group and Company statement of comprehensive income, the Group and Company statement of financial position, the Group statement of changes in equity, the Company statement of changes in equity, the Group statement of cash flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group and parent company's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independent Auditor's Report to the Members of Redburn (Europe) Limited (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Independent Auditor's Report to the Members of Redburn (Europe) Limited (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, 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 group's and the parent 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 group or the parent 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Financial Conduct Authority ('FCA') rules and regulations.
- We understood how Redburn (Europe) Limited is complying with those frameworks by making enquiries of management, including the Chief Financial Officer. We corroborated our understanding through our review of board and Audit Committee meeting minutes and correspondence received from regulatory bodies.

Independent Auditor's Report to the Members of Redburn (Europe) Limited (Continued)

- We assessed the susceptibility of the parent company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where they considered there was susceptibility to fraud. We considered the controls that the parent company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how management monitors these controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and focused testing procedures on the improper revenue recognition of Direct Research Payments.

A further description of our responsibilities for the audit of the financial statements is located 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.

Ernst & Young LLP

Denise Davidson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 March 2022

Group income statement
for the year ended 31 December 2021

	Notes	*2021* *£000s*	*2020* *£000s*
Turnover	5	63,533	71,906
Cost of Sales		(15,050)	(14,216)
Gross Profit		48,483	57,690
Administration expenses excluding share-based payments		(52,435)	(57,767)
Share based payments		(2,025)	(2,420)
Administrative expenses		(54,460)	(60,187)
Operating loss before goodwill amortisation	6	(5,977)	(2,497)
Goodwill amortisation		(2,218)	(2,218)
Operating loss		(8,195)	(4,715)
Interest receivable and similar		1	15
Loss on ordinary activities before taxation		(8,194)	(4,700)
Tax on loss on ordinary activities	8	3,096	1,223
Loss on ordinary activities after taxation		(5,098)	(3,477)

All amounts are in respect of continuing activities.

The notes on pages 29 to 44 are an integral part of these financial statements.

Group and Company statement of comprehensive income

for the year ended 31 December 2021

	Group		*Company*	
	2021	*2020*	*2021*	*2020*
	£000s	*£000s*	*£000s*	*£000s*
Loss for the financial year	(5,098)	(3,477)	(6,118)	(4,435)
Exchange differences on retranslation of foreign operations	(68)	(59)	–	–
Total comprehensive income for the year	(5,166)	(3,536)	(6,118)	(4,435)

Total comprehensive income for the year attributable to owners of the parent company	(5,166)	(3,536)
	(5,166)	(3,536)

Group and Company statement of financial position

at 31 December 2021

	Notes	Group 2021 £000s	Group 2020 £000s	Company 2021 £000s	Company 2020 £000s
Fixed assets					
Intangible assets	9	28,490	30,489	36,005	38,618
Tangible assets	10	1,622	1,290	1,230	1,228
Investments in related entities	11	–	–	3,984	2,712
		30,112	31,779	41,219	42,558
Current assets					
Debtors	12	86,305	265,563	84,683	264,636
Investments - fixed term bank deposits	13	347	–	–	–
Cash and cash equivalents		13,278	23,909	8,419	18,902
		99,930	289,472	93,102	283,538
Current liabilities					
Creditors: amounts falling due within one year	14	(72,899)	(260,642)	(72,183)	(259,540)
Net current assets		27,031	28,830	20,919	23,998
Net assets		57,143	60,609	62,138	66,556
Capital and reserves					
Called up share capital	15	13,316	13,316	13,316	13,316
Share premium	17	63,148	62,824	63,148	62,824
Retained earnings	17	(21,856)	(16,690)	(16,861)	(10,743)
Options and share based payments	17	3,662	2,338	3,662	2,338
Own shares - employee benefit trust	21	(1,127)	(1,179)	(1,127)	(1,179)
		57,143	60,609	62,138	66,556

The notes on pages 29 to 44 are an integral part of these financial statements.

The financial statements on pages 23 to 44 were approved and authorised for issue by the Directors on 29 March 2022.

Jeremy Evans.

J M O Evans
Director

Group statement of changes in equity
for the year ended 31 December 2021

	Share capital £000s	Share premium £000s	Retained earnings £000s	Options & share based payments £000s	Own shares - employee benefit trust £000s	Total equity £000s
At 31 December 2019	13,316	61,671	(13,154)	1,954	(1,420)	62,367
Retranslation of investment in subsidiary	–	–	(59)	–	–	(59)
Loss for the year	–	–	(3,477)	–	–	(3,477)
Options expense	–	–	–	(1)	–	(1)
Share based payments expense (equity settled)	–	–	–	1,821	–	1,821
Share based payments vested	–	1,153	–	(1,436)	–	(283)
Own shares acquired by EBT	–	–	–	–	(42)	(42)
Own shares transferred from EBT	–	–	–	–	283	283
At 31 December 2020	13,316	62,824	(16,690)	2,338	(1,179)	60,609
Retranslation of investment in subsidiary	–	–	(68)	–	–	(68)
Loss for the year	–	–	(5,098)	–	–	(5,098)
Options expense	–	–	–	–	–	–
Share based payments expense (equity settled)	–	–	–	1,713	–	1,713
Share based payments vested	–	324	–	(402)	–	(78)
Share based payments retained reserve	–	–	–	13	–	13
Own shares acquired by EBT	–	–	–	–	–	–
Own shares transferred from EBT	–	–	–	–	52	52
At 31 December 2021	13,316	63,148	(21,856)	3,662	(1,127)	57,143

Company statement of changes in equity
for the year ended 31 December 2021

	Share capital	*Share premium*	*Retained earnings*	*Options & share based payments*	*Own shares - employee benefit trust*	*Total equity*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*	*£000s*
At 31 December 2019	13,316	61,671	(6,308)	1,954	(1,420)	69,213
Loss for the year	–	–	(4,435)	–	–	(4,435)
Options expense	–	–	–	(1)	–	(1)
Share based payments expense (equity settled)	–	–	–	1,821	–	1,821
Share based payments vested	–	1,153	–	(1,436)	–	(283)
Own shares acquired by EBT	–	–	–	–	(42)	(42)
Own shares transferred from EBT	–	–	–	–	283	283
At 31 December 2020	13,316	62,824	(10,743)	2,338	(1,179)	66,556
Loss for the year	–	–	(6,118)	–	–	(6,118)
Options expense	–	–	–	–	–	–
Share based payments expense (equity settled)	–	–	–	1,713	–	1,713
Share based payments vested	–	324	–	(402)	–	(78)
Share based payments retained reserve	–	–	–	13	–	13
Own shares acquired by EBT	–	–	–	–	–	–
Own shares transferred from EBT	–	–	–	–	52	52
At 31 December 2021	13,316	63,148	(16,861)	3,662	(1,127)	62,138

As disclosed in the table above, the parent company loss for the year ended 31 December 2021 was £6,118,000 (year ended 31 December 2020 - £4,435,000)

Group statement of cash flows

for the year ended 31 December 2021

	2021 £000s	2020 £000s
Operating activities		
Operating loss	(8,195)	(4,715)
Amortisation of intangible fixed assets	2,979	2,934
Depreciation of tangible fixed assets	526	514
Decrease/(Increase)in operating debtors and prepayments	182,487	(129,175)
(Decrease)/Increase in operating creditors and accruals	(187,826)	130,481
Options and share based payments	1,700	1,821
Taxation paid	(50)	(32)
Net cash flow (used)/generated in operating activities	(8,379)	1,828
Investing activities		
Interest received	1	15
Retranslation of foreign tangible fixed assets	7	7
Payments to acquire intangible fixed assets	(980)	(780)
Payments to acquire tangible fixed assets	(865)	(187)
(Increase)/Decrease in current assets investments	(347)	329
Retranslation of investment in subsidiary	(68)	(60)
Net cash flow from investing activities	(2,252)	(676)
Financing activities		
Own shares acquired for EBT	–	(42)
Cash received due to shareholders - see note below	–	(5,064)
Net cash flow from financing activities	–	(5,106)
Cash and cash equivalents and movements therein		
(Decrease) in cash and cash equivalents	(10,631)	(3,954)
Cash and cash equivalents at start of the year	23,909	27,863
Cash and cash equivalents at end of the year	13,278	23,909

Cash and cash equivalents at end of the year comprise the following:		
Cash at bank	13,278	23,909
	13,278	23,909

On 31 December 2019, Rothschild & Co purchased 1,200,000 shares from existing shareholders as part of a wider investment in the Company. The Company acted as the settlement agent for this transaction. The Group Cash balance at 31 December 2019 included £5,064,000 that was received from Rothschild & Co on 31 December 2019 and paid to shareholders on 3 January 2020 in exchange for their shares.

Notes to the financial statements
for the year ended 31 December 2021

1. General information
Redburn (Europe) Limited ("the Company") and its subsidiaries, listed in note 11 (collectively "the Group") provide execution and research services to professional and institutional investors.

Redburn (Europe) Limited is a limited liability company incorporated in England. The Registered Office is 10 Aldermanbury, London EC2V 7RF.

2. Statement of compliance
The Group's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable United Kingdom accounting standards as defined in the Companies Act 2006. The Board believes regulatory capital requirements will continue to be met and the Group will have sufficient liquidity to meet its liabilities for at least the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate. In reaching this conclusion, the Board had regard to the post balance sheet events highlighted in note 23.

Basis of consolidation
The Group accounts include the financial statements of the Company and its subsidiaries. No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

Related party transactions
In accordance with section 33.1A of FRS 102, transactions with and between wholly owned subsidiaries have not been disclosed.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

Notes to the financial statements
for the year ended 31 December 2021

3. Accounting policies (cont'd)

Revenue recognition
Commission income is recognised on an accruals basis when confirmed by the settlement agent. Commission received through Commission Sharing Agreements and Research Charge Collection Agreements is recognised in full, with a simultaneous expense recognised in cost of sales equating to the element of the commission expected to be paid to the research provider. Direct research payments are recognised on an accruals basis when the receipt of income is considered probable and reliably measurable.

Operating lease commitments
Payments under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Incentives received to enter into operating leases for the Group's office premises are credited to the income statement, to reduce the lease expense, on a straight line basis over the life of the lease.

Share based payments
The Company grants share awards to employees from time to time. Where shares are awarded to employees at below fair market value, the difference between the fair market value of the award on the date of grant and the consideration paid by the employee is recognised as an expense over the vesting period of the award, on a straight line basis.

The Group previously operated two separate Employee Option schemes; an equity settled scheme for staff employed in the United Kingdom (EMI plan) and a cash settled scheme for those employed in the United States (Phantom plan). These are legacy schemes and no new awards were made during the year.

Employee Benefits Trust
The Group has an Employee Benefits Trust ("EBT") which may purchase shares in the Company for the purposes of administering share awards to employees. The EBT is consolidated into the Group and Company's financial statements, with any shares held by the EBT deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Taxation and deferred taxation
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate in future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Notes to the financial statements
for the year ended 31 December 2021

3. Accounting policies (cont'd)

Taxation and deferred taxation (cont'd)
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the reporting date. Deferred tax balances are not discounted.

Goodwill
Goodwill arises on the acquisition of a business and represents the excess of the fair value of the consideration transferred over the net fair value of the identifiable assets and liabilities acquired. Goodwill arising from transactions completed prior to transition to FRS 102 is being amortised on a straight line basis over 20 years, being the directors' best estimate of its useful economic life. At each reporting date, goodwill is assessed to determine whether there is an indication that it may be impaired and if there is such an indication the recoverable amount is compared to the carrying amount.

Intangible fixed assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Goodwill - 20 years
Software and website development - 3 to 5 years

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset, evenly over its expected useful life, as follows:

Leasehold property – over the term of the lease
Office equipment - 2 to 5 years
Furniture and fittings - from purchase until the end of the lease

Notes to the financial statements
for the year ended 31 December 2021

3. Accounting policies (cont'd)

Financial instruments

Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. Any losses arising from impairment are recognised in the income statement and other comprehensive income.

The Company engages in matched principal transactions, whereby securities are bought from one counterparty and contemporaneously sold to another counterparty. Settlement of such transactions typically takes place within a few business days of the transaction date according to the relevant market rules and conventions. The amounts due from and payable to counterparties in respect of unsettled matched principal transactions are shown gross, except where a netting agreement, which is legally enforceable, exists and the asset and liability are either settled net or simultaneously. All financial transactions are recorded at the transaction date.

Settlement balances are classified as other debtors or creditors and the accounting treatment is described above.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less; longer term deposits are classified as current assets investments.

Investments in related entities

Investments in subsidiaries are recorded at cost less, where appropriate, provision for impairment.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Goodwill

FRS 102 outlines a number of external and internal factors that should be considered when assessing whether indicators of impairment are present. In light of the structural and cyclical challenges arising since the introduction of MiFID II, as described in the strategic report, management concluded that an indicator of goodwill impairment was present at 31 December 2021. Management accordingly undertook an exercise to determine the recoverable amount of Goodwill on the balance sheet. The conclusion of that exercise was that the recoverable amount of goodwill exceeded the carrying value of goodwill, and that no impairment of goodwill was required at 31 December 2021. The key assumptions underpinning this conclusion are that i) the new investment by Rothschild & Co, described in note 23, receives regulatory approval and that the injection of primary capital will support the implementation of the new strategic plan ii) a discount rate of 10% and terminal growth rate of 2% applied in the value in use calculation. As goodwill is amortised under FRS 102, the carrying value of Company goodwill at 31 December 2021 is £19.1m lower than on recognition.

Notes to the financial statements
for the year ended 31 December 2021

4. Critical accounting judgements and estimation uncertainty (cont'd)

Software
Website and digital development costs have been classified as intangible assets and have been separately assessed for indications of impairment and no impairment indicators have been identified.

Deferred tax
Deferred tax assets have been recognised in full, notwithstanding the Company's loss for the year ended 31 December 2021, on the basis that it is deemed probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The key assumption underpinning this conclusion is that the new investment by Rothschild & Co, described in note 23, receives regulatory approval and that the injection of primary capital will support the implementation of the new strategic plan that will see the Company return to profitability.

5. Turnover
Turnover represents commissions receivable and payments for direct research services provided during the period and arising from continuing activities. The majority of the turnover and other income in the period arose from the supply of services in the United Kingdom and Europe 55.3% (2020 - 63.9%). Most of the remainder arose in North America 41.2% (2020 - 36.1%) with the balance arising in the rest of the world.

6. Operating loss
The operating loss for the Group is stated after charging:

	2021	*2020*
	£000s	*£000s*
Auditor's remuneration		
Audit of financial statements	190	170
Non-audit services:		
Audit related assurance related services	50	64
Tax compliance services	69	64
Total non-audit services	119	128
Total auditor's remuneration	309	298
Depreciation and amortisation of software	1,287	1,230
Operating lease rentals	1,268	1,288
Amortisation of goodwill	2,218	2,218

Notes to the financial statements
for the year ended 31 December 2021

7. Employees and directors

	2021	2020
	£000s	£000s
Employee costs		
Wages and salaries	27,695	31,412
Social security costs	3,162	3,746
Other pension costs	1,396	1,403
	32,253	36,561

	2021	2020
	No.	No.
The average number of employees of the Group during the year	206	199

	2021	2020
	£000s	£000s
Directors' remuneration (Companies Act basis, multi-period performance)		
The directors received aggregate emoluments of	1,223	1,488
The highest paid director received	415	498
Directors' remuneration (relating to performance period)		
Aggregate Director's compensation relating to the performance period	1,013	1,411
Compensation of highest paid director for performance period	324	422

The Directors remuneration disclosures required by the Companies Act are based on cash received and share awards vesting during the financial reporting period. These figures reflect remuneration relating to more than one performance period and include share awards granted in respect of performance in prior periods and discretionary bonus payments for the prior performance period, paid in March of the following financial reporting period. Additional disclosure has been provided in the table above, showing the compensation relating to the 2021 and 2020 performance periods. These figures are a constituent part of the key management compensation figures below and therefore calculated on the same basis. All numbers include benefits, including pension contributions and insurance (health, life, income protection).

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. At 31 December 2021 there were 17 such individuals (2020: 14) comprising: members of the Board, members of the Group Management Committee who are not members of the Board and individuals assigned a significant influence function who are not a member of the Board or the Group Management Committee.

	2021	2020
	£000s	£000s
Aggregate key management compensation	2,585	2,824
Average number of key management personnel	15.75	14
Average key management compensation per head	164	202

The above figures are based on the income statement expense and reflect the cost of share awards payable in the current and future periods. The figures include base salary, discretionary bonuses, share based payment expense, pension contributions and insurance (health, life, income protection).

Notes to the financial statements
for the year ended 31 December 2021

8. *Tax on loss on ordinary activities*

(a) Tax on loss on ordinary activities

	2021	*2020*
	£000s	*£000s*
Current tax - UK		
- UK corporation tax on loss of the year	–	–
- Adjustment in respect of prior years	–	–
	–	–
Current tax - foreign		
- On profit of the year in foreign jurisdictions	23	190
- Adjustment in respect of prior years	(3)	–
	20	190
Total current tax	20	190
Deferred tax - UK		
- Current year	(3,232)	(1,335)
- Adjustment in respect of prior years	3	(12)
	(3,229)	(1,347)
Deferred tax - foreign		
- Current year	113	(66)
- Adjustment in respect of prior years	–	–
	113	(66)
Total deferred tax	(3,116)	(1,413)
Tax on loss on ordinary activities	(3,096)	(1,223)

(b) Factors affecting the current tax charge for the year

	2021	*2020*
	£000s	*£000s*
The difference between the tax assessed for the period and the standard rate of corporation tax is explained as follows:		
Loss on ordinary activities before taxation	(8,195)	(4,700)
Standard rate of corporation tax in the UK	19%	19%
Loss on ordinary activities multiplied by standard rate of corporation tax	(1,557)	(893)
Disallowed expenses and not-taxable income	(90)	(81)
Higher taxes on overseas earnings	33	14
Effect of change in tax rate on deferred tax balances	(1,481)	(251)
Current tax - prior year adjustments	6	–
Deferred tax - prior year adjustment	(7)	(12)
Total tax charge for the period	(3,096)	(1,223)

Notes to the financial statements

for the year ended 31 December 2021

8. Tax on loss on ordinary activities (continued)

(c) Deferred tax in the statement of financial position

	Group		*Company*	
	2021	*2020*	*2021*	*2020*
	£000s	*£000s*	*£000s*	*£000s*
Included in debtors:				
Employee bonuses	109	174	7	37
Options and share based payments	718	462	637	421
Fixed assets depreciation	1,245	713	1,245	713
Other timing differences	46	49	45	40
Tax loss carried forward	4,781	2,309	4,781	2,301
	6,899	3,707	6,715	3,512
Included in creditors:				
Fixed assets depreciation	(90)	(14)	–	–
	(90)	(14)	–	–
	6,809	3,693	6,715	3,512
Deferred tax expected to reverse in the next 12 months:				
Included in debtors	690	848	547	696
Included in creditors	–	(14)	–	–

The most significant expected reversal relates to the vesting of share awards.

(d) Factors that may affect future tax charges

The main rate of corporation tax for the current financial year is 19%. On 3 March 2021 it was announced that the UK corporation tax rate would increase to 25% with effect from 1 April 2023 and this was substantively enacted on 24 May 2021.

Deferred tax assets and liabilities are stated at the rate expected to apply when the timing differences are reversed.

Notes to the financial statements
for the year ended 31 December 2021

9. Intangible assets

	Group			*Company*		
	Goodwill £000s	*Software £000s*	*Total £000s*	*Goodwill £000s*	*Software £000s*	*Total £000s*
Cost						
At 1 January 2021	44,367	4,806	49,173	56,637	4,806	61,443
Additions	–	980	980	–	980	980
At 31 December 2021	44,367	5,786	50,153	56,637	5,786	62,423
Amortisation						
At 1 January 2021	14,974	3,710	18,684	19,115	3,710	22,825
Charge for the period	2,218	761	2,979	2,832	761	3,593
At 31 December 2021	17,192	4,471	21,663	21,947	4,471	26,418
Carrying amount						
At 31 December 2021	27,175	1,315	28,490	34,690	1,315	36,005
At 1 January 2021	29,393	1,096	30,489	37,522	1,096	38,618

10. Tangible assets

	Group			*Company*		
	Leasehold property £000s	*Equipment, fixtures & fittings £000s*	*Total £000s*	*Leasehold property £000s*	*Equipment, fixtures & fittings £000s*	*Total £000s*
Cost						
At 1 January 2021	1,920	4,717	6,637	1,676	4,042	5,718
Currency translation	(7)	(20)	(27)	–	–	–
Additions	313	552	865	–	468	468
At 31 December 2021	2,226	5,249	7,475	1,676	4,510	6,186
Depreciation						
At 1 January 2021	1,155	4,192	5,347	972	3,518	4,490
Currency translation	–	(20)	(20)	–	–	–
Charge for the period	185	341	526	159	307	466
At 31 December 2021	1,340	4,513	5,853	1,131	3,825	4,956
Carrying amount						
At 31 December 2021	886	736	1,622	545	685	1,230
At 1 January 2021	765	525	1,290	704	524	1,228

Notes to the financial statements

for the year ended 31 December 2021

11. Investments in related entities

	Company	
	2021	*2020*
	£000s	*£000s*
At start of the year	2,712	1,740
Additions	1,272	972
At end of the year	3,984	2,712

Details of the above investments

Name of company	*Holding*	*Interest*	*Nature of business*
Redburn (USA) LLC 461 Fifth Avenue, 15th Floor New York, NY 10017.	Shares	100%	A broker dealer registered under the laws of the State of New York in the USA.
Redburn (France) SA 75 Boulevard Haussmann 75008 Paris.	Shares	100%	The Group's EU hub for research sales and the receipt and transmission of client orders for execution.
Redburn Asset Management LLC 5760 SW 82nd Street Miami, FL 33143	Shares	99%	Asset management entity (not yet registered with the US SEC). Registered under the laws of the State of Delaware in the USA.
Redburn Investment Fund I GP LLC 5760 SW 82nd Street Miami, FL 33143	Shares	99%	General Partner limited liability company registered under the laws of the State of Delaware in the USA.
Redburn Investment Fund I LP LLC 5760 SW 82nd Street Miami, FL 33143	Shares	99%	Limited Partner limited liability company registered under the laws of the State of Delaware in the USA.
Redburn Investment Fund I LP 5760 SW 82nd Street Miami, FL 33143	Shares	99%	Incubation entity to support fund development (not yet registered with the US SEC). Limited Partnership registered under the laws of the State of Delaware in the USA.

Notes to the financial statements
for the year ended 31 December 2021

12. Debtors

	Group		Company	
	2021	*2020*	*2021*	*2020*
	£000s	*£000s*	*£000s*	*£000s*
Trade debtors	1,658	1,781	1,220	1,674
Other debtors and accrued income	8,076	7,239	7,933	7,238
Amounts due from Group companies	–	–	197	19
Prepayments	4,012	4,067	3,753	3,854
Settlement balances	59,822	244,339	59,822	244,339
Deposit with settlement clearing agent	5,739	4,368	5,000	4,000
Tax due from tax authorities	99	62	43	–
Deferred tax	6,899	3,707	6,715	3,512
	86,305	265,563	84,683	264,636

Settlement balances arise on matched principal transactions whereby securities are bought from one counterparty and contemporaneously sold to another counterparty. Corresponding payable amounts are shown in Note 14 'Creditors: amounts falling due within one year'. Settlement balances were lower at 31 December 2021 than 31 December 2020 due to lower activity.

Included in settlement balances:				
Amounts not yet due	57,810	219,225	57,810	219,225
Amounts past due but not impaired	2,012	25,114	2,012	25,114
	59,822	244,339	59,822	244,339

13. Current asset investments

	Group		Company	
	2021	*2020*	*2021*	*2020*
	£000s	*£000s*	*£000s*	*£000s*
Bank deposits over 3 months maturity on placement				
At start of the year	–	1,415	–	1,084
Net movements	347	(1,415)	–	(1,084)
At end of the year	347	–	–	–

Notes to the financial statements
for the year ended 31 December 2021

14. Creditors: amounts falling due within one year

	Group		*Company*	
	2021	*2020*	*2021*	*2020*
	£000s	*£000s*	*£000s*	*£000s*
Trade creditors	2,395	2,076	2,112	2,008
Other creditors and accruals	10,571	14,199	9,138	13,131
Amounts due to Group companies	–	–	1,110	59
Settlement balances	59,822	244,339	59,822	244,339
Corporation tax	21	14	1	3
Deferred tax	90	14	–	–
	72,899	260,642	72,183	259,540

Settlement balances includes all amounts due to and payable by counterparties in respect of matched principal transactions. Settlement activity is outsourced to BNPSS and they provide short term liquidity where timing differences arise on each side of a matched principal transaction. The short-term liquidity provided by BNPSS is included settlement balances, reflecting the fact that this liability arises as part of the settlement process and is extinguished on settlement. The short-term settlement liquidity provided by BNPSS at 31 December 2021 was £0.9m (31 December 2020: £7.0m). Outstanding matched principal transactions settled in full shortly after period end and the short term liquidity was then repaid to BNPSS.

15. Share capital

	Group and Company	
	2021	*2020*
	£000s	*£000s*
Allotted, called up and fully paid Ordinary Shares of £1 each		
At start of the year	13,316	13,316
At end of the year	13,316	13,316

The Ordinary Shares have full voting rights and the right to participate in profits available for distribution by way of dividend or otherwise; and entitle the holders to the assets available for distribution on a winding-up or other return of capital.

16. Dividends and other appropriations
No dividends were declared or paid during the year (2020 - £nil).

Notes to the financial statements
for the year ended 31 December 2021

17. Reserves

Share premium
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Retained earnings
This reserve records the Company's accumulated profit or loss after tax and is used to provide working capital for the business and fund dividend payments to shareholders.

Options & share based payments
This reserve records the accrued cost of options and share based payments.

Own shares - employee benefit trust
This reserve records the cumulative value of transactions in the Company's shares held by the employee benefit trust. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the employee benefit trust.

18. Other financial commitments and contingencies

	2021	*2020*
	£000s	*£000s*
Total future minimum payments under non-cancellable operating leases:		
- Not later than one year	126	70
- Later than one year and not later than five years	3,001	4,256
- Later than five years	3,926	–

19. Share based payments

Free and discounted share awards
The Company awards employees shares at zero consideration or at a discount to fair value from time to time as part of its wider remuneration strategy and to facilitate the recruitment of new employees.

The carrying value of liabilities arising from share based payments, including the accrual for social security, at 31 December 2021 was £519,794 (31 December 2020: £564,575).

Share based payments expense recognised in the income statement

	Group	
	Year ended 2021	*Year ended 2020*
	£000s	*£000s*
Free and discounted share awards	2,025	2,421
Options - EMI plan	–	(1)
	2,025	2,420

Notes to the financial statements
for the year ended 31 December 2021

20. Alternative Performance Measure

As explained in the Review of the Business section on page 3, in addition to the financial information prepared under UK GAAP, this Annual Report contains a non-UK-GAAP financial measure: 'Adjusted Profit / Loss'. This constitutes an Alternative Performance Measure ("APM"). We use this measure for internal management purposes and believe the additional information is useful to the reader of the Annual Report. This information should be considered as supplemental in nature and is not meant as a substitute for UK GAAP.

Reason for disclosing an APM

Goodwill amortisation has been recognised as an expense since the Group reconstruction in 2014. This is a non-cash expense. Goodwill amortisation does not impact the regulatory capital buffer since goodwill is a deduction from regulatory capital.

As share awards typically vest over three years, the accounting expense is driven by grants made in prior periods as well as the current period. The number of grants varies significantly between periods and an unusually high value of awards was made shortly after the completion of the Rothschild & Co transaction in 2019. Where awards are equity settled, the capital impact and cash outflow is limited to the cost of Employer's National Insurance on the award.

The capital and cashflow impacts of goodwill amortisation and share based payment expense is different from other expenses and so providing an APM that excludes these amounts is useful additional information for the reader of the Annual Report.

Reconciliation of statutory profit to Alternative Performance Measure ("APM")

	Year ended 31 December 2021			*Year ended 31 December 2020*		
	Statutory Basis	*Adjustment*	*Adjusted Basis*	*Statutory Basis*	*Adjustment*	*Adjusted Basis*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*	*£000s*
Turnover	63,533	–	63,533	71,906	–	71,906
Cost of sales	(15,050)	–	(15,050)	(14,216)	–	(14,216)
Gross Profit	48,483	–	48,483	57,690	–	57,690
Administrative expenses						
- share-based payments	(2,025)	2,025	–	(2,420)	2,420	–
- other expenses *	(52,435)	–	(52,435)	(57,767)	–	(57,767)
	(54,460)	2,025	(52,435)	(60,187)	2,420	(57,767)
Goodwill amortisation	(2,218)	2,218	–	(2,218)	2,218	–
Operating loss	(8,195)	4,243	(3,952)	(4,715)	4,638	(77)

* As disclosed in the 2020 Annual Report, the Company suffered a Cyber attack in 2020. The statutory results for the year ended 31 December 2021 include the benefit of a £0.9m insurance recovery relating to this incident. This insurance recovery is not a recurring item, but it has not been excluded from the Alternative Profit Measure. The non-recurring costs against which this insurance claim were made were recognised in administration costs in 2020 and 2021 and similarly have not been excluded from the Alternative Profit Measure.

Notes to the financial statements
for the year ended 31 December 2021

21. Employee Benefit Trust
The Company has an Employee Benefits Trust ("EBT") for the purpose of administrating share awards to Employees. The EBT is consolidated into the Group and Company's financial statements, with any shares held by the EBT deducted from equity.

Share movements during the year were:

	Company	
	2021	*2020*
	Number	*Number*
At start of the year	1,377,199	1,562,737
Acquired	–	9,842
Issued to satisfy employee awards	(51,933)	(195,380)
At end of the year	1,325,266	1,377,199

Shares held by the EBT are restricted to the purpose of satisfying employee share awards that will vest in future years. These awards typically have a 3 year vesting period. The share based payment expense for these awards will impact this and future accounting periods.

22. Related Parties
As explained in note 3, the Company has not disclosed details of transactions with entities that are part of the Group in accordance with section 33.1A of FRS 102.

Transactions with other related parties:

	2021	*2020*
	£000s	*£000s*
Rothschild & Co		
Receipts: shared expenses reimbursed	–	12
Income: research services	550	300
Of which, accrued income at reporting date	300	300

Time devoted to the Rothschild & Co relationship during the year is, in part, an investment that is expected to lead to future growth in the business.

Notes to the financial statements
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23. Events after the reporting date
In December 2021, the Board recommended a transaction to the shareholders of the Company, whereby Rothschild & Co Continuation Holdings AG ("Rothschild & Co) would acquire a controlling stake in the Company. This transaction received shareholder approval on 11 January 2022. Rothschild & Co will acquire a controlling interest in 2022, subject to regulatory approval, and have committed to purchase the remaining outstanding shares in 2026. As part of this investment, Rothschild & Co will inject a further £10m of new capital into the Company. After accounting for professional fees directly related to the transaction, it is estimated that this injection will result in a £9.4m increase in capital resources on completion. Rothschild & Co will own c73% of the enlarged share capital of the Company on completion in 2022. The final consideration paid by Rothschild & Co for the remaining stake in 2026 will be dependent on the performance of the Redburn business up to financial year 2025. Completion of the transaction, and hence injection of new primary capital, can only occur once regulatory approval is received. Whilst the directors fully expect regulatory approvals to be granted, the timing of such approvals is uncertain. In order to enhance financial resilience in the event a revenue stress scenario arises later in 2022, and before the injection of new capital, the Company has entered into a £5m loan facility with Rothschild & Co. This facility will remain in place until 31 March 2023 or until shortly after the capital injection is received, on completion. The Company is not expected to need to draw down on this facility in the base case scenario. In the event the stress scenario arises, and the Company draws down on the facility, interest will be charged on an arms length basis.

The Board has considered the potential impact on the Company of the economic disruption arising from the Russian invasion of Ukraine in February 2022. The Board does not believe that this event will have a significant impact on the ability of the Company to implement its strategy. Commission revenue was in line with base case expectations in Q1 2022, supported by higher volatility in financial markets. There is a risk that uncertainty associated with this event results in periods of low client activity and lower commission levels later in 2022.