Panmure Gordon (UK) Limited

Annual report and accounts
Registered number 04915201
31 December 2021

Contents

STRATEGIC REPORT

Introduction

In accordance with Section 414A of Companies Act 2006, the directors of Panmure Gordon (UK) Limited ('the Company') are pleased to present the strategic report on the progress and developments of the business for the year ended 31 December 2021, as well as an overview of its principal risks.

In this report we provide an assessment on the Company's performance for the year ended 31 December 2021 and discuss the outlook for the Company in 2022. The Company is part of the Panmure Gordon group of companies ('the Group'), whose lead entity is Panmure Gordon Group Limited.

Principal activities

The Company's principal activities are Investment Banking and Equities. Investment Banking includes Advisory, Equity Capital Markets, Corporate Broking, Growth Capital Solutions and Mergers & Acquisitions. Equities includes Research, Sales and Trading.

Business Review

2021 was a significant year for the Group overall and the Company, not only in terms of delivering on its key objectives of focusing on its core business of Investment Banking and Equities to service clients, but also effectively navigating the continued challenges faced due to the global Covid-19 pandemic.

The impact of the strategic changes that were made in 2020 with the appointment of a new management team and acquisition of Whitman Group Limited, continues to be seen in the financial performance of the Company. In 2021 revenues increased by 25% to £48.6m (2020: £38.8m; 2019: £15.9m), and since 2019 revenue increased by 205%. The Company made comprehensive profit for the year of £3.6m (2020: £3.5m loss; 2019: £27.3m loss).

Key to the strength of the Company's core business is its corporate brokership, NOMAD, trading and research relationships which have grown to 137 at the end of 2021 (2020: 121; 2019: 95).

The Company's prior year's actions on cost led to the Company's non-compensation costs reducing to £10.4m (2020 £11.9m).

Included in Operating Expenses are restructuring related costs of £0.6m (2020: £1.0m) and £0.5m of cost relating to the prime services business which ceased trading in May 2021. Operating expenses excluding restructuring costs are £40.7m (2020: £38.8m).

The Board will continue to support the management team on implementing the Group's strategy while at the same time considering potential new strategic opportunities which would further strengthen the core business as they arise.

Financial review

The statutory results for 2021 include revenues of £48.6m (2020: £38.8m), cost of sales of £3.1m (2020: £2.5m), costs of £41.8m (2020: £39.8m) and a profit after tax of £3.6m (2020: £3.5m loss). The net asset value of the Company at 31 December 2021 was £26.3m (2020: £22.2m).

Outlook

The Group is executing on the strategic transformation of the business while retaining and building on its corporate broking track record. The business remains well capitalised and continues to carefully manage its regulatory capital requirements and has achieved capital savings through the exit of the prime broking services business and other capital optimisation steps.

The positive momentum the business had at the end of 2021 continued into 2022, with further new broking mandates won in Q1 2022, with multiple mandated transactions added to our pipeline. The business has continued to invest in its secondary trading business, adding incremental hires where appropriate, which is reflected in increased market share. The Company will continue to build on the success of the new teams that were recently added to the business through strategic hires of individuals, teams, and acquisitions. The Board is positive about the outlook for its core UK equity capital markets business and will continue to assess and execute on strategic opportunities as they arise.

We have assessed the impact of the global macro-economic environment on the Company, including the conflict in Ukraine, and do not consider that it would result in a significant direct financial impact. The impact of the conflict on markets are actively monitored and managed by the business and management.

Risk management

The Group, and therefore the Company, has continued to strengthen its Risk function and risk management processes. Risk is managed on a prudent and conservative basis in line with the Board-approved Risk Appetite, which informs the level of risk appropriate to each part of the business and legal entity. The Risk Appetite for the Company is driven from this Group definition. The Group's Internal Capital Adequacy Assessment ('ICAAP') is prepared to ensure sufficient capital support for the existing and future business plans in both normal and stressed environments.

The Risk function is independent from the business and reports directly to the CEO and the Board's Audit Risk and Compliance Committee. The key risk committees for the Company are the weekly Market and Credit Risk Committee and the monthly Operational Risk Committee.

The key risks of the Company are financial, market, credit, liquidity, operational, people, cyber security and data protection, regulatory and strategic. Details of the Company's financial and operational risks can be found in Note 15 of the financial statements.

Operational risk: The Company operates a three lines of defence operating model, designed to manage risk appropriately. The business forms the first line of defence, with Risk, Finance, Infrastructure and Compliance operating as the second line of defence and an outsourced Internal Audit as the third line of defence. An established Operational Risk Committee meets monthly to review existing, and pre-empt possible, operational risks. The Audit, Risk & Compliance Committee of the Board is updated on the status of identified risks at each meeting.

People risk: The retention and development of employees, as well as the ability to attract new talent is essential to maintain the Company's competitive advantage and the long-term success of the business. The Company believes in supporting and developing staff through formal annual performance review process which includes objective setting, half-year reviews and 360 feedback. There are also on-going development opportunities, internal training and a formal nomination process for promotions.

Cyber Security and Data Protection risk: The Company places high priority on cyber security and data protection, including client data. The Company recognises that this is a fast changing and dynamic area which requires ongoing monitoring and control updates. The Company has invested in both staff, systems and support to ensure this challenge is met.

Regulatory risk: The Company operates in a highly regulated environment and ensures it is compliant with all existing regulation as well as preparedness for upcoming changes to the regulatory environment.

Capital Resources

The Company's policy on capital management is to maintain a strong capital base. Further discussion on this can be found in Note 16. The Company complies with its regulatory capital requirements. The Group, and therefore the Company, uses the ICAAP to ensure it has sufficient capital for future business plans in both normal and stressed environments.

From 1st January 2022, a new regulation, the Investment Firm Prudential Regulation ('IFPR') replaces previous regulatory capital and liquidity regulations. The Company is closely monitoring its capital and liquidity resources to ensure compliance with the IFPR regulations. In addition, the Internal Capital and Risk Assessment ('ICARA') which is the successor of ICAAP will be completed during 2022. The Company expects to have sufficient capital and liquidity to meet the new regulatory capital requirements.

The Company also raised £0.1m equity during the year (2020: £9.1m).

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 clients, employees and regulators.

Clients: The Board receives regular updates from senior management on the Group's interaction with clients.

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 regularly meet with colleagues, inviting questions and feedback.

Regulators: The Board receives regular updates from senior management on engagement with our regulators. Senior management engages regularly in open, candid discussions with our regulators and prioritise meeting all necessary regulatory requirements.

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

By order and on behalf of the Board of directors.

Brian Saunders (Apr 26, 2022 19:26 GMT+1)

B W Saunders
Director
26 April 2022

One New Change
London
EC4M 9AF

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

General information

The Company is a private company, limited by shares, incorporated in England and Wales. The Company's registered number is 04915201. The address of the registered office is One New Change, London, EC4M 9AF. The Company is a full scope non-significant €730k IFPRU investment firm and is authorised and regulated by the Financial Conduct Authority ('FCA').

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

Results and dividends

The Company made a profit after tax for the year of £3.6m (2020: £3.5m loss)

The Board does not recommend the payment of a dividend (2020: £nil).

Directors

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

R H W Morecombe

R T Ricci

B W Saunders

Going concern

The directors have formed a judgment, at the time of approving the financial statements, taking into account the available cash and liquid resources, the business forecasts for 2022 and 2023, and the economic environment, that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Management has undertaken stress scenario analysis on the financial performance of the Company and determined that financial support would not be required under these stressed scenarios. For these reasons the directors continue to adopt the going concern basis in preparing the financial statements.

Events after the date of the statement of financial position

There have been no post balance sheet events.

Directors' indemnity arrangements

The Group has purchased and maintained on behalf of the Company 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.

ESG Statement

The Company continues to put Environmental, Social and Governance ('ESG') considerations at the heart of our decision-making. During 2021, we made considerable progress in embedding this into our business. Highlights include:

- Our ***ESG Working Group***, drawn from amongst our own people, published the Company's first ESG policy during 2021. The policy details our commitments to Environmental, Social and Governance issues, and are aligned to the United Nation's Sustainable Development Goals. The policy is also proportionate to our wider corporate governance controls and procedures.
- As part of translating our ESG policy into reality we are pursuing ***Carbon Neutrality*** by measuring Green House Gas ('GHG') Protocol emissions for Scope One, Scope Two and indirect carbon emissions relating to business travel in Scope Three. We have used this data to fully offset our carbon footprint relating to these specific emissions, using an accredited partner company, to ensure full disclosure and appropriate offset projects. Our main environmental impact lies in the indirect carbon emissions from the purchased heating and electricity used in our office. For 2021, the Group's office, based on the UK Government GHG Conversion Factors, consumed 16.28 tCO2e Scope 1 heating and 71.30 tCO2e Scope 2 electricity, totalling 87.58 tCO2e (2020: 88.56 tCO2e) of energy. The indirect emission from business travel for 2021 is 33.78 tCO2e. The intensity measurement of tCO2e per FTE is 0.87 (2020: 0.66), based on the average number of employees of 139 (2020: 135). Whilst employee travel has remained lower during 2021, as a result of the COVID-19 pandemic and flexible working, we continue to encourage cycling as a form of commuting, with storage and facilities made easily accessible. The Company also offers the Cycle to Work Scheme which allows employees a tax-free loan to purchase the necessary equipment. The Company will be working with our facilities manager to find ways to reduce the Company's carbon footprint where practical. Recycling bins are provided for a range of materials in our office and we work with suppliers to minimise waste. Waste transfer notes are held, which ensures that there is a clear audit trail from when the waste is produced, until it is disposed of.
- The ***Diversity and Inclusion Committee*** has been created to drive our diversity, equity & inclusion ('DE&I') agenda with the purpose of making Panmure Gordon a more open, inclusive and equitable working environment for all our people. Initiatives throughout the year included:
  - We ran "Inclusive Leadership" training for our Senior Leadership Team ('SLT') to help embed inclusive management expertise;
  - We created our first DE&I Agenda which sets out our priorities over the next 12 months, and beyond;
  - We launched our mentoring programme to increase cross-functional collaboration;
  - DE&I questions were incorporated into our first firm-wide engagement survey;
  - We signed a partnership agreement with 'City Pay It Forward', a UK charity started by a group of finance professionals (and parents), who saw a gap in financial literacy in education and decided to work with schools to do something about it. What City Pay It Forward needs most is time, not money, and thus over the following year we will be working with them on various initiatives, such as work experience for A level students from disadvantaged backgrounds, career days, mentoring opportunities and investment competitions;
  - We rolled out plans to establish an annual charity partnership with the official partner being selected by our own people.
- ***Supporting clients*** Capital markets in both the UK and abroad are increasing their expectations that public companies, both new and existing, have strong ESG credentials. Throughout 2021 we partnered with exemplar ESG companies to raise capital. This included the IPOs of London's first Green Hydrogen Fund. We have strengthened our ESG screening processes when taking on new clients to ensure they are both appropriate for the UK public markets and are consistent with our own ESG values.
- ***Mental Health support*** The COVID-19 pandemic created a spike in mental health cases and we are committed to supporting our people with this critical part of health and wellbeing. We are proud to offer Qwell and Kooth to our people and their dependents, both adults and children. Qwell provides three types of anonymous support for mental wellbeing:
  - Professional support 1-2-1 with accredited counsellors and emotional wellbeing practitioners
  - Personal self-help tools to manage personal mental health discreetly through easy-to-use online resources.
  - Community support in moderated, safe and supportive discussion forums

- ***Disclosures*** As part of our strengthened governance, compliance and reporting procedures we are fully in line with the 2006 Companies Act requirements, FCA reporting requirements and a full audit process in accordance with both International Standards on Auditing and the FRC's Ethical Standard.

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 auditor, confirms that:

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

By order and on behalf of the Board

Brian Saunders (Apr 26, 2022 19:26 GMT+1)

B W Saunders
Director
26 April 2022

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON (UK) 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 2021 and of its profit 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.

We have audited the financial statements of Panmure Gordon (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of changes in equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 (UK) 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 or 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 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.
- We identified those laws and regulations that could reasonably be expected to have a material impact on the financial statements of the Company through discussions with management and from our knowledge and experience of regulated brokerage firms. We consider the most significant laws and regulations to include the Companies Act 2006, Financial Conduct Authority (FCA) rules, requirements of PAYE and VAT legislation and FRS 102 (UK GAAP).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON (UK) LIMITED (continued)

- We assessed the extent of compliance with the laws and regulations identified above through: making enquiries of management; reviewing correspondence with regulators; reviewing minutes of board meetings; and inspecting legal expenditure for evidence of potential non-compliance, litigation or claims.
- We assessed the risk of fraudulent revenue recognition that could give rise to material misstatements and performed testing of the existence and timing of recognition of revenue items.
- Using a Risk based approach we identified journals that could be indicative of fraud and agreed these to supporting documentation.
- We assessed whether there was evidence of management bias that may have represented a risk of material misstatement in respect of areas of estimation or judgement.
- We tested a sample of expenditure transactions to ensure that they were valid and reported in the correct accounting period .

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.

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

27 April 2022

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 2021

	Note	31 December 2021	31 December 2020
		£000	**£000**
Turnover	*3*	48,576	38,801
Cost of sales		(3,142)	(2,480)
Gross profit		**45,434**	**36,321**
Operating expenses		(41,828)	(39,816)
Total operating profit/(loss)		**3,606**	**(3,495)**
Net interest (expense)/income	*9*	(44)	27
Profit/(loss) before taxation		**3,562**	**(3,468)**
Tax credit on profit/(loss)	*10*	-	3
Profit/(loss) after taxation		**3,562**	**(3,465)**
Other comprehensive income net of income tax:			
Fair value movement of AFS instruments		**2**	**3**
Total comprehensive profit/(loss) for the year		**3,564**	**(3,462)**

All the activities of the Company are from continuing operations.

The notes on pages 14 to 29 form an integral part of these financial statements.

Statement of financial position
as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Non current assets			
Debtors: amounts falling due after more than one year	12	413	405
		413	**405**
Current assets			
Securities held for trading	14	9,135	4,224
Financial investments	11	2,734	2,313
Derivative financial assets		-	70,111
Debtors: amounts falling due within one year	12	87,880	36,167
Cash and cash equivalents		8,019	14,695
		107,768	**127,510**
Current liabilities			
Securities held for trading	14	(4,098)	(2,918)
Creditors: amounts falling due within one year	13	(77,806)	(32,691)
Derivative financial liabilities		-	(70,111)
		(81,904)	(105,720)
Net current assets		**25,864**	**21,790**
Net assets		**26,277**	**22,195**
Capital and reserves			
Called up share capital	17	76,516	76,416
Retained losses		(50,894)	(54,456)
Other reserves		655	235
Equity shareholders' funds		**26,277**	**22,195**

The notes on pages 14 to 29 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:

Brian Saunders (Apr 26, 2022 19:26 GMT+1)

B W Saunders
Director
26 April 2022

Statement of changes in equity
for the year ended 31 December 2021

	Share Capital £000	Retained Losses £000	Other Reserves £000	Total equity £000
Balance at 1 January 2021	**76,416**	**(54,456)**	**235**	**22,195**
Total comprehensive income for the year				
Profit for the period	-	3,562	-	3,562
Movement in revaluation reserve for available for sale assets, net of tax	-	-	2	2
Other items recorded directly in equity				
Issue of shares	100	-	-	100
Share-based payment charge	-	-	418	418
Balance at 31 December 2021	**76,516**	**(50,894)**	**655**	**26,277**

	Share Capital £000	Retained Losses £000	Other Reserves £000	Total equity £000
Balance at 1 January 2020	**67,305**	**(50,991)**	**(38)**	**16,276**
Total comprehensive income for the year				
Loss for the period	-	(3,465)	-	(3,465)
Movement in revaluation reserve for available for sale assets, net of tax	-	-	3	3
Other items recorded directly in equity				
Issue of shares	9,111	-	-	9,111
Share-based payment charge	-	-	270	270
Balance at 31 December 2020	**76,416**	**(54,456)**	**235**	**22,195**

The notes on pages 14 to 29 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRS 102') and, as permitted, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes; and
- Related party disclosures.

As allowed by FRS 102, the directors are applying the recognition and measurement criteria of IAS 39 within FRS 102 as an accounting policy choice.

The Company is part of the Panmure Gordon group of companies, whose lead entity Panmure Gordon Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of the Group are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and are available to the public and may be obtained from the Company Secretary, Panmure Gordon Group Limited, One New Change, London EC4M 9AF.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as at fair value through the profit or loss ('FVTPL') or as available for sale ('AFS').

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

Going concern

The directors have formed a judgment, at the time of approving the financial statements, taking into account the available cash and liquid resources, the business forecasts for 2022 and 2023, and the economic environment, that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Management has undertaken stress scenario analysis on the financial performance of the Company and determined that financial support would not be required under these stressed scenarios. For these reasons the directors continue to adopt the going concern basis in preparing the financial statements.

Notes 15 and 16 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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 date of the statement of financial position. 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 other comprehensive income or in the statement of profit or loss and other comprehensive income depending on where the gain or loss on the underlying item is recognised.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Revenue

The Company recognises revenue from the following major sources:

- Investment Banking – commission and retainer and other advisory fees from Investment Banking activities;
- Equities - fees for research, the execution of equity transactions and the trading in equities.

Revenue is measured based on the fair value of the consideration received or receivable 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 the revenue when the outcome of a transaction can be estimated reliably; the cost associated with the transaction can be measured reliably; and it is probably that the economic benefit will flow into the entity.

Revenue includes the gains or losses arising from changes in the fair value of Financial investments held at fair value which were received as consideration for corporate finance services rendered. The initial fair value of financial assets received for services is recognised in Investment Banking at the fair value of the financial assets, and the gain and loss on subsequent re-measurement is recognised as gains or losses on Financial investments held at the fair value.

The Company earned commissions on behalf of PrimeXtend Limited, its fellow subsidiary and appointed representative, for prime services. This income is transferred to PrimeXtend Limited under a separate intercompany arrangement through cost of sales. This business ceased trading in May 2021.

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 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 date of the statement of financial position. 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 is charged either to profit or loss, or to other comprehensive income, following the treatment of the related item. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

Deferred taxation is provided for on a full provision basis on all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the date of the statement of financial position, except as otherwise required by FRS 102.29. 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 in the foreseeable future against which deductible temporary differences can be utilised.

Employee benefits

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 statement of profit or loss and other comprehensive income as the employee renders the service.

Discretionary Employee Rewards
The Company has an employee performance related rewards program in which rewards are granted conditional upon certain discretionary criteria. The obligation period spans the current performance year, plus a further twelve-month period from date of payment, subject to employees' continuous employment with the Company, and the cost is spread over the vesting period.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Share-based payments

Equity-settled share options over the shares of Panmure Gordon Group Limited (parent company) are granted to employees. The fair value of services received in exchange for these options are determined indirectly by reference to the fair value of the option granted, which is measured using the Black Scholes model. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

Share-based payments are recognised as expense in profit or loss with corresponding credit to equity, and allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market conditions are included in assumptions about the number of options expected to become exercisable. Where estimates are subsequently revised, the adjustment to cumulative share-based payments is recognised in the current year. The number of vested options ultimately exercised by holders does not impact the expense recorded.

Financial Instruments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 'Financial Instruments' to account for all its financial instruments. The disclosure and presentation requirement of Section 11 and 12 of FRS 102 are applied. The classification depends on the purpose for which the assets or liabilities were acquired.

a. FVTPL investments

The subsequent changes in fair value of the FVTPL investments are recognised directly in the statement of profit or loss and other comprehensive income.

Financial assets designated at FVTPL
Financial assets are designated at FVTPL where they meet the criteria set out in IAS 39 'Financial Instruments' recognition and measurement. Upon initial recognition, the financial asset is designated by the Company as measured at fair value through profit or loss and subsequently remeasured to their fair value at each date of the statement of financial position.

Held for trading assets and liabilities
The term "securities held for trading" represents the aggregate of trading positions in individual securities arising respectively from a net bought (assets) or net sold (liabilities) position. These positions in securities are valued at market bid and offer prices respectively at the close of business on the date of the statement of financial position. A financial asset or liability is classified in this category if acquired principally for the purpose of selling or buying back in the short term. Purchases and sales of investments are recognised on trade date, being the date on which the Company commits to purchase or sell the asset.

b. AFS financial assets

AFS financial assets comprise debt securities intended to be held for an indeterminate period and which may be sold in response to needs for liquidity. AFS assets are recognised in the statement of financial position at their fair value, inclusive of transaction costs. Gains and losses arising from changes in the fair value are recognised directly in other comprehensive income, until the investment is either sold, impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of profit or loss and other comprehensive income. Interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income.

c. Amortised cost assets and liabilities

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

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Financial Instruments (continued)

Trade and other debtors
Trade and other debtors are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost using the effective interest rate method.

Trade and other creditors
Trade and other creditors are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost using the effective interest rate method.

Derecognition
The Company derecognises all financial instruments when the contractual rights to the cash flows on the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred.

Impairment
At each date of the statement of financial position AFS financial assets and financial assets measured at amortised cost are reviewed to determine whether there is an indication of impairment, including the use of 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. If any such indication exists, an impairment provision is established based on the expected recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Write-offs
The gross carrying amount of an impaired financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Fair value measurement

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

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

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 date of the statement of financial position.

Contingent liabilities related to legal proceedings or regulatory matters which cannot be reliably estimated are not recognised in the financial statements but are disclosed, unless the probability of settlement is remote.

Notes to the financial statements (continued)

2 Critical accounting judgement and key sources of estimation uncertainty

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.

There are no areas involving a higher degree of judgment and or complexity, or areas where assumptions and estimates are significant to the financial statements.

3 Analysis of turnover

The following provides an analysis of turnover by major activity:

	31 December 2021 £000	31 December 2020 £000
Investment Banking	29,705	24,373
Equities	17,435	12,108
Gains/(losses) on Financial investments held at fair value	896	620
Commission on prime services	540	1,700
	48,576	**38,801**

The gains or losses on Financial investments held at fair value are the fair value movements of financial assets which were received as consideration for corporate finance services rendered. The initial value of financial assets received for services is recognised in Investment Banking turnover, and any gain and loss on subsequent re-measurement is recognised as gains or losses on Financial investments held at fair value.

Commission on prime services represents commissions and fees earned by the Company on behalf of PrimeXtend, a fellow subsidiary undertaking. This income is transferred to PrimeXtend under a separate intercompany arrangement through cost of sales. PrimeXtend ceased trading in May 2021.

The following provides an analysis of turnover by geographical location:

	31 December 2021 £000	31 December 2020 £000
United Kingdom	47,856	38,172
United States	720	629
	48,576	**38,801**

The US turnover constitutes research and trading and settlement to qualified institutions ('QIBs'), enabled by its fellow subsidiary undertaking, FINRA regulated Panmure Gordon Securities Limited

Notes to the financial statements (continued)

4 Operating expenses

Profit/(loss) before taxation is stated after charging:

	31 December 2021 £000	31 December 2020 £000
Staff costs (Note 5)	31,451	27,871
Amortisation of intangible assets	-	96

5 Staff numbers and costs

The number of persons employed by the Company (including directors) as at 31 December 2021 was 142 (2020: 135), consisting of professional and administration staff.

The aggregate payroll costs of these persons were as follows:

	31 December 2021 £000	31 December 2020 £000
Professional and administration staff	26,399	23,261
Social security costs	3,684	3,144
Pensions (defined contribution scheme)	906	1,196
Share-based payments	462	270
	31,451	**27,871**

The Company operates a defined contribution pension scheme. At the balance sheet date, the Company had outstanding pension contribution liabilities of £121k (2020: £103k).

£470k of payroll cost relates to the prime services business, which ceased trading in May 2021 (2020: £991k).

The average number of employees of the Company during the year was:

	2021	2020
Equities	64	58
Investment Banking	42	39
Other	32	38
Total	**138**	**135**

Notes to the financial statements (continued)

6 Share-based payments

The Company recognised total expenses of £462k (2020: £270k) related to equity-settled share-based payment transactions in the period.

At the year end, the Company had 3,261,985 (2020: 3,318,912) share options outstanding. There were no options exercised during the year (2020: nil) and none forfeited (2020: nil). Options are forfeited if the employee leaves the Company before the options vest. The weighted average exercise price is £0.47. The aggregate of the estimated fair values of the options on grant date was £1,612k. These options vest over a period between 1 to 3 years. The inputs into the Black-Scholes model are: share price £0.77, risk-free rate 0.2% and expected volatility of 30%.

For a number of the options, the vesting conditions that needs to be met are non-market performance conditions that are tied to the future revenue and profit of the Group.

7 Directors' remuneration

The table below sets out the total remuneration for all directors of the Company in their capacity as directors of the Company.

	Emoluments	Pension	Loss of office
	2021	2021	2021
	£000	£000	£000
Aggregate	2,854	4	-
Highest paid Director	1,616	4	-

	Emoluments	Pension	Loss of office
	2020	2020	2020
	£000	£000	£000
Aggregate	1,667	26	401
Highest paid Director	1,067	-	-

8 Auditor's remuneration

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

	31 December 2021 £000	31 December 2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
Fees relating to current year payable	155	153
Fees relating to prior year payable	-	17
Fees payable to the Company's auditor for other audit related services:		
Other assurance service - current year payable	45	40
Other assurance service - prior year payable	-	12
Total audit fees	**200**	**223**

Notes to the financial statements (continued)

9 Net interest (expense)/income

	31 December 2021 £000	31 December 2020 £000
Interest income	36	45
Interest expense	(80)	(18)
	(44)	**27**

10 Tax on profit/(loss) on ordinary activities

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

	31 December 2021 £000	31 December 2020 £000
Analysis of tax charge in period:		
UK corporation tax at 19.00% (2020: 19.00%)		
Current year tax charge	-	-
Deferred tax		
Current year deferred tax (credit)/charge	-	(3)
Tax (credit)/charge on losses on ordinary activities	-	(3)
Effective tax rate charge	**0.00%**	**0.10%**
Factors affecting tax charge:		
Profit/(loss) on ordinary activities after tax	3,562	(3,465)
Tax charge/(credit) on loss on operations	-	(3)
Profit/(loss) on ordinary activities before tax	**3,562**	**(3,468)**
Profit/(loss) on ordinary activities multiplied by rate of UK corporation tax at 19.00% (2020: 19.00%)	677	(659)
Effects of:		
Expenses not deductible for tax purposes	125	8
Other non-taxable items	(102)	(157)
Group relief	-	85
Unrecognised deferred tax asset	2,309	1,706
Other permanent differences	-	-
Adjustment of deferred tax balances to corporate rate of 25%	(3,009)	(986)
Total tax (credit)/charge on loss on ordinary activities	**-**	**(3)**

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted in 2021. The deferred tax at 31 December 2021 has been calculated based on these rates.

Analysis of current tax recognised in statement of comprehensive income:

	2021	2020
UK corporation tax credit	-	-
Deferred tax (credit)/charge	-	(3)
	-	**(3)**

A deferred tax asset of £12.5m (2020: £10.1m) in relation to trading losses carried forward has not been recognised in the financial statements. Management have decided not to recognise a deferred tax asset in 2021 in respect of trading losses. The recognition of a deferred tax asset relies on the projection of future taxable profits and, whilst management are confident that the Company will continue to be profitable in the next few years, they have taken the view that in the current environment meeting the stringent standard of evidence required by FRS 102 is not feasible.

Notes to the financial statements (continued)

11 Financial investments

	31 December 2021 £000	31 December 2020 £000
Gilts	1,512	1,501
Financial investments held at fair value	1,222	812
	2,734	2,313

The Gilts are held by the Company for liquidity purposes. These assets are intended to be held for an indeterminate period of time and may be sold in response to needs for liquidity as part of the Internal Liquidity Adequacy Assessment ('ILAA').

Financial investments held at fair value were received as consideration for corporate finance services rendered. These financial assets are equity securities or warrants, and do not form part of the trading portfolio.

12 Debtors

	31 December 2021	31 December 2020
Amounts falling due within one year	**£000**	**£000**
Market debtors	75,653	28,614
Trade debtors	1,311	442
Other debtors	47	45
Stock borrows	4,357	870
Amounts owed by group undertakings	4,670	3,529
Prepayments and accrued income	1,842	2,667
	87,880	**36,167**
Amounts falling due after more than one year		
Other debtors: Employee loans	**413**	**405**

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13 Creditors

	31 December 2021	31 December 2020
Amounts falling due within one year	**£000**	**£000**
Market creditors	65,891	24,853
Trade creditors	700	187
Other taxation, social security and VAT	851	636
Amounts owed to group undertakings	1,819	1,143
Other creditors	114	122
Accruals and deferred income	8,431	5,750
	77,806	**32,691**

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements (continued)

14 Financial instruments

The accounting policies in Note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by heading in the statement of financial position.

	FVTPL	AFS	Held at amortised cost	Total
	£000	£000	£000	£000
As at 31 December 2021				
Financial assets				
Securities held for trading	9,135	-	-	9,135
Financial investments	1,222	1,512	-	2,734
Debtors	-	-	86,452	86,452
Cash and cash equivalents	-	-	8,019	8,019
Total financial assets	**10,357**	**1,512**	**94,471**	**106,340**
Financial liabilities				
Securities held for trading	(4,098)	-	-	(4,098)
Creditors	-	-	(69,374)	(69,374)
Total financial liabilities	**(4,098)**	**-**	**(69,374)**	**(73,472)**

	FVTPL	AFS	Held at amortised cost	Total
	£000	£000	£000	£000
As at 31 December 2020				
Financial assets				
Securities held for trading	4,224	-	-	4,224
Financial investments	812	1,501	-	2,313
Derivative financial asset	70,111	-	-	70,111
Debtors	-	-	33,500	33,500
Cash and cash equivalents	-	-	14,695	14,695
Total financial assets	**75,147**	**1,501**	**48,195**	**124,843**
Financial liabilities				
Securities held for trading	(2,918)	-	-	(2,918)
Creditors	-	-	(26,942)	(26,942)
Derivative financial liability	(70,111)	-	-	(70,111)
Total financial liabilities	**(73,029)**	**-**	**(26,942)**	**(99,971)**

Notes to the financial statements (continued)

14 Financial instruments (continued)

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by hierarchy level:

	2021			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Securities held for trading - assets	8,308	827	-	9,135
Financial investments	2,733	1	-	2,734
Securities held for trading - liabilities	(4,070)	(28)	-	(4,098)

	2020			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Securities held for trading - assets	3,671	554	-	4,224
Financial investments	2,306	7	-	2,313
Derivative financial instruments - assets	-	70,111	-	70,111
Securities held for trading - liabilities	(2,889)	(29)	-	(2,918)
Derivative financial instruments - liabilities	-	(70,111)	-	(70,111)

15 Financial risk management

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

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

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

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

Market risk - equity price risk

The activities of the Company directly expose it to changes in market prices and indices. The Company is exposed to equity market risk in respect of its equity holdings through the normal course of its market making and trading activities. Trading assets and liabilities are marked to market on a daily basis.

Equity risk is managed through approved stock and position limits. Single underlier and portfolio limits are in place and take account of such things as the average traded volume and market capitalisation of a specific stock. The trading system holds the market value of each trading position along with the holding value limit attributed to it. An embedded alarm within the trading system visually alerts management when the value of the individual trading positions passes 80% of the calculated limit. Calculated limits are monitored daily and independently by the Risk function. In addition, they are reviewed and updated periodically.

Segregation of the static data, input and amend functionality within the trading system ensures that traders and order takers have no ability to amend stock limits. Amendments which reflect changes in the calculated limits can only be made upon instruction from the Risk function. Approval of limit changes must be by both Risk and Trading Management.

Notes to the financial statements (continued)

15 Financial risk management (continued)

Market risk - equity price risk (continued)

The trading positions are reported to, and reviewed by, management on a daily basis and the Market and Credit Risk Committee every week. The Risk function establishes an acceptable level of maximum net long position based on current market conditions. An expected shortfall ('ES') and value at risk ('VaR') calculation are made daily to monitor potential losses on the trading books.

Sensitivity analysis
If the net value of securities held for trading as at 31 December 2021 were to increase by 10%, this would result in an increase in net assets and an increase in profit before tax of £635k (2020: £215k). A reduction of 10% would result in an equal reduction in net assets and decrease in profit before tax.

Market risk – interest rate risk

The Company is minimally exposed to interest rate risk as it does not lend to external counterparties and has no borrowed funds. It holds short-dated gilts, which are required for the Company's liquidity asset buffer. Those gilts have minimal interest rate exposure due to their short duration.

Market risk – foreign currency risk

The Company is exposed to transactional foreign currency risk, predominantly on USD and EUR payables to suppliers and receivables from clients, and cash held in foreign currency balances (mainly USD and EUR). The foreign exchange risk is minimal.

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. This risk arises principally from the settlement of equity trades carried out in the normal course of business. Credit risk is managed in a number of ways, namely:

- new client account opening procedures which include approval of all clients by the Chief Operating Officer or Head of Risk, and Compliance;
- the general policy of dealing only with counterparties authorised by the FCA (or equivalent overseas regulators) or listed on a recognised investment exchange;
- entering into netting agreements;
- The implementation of a firmwide credit risk framework and enhanced credit control with regard to pre-settlement counterparty credit exposure for delivery versus payment ('DvP') clients. This includes a Dealing Authority on Counterparty DvP Credit Risk;
- All trading counterparties are credit assessed when on-boarded and each is given an appropriate credit limit that is reported and monitored daily against their utilisations, and regularly re-assessed;
- Clear ownership of client accounts by the business units; and
- Clear escalation procedure regarding client credit assessment and client trading patterns. Any material deviations from a client's stated trading patterns are noted and discussed.

Credit limits are established for each trading counterparty based on their credit worthiness. Given that almost all trades are settled on a delivery versus payment basis and the vast majority of counterparties are highly rated financial institutions, the risk of non-settlement of trades is not considered by management to be significant. The risk to the Company of non-settlement is based on the stock price movement between trade date and settlement date and is monitored daily.

Where, in a small number of cases, a trade is executed Free of Payment, the Company ensures that it has possession of either the stock or cash from the client before releasing assets.

There is a risk of non-payment of retainers by corporate clients; again, this is considered a low risk as the amounts involved are relatively small and overdue amounts are actively pursued. All outstanding receivables are reviewed monthly and when required, provisions are raised. All new corporate clients are reviewed at the New Business Committee and then subjected to a due diligence test.

Notes to the financial statements (continued)

15 Financial risk management (continued)

Credit risk (continued)

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

	2021	2020
	£000	£000
Trade debtors	1,311	442
Market debtors	75,653	28,614
Other debtors	9,488	4,444
Securities held for trading	9,135	4,224
Derivative financial assets	-	70,111
Financial investments	2,734	2,313
Cash and cash equivalents	8,019	14,695

Exposure to credit risk in respect of market debtors represents net credit exposure to market counterparties arising from the provision of stock broking services. Exposure to credit risk in respect of net derivative financial assets represents aggregate net credit exposure to market counterparties for the provision of prime services. The prime services business ceased trading in May 2021.

Cash and cash equivalents are with two major financial institutions rated 'A' and above.

The ageing of trade debtors at the reporting date was:

	2021			2020		
	Gross balances	Provisions	Net	Gross balances	Provisions	Net
	£000	£000	£000	£000	£000	£000
Not past due	1,061	-	1,061	337	(42)	295
Past due 31-60 days	78	-	78	48	-	48
Past due 61-90 days	200	(28)	172	107	(8)	99
Past due 91-120 days	25	(25)	-	4	(4)	-
Past due 121+ days	8	(8)	-	341	(341)	0
Total	**1,372**	**(61)**	**1,311**	**837**	**(395)**	**442**

The Company provides against trade debtors when an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated. Days past due is considered by the Company to be an indicator of impairment.

	£000
Provision at 1 January 2021	(395)
Bad debts written off	76
Provided during the period	(61)
Recoveries during period	319
Provision at 31 December 2021	**(61)**
Provisions at 1 January	(697)
Bad debts written off	182
Provided during the period	(50)
Recoveries during period	170
Provision at 31 December 2020	**(395)**

Notes to the financial statements (continued)

15 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company has insufficient funds to meet its obligations as they fall due.

The Company manages liquidity risk by assessing cash-flows, monitoring the Company's balance sheet structure, its book of securities and liquidity assets buffer, taking action where necessary, in order to ensure the diversity and availability of funding sources.

The Company manages its funding liquidity risk through the following tools:

- monitoring of cash positions on a daily basis;
- control over ensuring timely settlement by trade debtors;
- control over timely settlement of market debtors and creditors;
- maintenance of its liquidity asset buffer.

Liquidity risk is controlled by a process that is designed to ensure that cumulative financing requirements are considered both in the short term and for the next year.

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

The Company is not a defined liquidity group and in accordance with its regulatory obligations it does not require an Individual Liquidity Adequacy Assessment (the 'ILAA'), however it has produced an ILAA for internal use. The purpose of the ILAA is to assess, quantify and manage the key liquidity risks to which it is exposed and details its approach to determining the minimum level of liquid resources that it is required to maintain to meet both its own internal assessment, and the regulators requirements, for liquidity adequacy.

The contractual maturities of financial liabilities (Note 14), excluding the effect of netting arrangements, were all less than one year.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural. Operational risk is inherent in all of the Company's activities.

An established Operational Risk Committee (comprising senior management from all operational and front-line business areas) meets monthly to discuss current issues and to pre-empt future risks that arise within the Company's business. The Company operates a number of operational risk management processes including for example, maintaining an Operational Risk Register which tracks all identified operational risks where these are scored depending on their likely frequency of occurrence and potential impact on the Company. Also contained within the register are details of mitigation strategies and required actions to address the risk as the Company recognises that not all risks can be eliminated. Where risks are judged to be severe, the Group concentrates on putting stringent controls and mitigation strategies in place to reduce the likelihood of occurrence and impact magnitude of the possible risk to a minimum. The Audit, Risk and Compliance Committee of the Board is updated on the contents of the Company's risk register regularly. The register also feeds into the production of the ICAAP, covering both the Company and the Group.

Notes to the financial statements (continued)

16 Capital management

The Company's policy on capital management is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business.

The Company manages its risk profile and its capital resources with the objective of maintaining an excess and buffer over the Capital Resources Requirement. The Company undertakes a regular review of its capital requirements, both for its own internal management needs and for the ICAAP. The ICAAP is reviewed by the Audit, Risk & Compliance Committee of the Board and by the Board itself. The Company complies with its obligations under CRD IV.

The Company's regulatory capital is comprised solely of common equity ('Tier 1') which includes ordinary share capital and retained earnings. The Company had sufficient capital at year end to meet its regulatory capital requirements.

17 Called up share capital

	31 December 2021 £000	31 December 2020 £000
Allotted, called up and fully paid		
76,516 (2020: 76,416) ordinary shares of £1 each	76,516	76,416

The Company issued 100,000 ordinary shares of £1 each to its immediate parent company, Panmure Gordon & Co Limited on 12 May 2021 for £100,000.

18 Commitments

At 31 December 2021, there were no underwriting commitments to clients (2020: £nil), which are undertaken from time to time.

19 Related party disclosures

As the Company is a wholly owned subsidiary of Panmure Gordon Group Limited, the Company has taken advantage of the exemption contained in FRS 102.33 1A and has therefore not disclosed transactions or balances with entities which are wholly owned within the Group.

20 Events after the date of the statement of financial position

There have been no post balance sheet events.

21 Contingent liabilities

The Company had no contingent liabilities at 31 December 2021 (2020: £nil).

22 Ultimate parent undertaking

The Company is a subsidiary undertaking of Panmure Gordon & Co Limited which is incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Panmure Gordon Group Limited. The consolidated accounts of this group 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.

Notes to the financial statements (continued)

23 Required regulatory disclosures

As an investment firm within the scope of the CRD IV, the Company must report certain information on its business on a country by country basis, known as Country-by-Country Reporting ('CBCR'). Article 89 of the Capital Requirements Regulation 2013 ('CRR') imposes the ongoing CBCR reporting obligations on institutions in the United Kingdom within the scope of CRD IV.

The information contained in this disclosure is based on the financial statements and reflects the data as at 31 December 2021.

	Panmure Gordon (UK) Limited
Nature of activities	Stockbroking, corporate finance, equity research and sales and trading services
Country	United Kingdom
Average number of employees	138
	£000
Turnover	48,576
Profit before tax	3,562
Corporation tax credit	-
Government subsidies received	-

24 IFPRU 9 disclosures (unaudited)

The Company is required to disclose its return on assets, calculated as net profit or loss divided by total balance sheet.

	2021	**2020**
	£000	**£000**
Net profit/(loss)	3,562	(3,465)
Net assets	26,277	22,195
Return on assets	13.55%	(15.61)%