Panmure Gordon Group Limited

Registered number 10593768

Annual report and accounts
31 December 2021

Directors and Advisers

Directors

M Dalman	
H Fakhreddine	(appointed 26 July 2021)
T Kacani	
T C King	
J S Lambert	
R H W Morecombe	
S Raimi	(appointed 13 December 2021)
R T Ricci	
B W Saunders	
D I Schamis	
M Katounas	(resigned 24 June 2021)
M Ngombwa	(resigned 26 October 2021)

Registered office

One New Change
London
EC4M 9AF

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Contents

STRATEGIC REPORT

Introduction

In accordance with Section 414A of the Companies Act 2006, the directors of Panmure Gordon Group Limited (the 'Company') are pleased to present the strategic report on the progress and developments of the business of the Panmure Gordon Group of companies (the 'Group') 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 Group's performance for the year ended 31 December 2021 and discuss the outlook for the Group in 2022.

Principal Activities

The Group'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, not only in terms of delivering on its key objectives of focussing 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 Group. From 2020 revenues increased by 26% to £48.3m (2020: £38.2m; 2019: £15.7m), since 2019 revenue increased by 208%. The Group made a comprehensive profit for the year of £3.1m (2020: £5.5m loss; 2019: £28.8 loss).

Key to the strength of the Group'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 Group took the decision to close the prime services business, which ceased trading in May 2021. A loss of £0.7m (2020: £2.3m) relates to the discontinued operations of the prime services business. This, allied with the prior year's actions on cost, led to the Group's non-compensation costs reducing to £10.8m (2020 £11.4m).

Included in Operating Expenses are restructuring related costs of £0.7m (2020: £1.5m). Operating expenses excluding restructuring costs are £41.8m (2020: £39.1m).

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

Statutory results for 2021 include revenues of £48.3m (2020: £38.2m), cost of sales of £1.9m (2020: £0.8m), total operating expenses of £42.5m (2020: £40.7m) and a profit after tax of £3.1m (2020: £5.5m loss). The net asset value of the Group at 31 December 2021 was £26.5m (2020: £22.9m).

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 new broking mandates won in Q1 2022, and mandated transactions added to our pipeline. The business has continued to invest in its secondary trading business, adding incremental hires where appropriate. The Group 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 and will continue to assess and execute on strategic opportunities which it expects to 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 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 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 of the Group are the weekly Market and Credit Risk Committee and the monthly Operational Risk Committee.

The key risks of the Group are financial, market, credit, liquidity, operational, people, cyber security and data protection, regulatory and strategic. Details of the Group's financial risks can be found in Note 20 of the financial statements.

Operational Risk: The Group 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 our employees, as well as the ability to attract new talent is essential to maintain the Group's competitive advantage and the long-term success of the business. The Group 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 Group places high priority on cyber security and data protection, including client data. The Group recognises that this is a fast changing and dynamic area which requires ongoing monitoring and control updates. The Group has invested in both staff, systems and support to ensure this challenge is met.

Regulatory Risk: The Group 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 Group's policy on capital management is to maintain a strong capital base. Further discussion on this can be found in Note 21. The Group complies with its regulatory capital requirements. The Group's ICAAP is used to ensure the Group 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 Group 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 Group also raised £0.1m equity during the year (2020: £10.5m).

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. As a Group, we believe in forming strong, open and direct relationships with our key stakeholders, including clients, employees, regulators and suppliers.

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.

T.K.

Timothy Kacani (Apr 26, 2022 12:06 CDT)

T Kacani
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 10593768. The address of the registered office is One New Change, London, EC4M 9AF.

Results and dividends

The Group reported a profit on ordinary activities before taxation of £3.8m for the year (2020: £3.4m loss). The performance of the Group during the year is examined in the Strategic Report.

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

Directors

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

M Dalman	
H Fakhreddine	(appointed 26 July 2021)
T Kacani	
M Katounas	(resigned 24 June 2021)
T C King	
J S Lambert	
R H W Morecombe	
M Ngombwa	(resigned 26 October 2021)
S Raimi	(appointed 13 December 2021)
R T Ricci	
B W Saunders	
D I Schamis	

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 Group and 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 Group 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.

Pillar 3 disclosures

The Group Pillar 3 document for 31 December 2021 is publicly available via written request to the Company Secretary at the registered office: One New Change, London, EC4M 9AF.

Share capital

The share capital of the Company increased by £0.1m during 2021 through the issuance of ordinary shares to existing investors (2020: £10.5m existing and new investors).

ESG Statement

The Group 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 Group'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 Group also offers the Cycle to Work Scheme which allows employees a tax-free loan to purchase the necessary equipment. The Group will be working with our facilities manager to find ways to reduce the Group'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.

Political donations

No political donations were made by the Group during 2021 (2020: nil).

Directors' indemnity arrangements

The Group has purchased and maintained on behalf of the Company directors' and officers' liability, professional indemnity, employer's liability and public and products liability insurance.

Auditors

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

Directors' statement as to disclosure of information to auditors

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

- to the best of each 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 auditors is aware of that information.

By order and on behalf of the Board.

T.K.

Timothy Kacani (Apr 26, 2022 12:06 CDT)

T Kacani
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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('IASs').

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IASs;
- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANMURE GORDON GROUP LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Panmure Gordon Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise of the Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 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 Group and the Parent 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 Group's and Parent 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 GROUP 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 Group and Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 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.

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 Group and Parent Company and the industry in which it operates, and considered the risk of acts by the Group and Parent 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 Group and Parent 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 UK adopted international accounting standards.

- 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: 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 Parent 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 Parent 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 Parent Company and the Parent 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).

Consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Turnover	*3*	48,286	38,181
Cost of sales		(1,882)	(796)
Gross profit		**46,404**	**37,385**
Operating expenses		(42,516)	(40,654)
Total operating profit/(loss)		**3,888**	**(3,269)**
Net interest expense	*9*	(119)	(94)
Profit/(loss) on ordinary activities before taxation		**3,769**	**(3,363)**
Taxation credit	*10*	56	157
Profit/(loss) on ordinary activities after taxation		**3,825**	**(3,206)**
Discontinued operations	*27*	(720)	(2,288)
Profit/(loss) after taxation		**3,105**	**(5,494)**
Attributable to:			
Equity holder of parent		3,105	(5,494)
Other comprehensive income net of income tax:			
Debt instruments at fair value through other comprehensive income		2	3
Total comprehensive profit/(loss) for the year		**3,107**	**(5,491)**

All the activities of the Group are from continuing operations, apart from the prime services business, which ceased trading in May 2021. The Group has elected to disclose the post-tax loss relating to discontinued operations as a single amount. Comparatives have been restated on a comparable basis as required by IASs. See Note 27 for a detailed disclosure on the discontinued operations.

The notes on pages 18 to 46 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Intangible assets	*11*	973	1,664
Goodwill	*11*	792	792
Property, plant and equipment	*12*	451	1,205
Deferred tax asset	*13*	174	134
Trade and other receivables	*16*	413	405
		2,803	**4,200**
Current assets			
Securities held for trading	*15*	9,135	4,224
Financial investments	*14*	3,793	3,122
Derivatives		-	70,111
Trade and other receivables	*16*	84,202	33,987
Cash and cash equivalents		8,613	15,991
		105,743	**127,435**
Total Assets		**108,546**	**131,635**
Current liabilities			
Securities held for trading	*15*	(4,098)	(2,918)
Trade and other payables	*17*	(77,470)	(34,271)
Derivatives		-	(70,111)
		(81,568)	(107,300)
Non-current liabilities			
Deferred tax liability	*18*	(161)	(279)
Trade and other payables	*17*	-	(331)
Provisions	*22*	(274)	(807)
		(435)	**(1,417)**
Total Liabilities		**(82,003)**	**(108,717)**
Net assets		**26,543**	**22,918**
Capital and reserves			
Called up share capital	*23*	420	420
Share premium	*23*	78,524	78,424
Retained losses and other reserves		(52,401)	(55,926)
Total Equity		**26,543**	**22,918**

The notes on pages 18 to 46 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:

T-Ki

Timothy Kacani (Apr 26, 2022 12:06 CDT)

T Kacani
Director
26 April 2022

Consolidated statement of changes in equity

for the year ended 31 December 2021

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

	Share capital £'000	Share premium £'000	Retained losses £'000	Other reserves £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2021	**420**	**78,424**	**(55,428)**	**(768)**	**270**	**22,918**
Total comprehensive income for the year						
Profit for the year and movement on other reserves for the period	-	-	3,105	2	-	3,107
Other items recorded directly in equity						
Issue of shares	1	99	-	-	-	100
Share-based payments	-	-	-	-	418	418
Balance at 31 December 2021	**420** *	**78,524** *	**(52,323)**	**(766)**	**688**	**26,543**

** Numbers does not cast correctly due to rounding.*

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

	Share capital £'000	Share premium £'000	Retained losses £'000	Other reserves £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2020	**354**	**67,979**	**(49,934)**	**(610)**	**-**	**17,789**
Total comprehensive income for the year						
Loss for the year and movement on other reserves for the period	-	-	(5,494)	3	-	(5,491)
Other items recorded directly in equity						
Issue of shares	66	10,445	-	-	-	10,511
Capital injection transferred to share capital and premium	-	-	-	(161)	-	(161)
Share-based payments	-	-	-	-	270	270
Balance at 31 December 2020	**420**	**78,424**	**(55,428)**	**(768)**	**270**	**22,918**

The notes on pages 18 to 46 form an integral part of these financial statements.

Consolidated statement of cash flows

as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Profit/(loss) on ordinary activities before tax		3,769	(3,363)
Depreciation and impairment of property, plant and equipment	12	870	898
Amortisation	11	691	1,344
Change in operating assets		(56,281)	(10,640)
Change in operating liabilities		44,840	10,596
Change in other non-cash items		384	847
Discontinued operations		(720)	(2,288)
(Utilisation)/increase of provision		(533)	807
Tax paid		(52)	-
Net cash used in operating activities		**(7,032)**	**(1,800)**
Investing activities			
Acquisition of property, plant and equipment	12	(116)	(134)
Increase of non current trade and other receivables		-	(405)
Net sale/(purchase) of financial investments		485	(806)
Acquisition of subsidiary, net consideration		-	(792)
Increase of non current Trade and other payables		-	531
Net cash generated from/(used in) investing activities		**369**	**(1,606)**
Financing activities			
Net proceeds on issue of shares	23	100	10,350
Lease repayments		(815)	(815)
Net cash (used in)/generated from financing activities		**(715)**	**9,535**
Net (decrease)/increase in cash and cash equivalents		**(7,378)**	**6,129**
Cash and cash equivalents at the beginning of the year		15,991	9,862
Cash and cash equivalents at the end of the year		**8,613**	**15,991**

The notes on pages 18 to 46 form an integral part of these financial statements.

Company statement of financial position

as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Non current assets			
Investment in subsidiaries	*25*	78,684	78,584
Current assets			
Amounts owed by subsidiary undertakings		167	117
Receivables	*16*	163	21
Cash and cash equivalents		32	107
		362	**245**
Total Assets		**79,046**	**78,829**
Current liabilities			
Payables: amounts falling due within one year	*17*	-	(185)
Accruals and deferred income		(19)	(104)
Amounts owed to subsidiary undertakings		(4,197)	(3,550)
Total Liabilities		**(4,216)**	**(3,839)**
Net assets		**74,830**	**74,990**
Capital and reserves			
Called up share capital	*23*	420	420
Share premium	*23*	78,524	78,424
Retained losses and other reserves		(4,114)	(3,854)
Equity shareholders' funds		**74,830**	**74,990**

The Company's loss for the year ended 31 December 2021 was £260k (2020: £11,398k profit).

The notes on pages 18 to 46 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:

Timothy Kacani (Apr 26, 2022 12:06 CDT)

T Kacani
Director
26 April 2022

Registered number 10593768

Company statement of changes in equity

for the year ended 31 December 2021

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

	Share Capital £'000	Share premium £'000	Retained Losses £'000	Other Reserves £'000	Total equity £'000
Balance at 1 January 2021	**420**	**78,424**	**(3,854)**	**-**	**74,990**
Total comprehensive income for the year					
Loss for the year	-	-	(260)	-	(260)
Other items recorded directly in equity					
Issue of shares	1	99	-	-	100
Balance at 31 December 2021	**420** *	**78,524** *	**(4,114)**	**-**	**74,830**

** Numbers does not cast correctly due to rounding.*

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

	Share Capital £'000	Share premium £'000	Retained Losses £'000	Other Reserves £'000	Total equity £'000
Balance at 1 January 2020	**354**	**67,979**	**(15,253)**	**161**	**53,241**
Total comprehensive income for the year					
Profit for the year	-	-	11,398	-	11,398
Other items recorded directly in equity					
Issue of shares	66	10,445	-	-	10,511
Capital injection transferred to share capital and premium	-	-	-	(161)	(161)
Balance at 31 December 2020	**420**	**78,424**	**(3,854)**	**-**	**74,990**

The notes on pages 18 to 46 form an integral part of these financial statements.

Company statement of cash flows

as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Operating (loss)/profit before tax		(260)	11,398
Impairment reversal	25	-	(11,669)
Change in operating assets		(142)	33
Change in operating liabilities		(270)	236
Net cash used in operating activities		**(672)**	**(2)**
Investing activities			
Investment in subsidiary	25	(100)	(12,385)
Cashflow from subsidiary undertakings		597	1,958
Net cash generated from/(used in) investing activities		**497**	**(10,427)**
Financing activities			
Net proceeds on issue of shares	23	100	10,350
Net cash generated from financing activities		**100**	**10,350**
Net decrease in cash and cash equivalents		(75)	(79)
Cash and cash equivalents at the beginning of the year		107	186
Cash and cash equivalents at the end of the year		**32**	**107**

The notes on pages 18 to 46 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (the 'Group'). Both the Group and the Company financial statements have been prepared in accordance with UK adopted international accounting standards ('IASs') in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from publishing its individual income statement, statement of other comprehensive income and related notes.

The financial statements are prepared on the historical cost basis except for financial assets and liabilities classified as at fair value through the profit or loss ('FVTPL') or as at fair value through other comprehensive income ('FVOCI').

The accounting policies set out below have, unless otherwise stated, been applied consistently to the financial statements of the Group and the Company, for 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 Group and 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 Group 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.

Note 20 and 21 includes the Group'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.

Changes in accounting policies and disclosures

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

The amendments and interpretations applicable for the first time in 2021 have had no significant impact on the consolidated financial statements of the Group or the financial statements of the Company.

b. **Future accounting developments**

The following new standards are not mandatory for the year ending 31 December 2021 and have not been adopted in preparing these financial statements. They are not expected to have a material impact on the Group or Company:

- IFRS 17 'Insurance Contracts': establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The standard becomes effective as of 1 January 2023.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Group, prepared to 31 December each year. Where an entity is governed by voting rights, the entity is a subsidiary when the Company holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Investment in subsidiaries

Entities are recognised as a subsidiary by the Company when the Company holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body.

Impairment of investment in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses.

On an annual basis, the Company reviews the carrying amounts of its investment in subsidiaries to determine whether there is any indication of impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, based on its value-in-use ('VIU'), the carrying amount of the asset is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. New and reversing impairment losses are recognised in profit and loss.

Foreign currency

The functional and presentational currency of the Group and 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 statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the rate of exchange at the initial transaction date. Foreign exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

Revenue Recognition

The Group 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; and
- Prime Services – gross commission on brokerage and prime services.

Revenue is measured based on the consideration specified in a contract with a customer. This revenue is largely recorded at a point in time when the Group has fully completed the performance obligations per the contract, with revenue from retainer and research fees being recognised over time as performance of those contractual obligations are on going throughout the period under contract.

Fees from advisory engagements for which the work is substantially complete or which are at a stage where work for which separate payment is due, and which will become due but are not yet invoiced are recorded on a right to consideration basis. Where such fees are contingent on the outcome of a transaction they are only accounted for after the transaction has exchanged.

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 fair value.

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.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

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 statement of financial position date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited 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 Group intends to settle on a net basis.

Deferred tax liabilities are generally recognised for all taxable temporary differences. The carrying amount of deferred tax assets are reviewed at each reporting date and recognised to the extent that it is probable that taxable profits will be available 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 income statement as the employee renders the service.

Discretionary employee rewards

The Group 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 Group, and the cost is spread over the vesting period.

Share-based payments

Equity-settled share options over the shares of Panmure Gordon Group Limited 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.

Property, plant and equipment ('PPE')

PPE is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. The estimated useful lives are as follows:

i)	Fixtures and fittings	4 - 10 years
ii)	Furniture and office equipment	4 - 10 years
iii)	Computer and telephone equipment	3 - 10 years
iv)	Right-of-use lease asset	Lease term

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

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Intangible assets

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

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (regarded as cost). Thereafter, such assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The estimated useful lives of all intangible assets are as follows:

i)	Brand	10 years
ii)	Customer relationships	3-5 years
iii)	Software	5-10 years

Impairment of PPE and Intangible assets with a finite life

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. New and reversing impairment losses are recognised in profit and loss.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit and loss.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of profit and loss and other comprehensive income on the acquisition date.

Impairment of Goodwill

Impairment tests on Goodwill are undertaken annually at the financial year end. Where the carrying value of Goodwill exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are recognised in profit and loss. An impairment loss recognised for Goodwill is not reversed.

Financial instruments

a. Recognition and initial measurement

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and financial liabilities are recognised when the relevant Group entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. The carrying value of financial instruments recognised at amortised cost includes transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is recognised at the transaction price.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Financial instruments (continued)

b. Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as at amortised cost; FVOCI – debt investment; or FVTPL, based on the following:

A financial asset is classified as at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This includes the Trade and other receivables and Cash and cash equivalents.

The debt investment, presented as Financial investments, is classified as at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as at amortised cost or FVOCI are classified as FVTPL, which includes the Securities held for trading and the Derivative assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit and loss. Other net gains and losses are recognised in other comprehensive income ('OCI'). On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.

Financial liabilities and equity

Financial liabilities are classified as either at amortised cost or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Financial instruments (continued)

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).

c. Impairment

Expected credit losses ('ECLs')

ECLs are an estimate of credit losses based on probability of default and expected loss on default. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), and are charged to profit and loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

The Group considers a financial asset to be in default when:

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

If there is no evidence of a significant increase in credit risk (i.e. the risk of default occurring) since origination; the asset is not credit-impaired; and the Group is not using the simplified approach for qualifying trade receivables permitted by the Standard, then a 12-month ECL is recognised. 12-month ECLs are the portion of ECLs that result from estimating probable default events only within the 12 months after the reporting date (or a shorter period if the expected life of the instrument or the exposure to credit risk is less than 12 months).

If there is evidence of a significant increase in credit risk since origination, or the asset is considered to be credit-impaired or the Group is using the simplified approach permitted for qualifying trade receivables, then a lifetime ECL is recognised. Lifetime ECLs result from estimating probable default events over the expected life of a financial instrument. Lifetime ECLs are discounted at the effective interest rate of the financial asset where the impact of the time value of money is considered material to the impairment loss recognised.

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

Credit-impaired financial assets

At each reporting date, the Company and Group assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Financial instruments (continued)

Application

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument.

The Group measures loss allowances for debt securities and bank balances for which credit risk has not increased significantly since initial recognition as a 12-month ECL.

The Group measures loss allowances for all other financial assets subject to ECLs at an amount equal to lifetime ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL., estimated using a provision matrix under the simplified method permitted by the IFRS 9 'Financial Instruments'. The matrix is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

Cash and cash equivalents

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

Derivative financial instruments

The Group undertakes prime services involving simultaneous back-to-back derivative transactions with counterparties. These transactions are classified as financial instruments at fair value through profit or loss ('FVPTL') and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised immediately in profit and loss. No derivatives are subject to hedge accounting.

Offsetting

The Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. This includes those prime services derivatives where a netting agreement exists, legally enforceable at all times, and the asset and liability are either settled net or simultaneously.

Provisions and contingent liabilities

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

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

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Leases

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

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

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

Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of profit and loss and other comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

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.

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

Impairment review of goodwill and investments in subsidiaries

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

A sensitivity analysis is performed on the growth and discount rates, assessing the marginal change in the valuation of these assets.

Deferred tax asset

Deferred tax is calculated based on the taxable temporary differences and taxable losses arising. A deferred tax asset has been recognised. The assessment of the recoverability of the deferred tax asset is based mainly on the premise that the Group will generate sufficient profits in the foreseeable future to realise the deferred tax assets. This is a matter of judgment and is reviewed at each reporting date. Management have taken the decision not to recognise a deferred tax asset in respect of taxable losses (refer Note 13). This decision will be reviewed again at the next reporting date.

Notes to the financial statements (continued)

3 Turnover

The following provides an analysis of turnover by major activity:

	31 December 2021 £'000	31 December 2020 £'000
Investment Banking	29,705	24,500
Equities	17,436	12,776
Gains/(losses) on Financial investments held at fair value	1,145	905
	48,286	**38,181**

The gains or losses on Financial investments held at fair value are the fair value of financial assets which were acquired through the acquisition of subsidiaries or 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.

The following provides an analysis of turnover by geographical location:

	31 December 2021 £'000	31 December 2020 £'000
United Kingdom	47,566	37,552
United States	720	629
	48,286	**38,181**

4 Operating expenses

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

	31 December 2021 £'000	31 December 2020 £'000
Staff costs (see Note 5)	31,703	29,238
Technology and information	4,668	4,565
Legal and professional	2,326	2,583
Amortisation of intangible assets (see Note 11)	691	1,344
Depreciation of property, plant and equipment (see Note 12)	870	898
ECL allowance on trade receivables (see Note 16)	287	67
Net foreign exchange loss	6	58

Notes to the financial statements (continued)

5 Staff numbers and costs

The number of persons employed by the Group (including directors) as at 31 December 2021 was 143 (2020: 130), 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	26,681	24,630
Social security costs	3,661	3,203
Pensions (defined contribution scheme)	899	1,135
Share-based payments	462	270
	31,703	**29,238**

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

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

	2021	2020
Equities	65	59
Investment Banking	42	39
Other	32	32
Total	**139**	**130**

The Company did not have any employees or any paid directors throughout the reporting period.

6 Share-based payments

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

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 is £1,612k. These options vest over a period of 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.

Notes to the financial statements (continued)

7 Directors' remuneration

The directors of the Company received £nil remuneration from the Company in their capacity as directors of the Company. The table below sets out the total remuneration for the directors of the Company received from the Group for the year.

	Emoluments 2021 £'000	Pension 2021 £'000	Loss of office 2021 £'000
Aggregate	2,954	4	-
Highest paid Director	1,616	4	-

	Emoluments 2020 £'000	Pension 2020 £'000	Loss of office 2020 £'000
Aggregate	1,604	5	275
Highest paid Director	1,067	-	-

8 Auditor's remuneration

Auditor's remuneration is analysed as follows:

	31 December 2021 £'000	31 December 2020 £'000
Fees payable to the Company's auditor for the audit of the consolidated annual report and accounts:		
Fees relating to current year payable	34	37
Fees payable to the Company's auditor for other services:		
Audit related services:		
Audit of the Company's subsidiaries - current year	231	222
Audit of the Company's subsidiaries - current year (S&W)[1]	-	20
Audit of the Company's subsidiaries - prior year	-	17
Other services pursuant to legislation - current year	45	40
Other services pursuant to legislation - current year (S&W)[1]	-	2
Other services pursuant to legislation - prior year	-	12
Total audit fees	**310**	**350**

1 Smith & Williamson was the auditors of Whitman Group Limited and Whitman Howard Limited in 2020.

9 Net interest expense

	31 December 2021 £'000	31 December 2020 £'000
Interest income	36	47
Interest expense	(80)	(18)
Interest unwind on lease liability	(75)	(123)
	(119)	**(94)**

Notes to the financial statements (continued)

10 Tax on profit on ordinary activities

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

	31 December 2021 £'000	31 December 2020 £'000
Analysis of tax credit/(charge) in period:		
UK corporation tax at 19.00% (2020: 19.00%)		
Current year tax credit/(charge)	-	-
Foreign tax	(102)	(45)
Deferred tax		
Prior year adjustments to deferred tax	-	15
Current year deferred tax (charge)/credit	158	187
Tax charge on profits/(losses) on ordinary activities	**56**	**157**
Factors affecting tax charge:		
Profit/(loss) on ordinary activities before tax	**3,769**	**(3,363)**
Profit/(loss) on ordinary activities multiplied by rate of UK corporation tax at 19.00% (2020: 19.00%)	(716)	639
Effects of:		
Expenses not deductible for tax purposes	(129)	(30)
Other non-taxable items	118	266
Permanent differences*	(12)	(128)
Capital gains differences	(16)	-
Unrecognised deferred tax asset	(2,223)	(1,547)
Tax expense related to prior year	-	15
Adjustment of deferred tax balances to corporate rate of 25%	3,501	987
Losses estimated	(365)	-
Foreign tax	(102)	(45)
Total tax charge	**56**	**157**

* Fixed asset difference included permanent difference

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 consolidated statement of profit and loss:

	2021	2020
UK corporation tax (charge) / credit	158	202
Foreign tax	(102)	(45)
Total	**56**	**157**

Notes to the financial statements (continued)

11 Intangible assets and Goodwill

Intangible assets

	Computer Software	Equities customer relationships	Corporate broking customer relationships	Trade name	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	482	1,528	3,470	1,516	6,996
Write down of fully amortised assets	(179)	-	-	-	(179)
At 31 December 2021	**303**	**1,528**	**3,470**	**1,516**	**6,817**
Accumulated amortisation					
At 1 January 2021	(275)	(1,528)	(3,000)	(529)	(5,332)
Charge for the year	(70)	-	(470)	(151)	(691)
Write down of fully amortised assets	179	-	-	-	179
At 31 December 2021	**(166)**	**(1,528)**	**(3,470)**	**(680)**	**(5,844)**
Net book value					
At 31 December 2021	**137**	**-**	**-**	**836**	**973**

	WIP	Computer Software	Equities customer relationships	Corporate broking customer relationships	Trade name	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	169	402	1,528	3,470	1,516	7,085
Additions	-	80	-	-	-	80
Transfers and write-offs	(169)	-	-	-	-	(169)
At 31 December 2020	**-**	**482**	**1,528**	**3,470**	**1,516**	**6,996**
Accumulated amortisation						
At 1 January 2020	-	(212)	(1,254)	(2,144)	(378)	(3,988)
Charge for the year	-	(63)	(274)	(856)	(151)	(1,344)
At 31 December 2020	**-**	**(275)**	**(1,528)**	**(3,000)**	**(529)**	**(5,332)**
Net book value						
At 31 December 2020	**-**	**207**	**-**	**470**	**987**	**1,664**

The intangibles include customer relationships and trade name as part of the Panmure Gordon & Co Limited acquisition. Equities customer relationships are amortised over a useful life of 3 years and Corporate broking customer relationships over a useful life of 4 years, while trade name is amortising over a useful life of 10 years.

Notes to the financial statements (continued)

11 Intangible assets and Goodwill *(continued)*

Impairment review of Intangible assets

Intangible assets are reviewed for indicators of impairment at least annually. If an indicator is observed, the asset is evaluated for impairment, which requires significant management judgment in making a series of estimations, the results of which are highly sensitive to the assumptions used.

The Equities and Corporate Broking Customer Relationships intangible assets are fully amortised.

For the Trade Name, no indicators of impairment have been identified.

Goodwill

On 10 July 2020, the Group acquired 100% shareholding in Whitman Group Limited and its wholly owned subsidiary Whitman Howard Limited, and £0.8m was recognised as goodwill. The Goodwill was mainly attributable to the skills and talent of the workforce and the synergies that were expected to be achieved from integrating the businesses.

Impairment review of Goodwill

The Group is required to test, on an annual basis, whether Goodwill has suffered any impairment. The recoverable amount is determined based on the value in use calculation.

The value in use is calculated by discounting management's cash flow projections covering a 5 year period, which are based on the latest Board-approved plans, and a conservative long-term growth rate of 2% (2020: 2%) is used to extrapolate the cash flows in perpetuity. The rate used to discount the cash flows of 12.3% (2020: 13.7%) is based on the cost of capital, which is derived using a weighted average cost of capital ('WACC'). WACC depends on a number of inputs reflecting financial and economic variables, including risk-free rate and premium to reflect the inherent risk of business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement.

The impairment review was performed based on the cash generating units which have been identified as the Investment Banking and Equities businesses. There is sufficient headroom between the recoverable amount and carrying amount at year end and no impairment was required for 2021.

A sensitivity analysis was performed on the growth and discount rates, and a marginal percentage change to either of these inputs would not result in an impairment.

Notes to the financial statements (continued)

12 Property, plant and equipment

	Right-of-use lease asset £'000	Furniture and office equipment £'000	Fittings £'000	Computer and telephone equipment £'000	Total £'000
Cost					
At 1 January 2021	1,943	399	1,368	561	4,271
Additions	-	-	-	116	116
At 31 December 2021	**1,943**	**399**	**1,368**	**677**	**4,387**
Accumulated depreciation					
At 1 January 2021	(1,151)	(332)	(1,107)	(476)	(3,066)
Charge for the year	(573)	(53)	(184)	(60)	(870)
At 31 December 2021	**(1,724)**	**(385)**	**(1,291)**	**(536)**	**(3,936)**
Net book value					
At 31 December 2021	**219**	**14**	**77**	**141**	**451**

	Right-of-use lease asset £'000	Furniture and office equipment £'000	Fittings £'000	Computer and telephone equipment £'000	Total £'000
Cost					
At 1 January 2020	1,943	399	1,368	506	4,216
Additions	-	-	-	55	55
At 31 December 2020	**1,943**	**399**	**1,368**	**561**	**4,271**
Accumulated depreciation					
At 1 January 2020	(577)	(277)	(923)	(391)	(2,168)
Charge for the year	(574)	(55)	(184)	(85)	(898)
At 31 December 2020	**(1,151)**	**(332)**	**(1,107)**	**(476)**	**(3,066)**
Net book value					
At 31 December 2020	**792**	**67**	**261**	**85**	**1,205**

Notes to the financial statements (continued)

12 Property, plant and equipment *(continued)*

Leased property

Right-of-use lease asset

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

Maturity analysis of lease liability

The maturity analysis of lease liabilities as at 31 December 2021 is as follows:

	Within one year	1-2 years	2-3 years	Total
	£'000	£'000	£'000	£'000
Lease payments	340	-	-	340
Finance charge	(9)	-	-	(9)
Net present value	**331**	-	-	**331**

13 Deferred Tax Asset

	Short term *provisions*	Property, Plant and equipment	Total
	£'000	£'000	£'000
Balance at 1 January 2021	**37**	**97**	**134**
Movement during the year	12	28	40
Balance at 31 December 2021	**49**	**125**	**174**

A deferred tax asset of £174k (2020: £134k) has been established to reflect the tax benefit which is expected to arise from short term provisions and accelerated capital allowances. A deferred tax asset of £12.8m (2020: £10.6m) in relation to trading losses carried forward has not been recognised in the financial statements. 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.

14 Financial investments

	31 December 2021	31 December 2020
	£'000	£'000
Gilts	1,512	1,501
Financial investments held at fair value	2,281	1,621
	3,793	**3,122**

The Gilts are held by the Group 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 of £1,059k (2020: £816k) were acquired through the acquisition of subsidiaries and £1,222k (2020: £805k) 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.

Notes to the financial statements (continued)

15 Securities held for trading

	31 December 2021 £'000	31 December 2020 £'000
Assets		
Investment funds	5,145	2,974
Equities - long positions	3,990	1,250
Total	**9,135**	**4,224**
Liabilities		
Equities - short positions	(926)	(127)
Investment funds short positions	(3,173)	(2,791)
Total	**(4,098)**	**(2,918)**

16 Trade and other receivables

	Group 31 December 2021 £'000	Company 31 December 2021 £'000	Group 31 December 2020 £'000	Company 31 December 2020 £'000
Amounts falling due within one year				
Market receivables	75,652	-	28,613	-
Trade receivables	1,311	-	536	-
Other receivables	340	-	377	-
Stock borrows	4,357	-	870	-
Prepayments and accrued income	2,542	163	3,591	21
Owed by subsidiaries	-	167	-	117
	84,202	**330**	**33,987**	**138**
Amounts falling due - more than one year				
Loans to employees	413	-	405	-

Trade receivables are non-interest bearing and generally have a 30 to 90 day term. Market receivables are short term balances arising from the provision of stock broking services. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

The allowance for ECLs on trade receivables is as follows:

The Group	31 December 2021 £'000	31 December 2020 £'000
Allowance for ECLs at 1 January	**(443)**	**(697)**
Utilised against bad debts written off	76	187
Provided during the period	(80)	(133)
Recoveries during period	367	200
Allowance for ECLs at 31 December	**(80)**	**(443)**

The ECL allowance for trade receivables of the Company was nil at 31 December 2021 (2020: £Nil).

Notes to the financial statements (continued)

17 Trade and other payables

Trade payables comprise amounts outstanding for trade purchases and on-going costs. No interest is charged on the outstanding balance. The directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

	Group 31 December 2021 £'000	Company 31 December 2021 £'000	Group 31 December 2020 £'000	Company 31 December 2020 £'000
Amounts falling due within one year				
Market payables	65,891	-	24,853	-
Trade payables	921	-	640	-
Other taxation, social security and VAT	956	-	710	-
Lease liability	331	-	708	-
Other payables	306	-	532	185
Accruals and deferred income	9,065	19	6,828	104
Owed to subsidiaries	-	4,197	-	3,550
	77,470	**4,216**	**34,271**	**3,839**
Amounts falling due - more than one year				
Lease liability	-	-	331	-
	-	**-**	**331**	**-**

18 Deferred tax liability

	31 December 2021 £'000	31 December 2020 £'000
Balance at 1 January 2021	**279**	**465**
Acquired	-	4
Deferred tax liability charge	(118)	(190)
Balance at 31 December 2021	**161**	**279**

The deferred tax liability reflects the difference between the carrying value and the tax value of intangible assets recognised on acquisition of Panmure Gordon & Co Limited.

Notes to the financial statements (continued)

19 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 tables analyse the carrying amounts of the Group's financial assets and liabilities by category and by statement of financial position classification:

	31 December 2021			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	£'000	£'000	£'000	£'000
Financial assets:				
Securities held for trading	9,135	-	-	9,135
Financial investments	2,281	1,512	-	3,793
Trade and other receivables	-	-	81,660	81,660
Cash and cash equivalents	-	-	8,613	8,613
Total financial assets	**11,416**	**1,512**	**90,273**	**103,201**
Financial liabilities:				
Securities held for trading	(4,098)	-	-	(4,098)
Trade and other payables	-	-	(68,405)	(68,405)
Total financial liabilities	**(4,098)**	**-**	**(68,405)**	**(72,503)**

	31 December 2020			
	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
	£'000	£'000	£'000	£'000
Financial assets:				
Securities held for trading	4,224	-	-	4,224
Financial investments	1,621	1,501	-	3,122
Derivative assets	70,111	-	-	70,111
Trade and other receivables	-	-	30,396	30,396
Cash and cash equivalents	-	-	15,991	15,991
Total financial assets	**75,956**	**1,501**	**46,387**	**123,844**
Financial liabilities:				
Securities held for trading	(2,918)	-	-	(2,918)
Trade and other payables	-	-	(27,443)	(27,443)
Derivative liabilities	(70,111)	-	-	(70,111)
Total financial liabilities	**(73,029)**	**-**	**(27,443)**	**(100,472)**

Notes to the financial statements (continued)

19 Financial instruments *(continued)*

The Group 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:

	31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Securities held for trading - assets	8,308	827	-	9,135
Financial investments	3,017	777	-	3,793
Securities held for trading - liabilities	(4,070)	(28)	-	(4,098)

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Securities held for trading - assets	3,671	554	-	4,224
Financial investments	2,502	627	-	3,129
Derivative assets	-	70,111	-	70,111
Securities held for trading - liabilities	(2,889)	(29)	-	(2,918)
Derivative liabilities	-	(70,111)	-	(70,111)

Notes to the financial statements (continued)

20 Financial risk management

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

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

The Group 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 Group's income or the value of its holdings in financial instruments. The Group manages these risks within pre-approved limits, while seeking to optimise the return on risk.

i. Equity price risk

The activities of the Group directly expose it to changes in market prices and indices. The Group 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 Risk function. Approval of limit changes must be by both Risk and Trading Management.

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.

ii. Interest rate risk

The Group 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 Group's liquidity asset buffer. Those gilts have minimal interest rate exposure due to their short duration.

Notes to the financial statements (continued)

20 Financial risk management *(continued)*

Market risk *(continued)*

iii. Foreign currency risk

The Group 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 Group 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 Finance and Risk, and Head of Legal 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 in to 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 Group 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 Group will ensure 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.

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as presented in the Group's statement of financial position.

Exposure to credit risk in respect of market receivables represents net credit exposure to market counterparties arising from the provision of stock broking services. Cash and cash equivalents are with four major financial institutions rated 'A' and above.

Notes to the financial statements (continued)

20 Financial risk management *(continued)*

Credit risk *(continued)*

A summary of the Group's exposure to credit risk for trade receivables by past due status, based on historic recoverability rates during the year, is as follows:

31 December 2021	Gross balances £'000	Allowance for ECL £'000
Not past due	1,062	(29)
Past due 31-60 days	78	-
Past due 61-90 days	200	-
Past due 91-120 days	25	(25)
Past due 121+ days	26	(26)
Total	**1,391**	**(80)**

31 December 2020	Gross balances £'000	Allowance for ECL £'000
Not past due	407	(42)
Past due 31-60 days	48	-
Past due 61-90 days	107	(8)
Past due 91-120 days	4	(4)
Past due 121+ days	413	(389)
Total	**979**	**(443)**

Liquidity risk

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

The Group manages liquidity risk by assessing cash-flows, and monitoring the Group's statement of financial position structure, its book of securities and liquidity asset buffer, taking action where necessary, in order to ensure the diversity and availability of funding sources.

The Group 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.

Notes to the financial statements (continued)

20 Financial risk management *(continued)*

The Group 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, of liquidity adequacy.

The contractual maturities of financial liabilities (Note 19), excluding the effect of netting arrangements, were all less than one year. A maturity analysis of property lease liabilities is given in Note 12.

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 Group'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 Group's business. The Group 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 Group. Also contained within the register are details of mitigation strategies and required actions to address the risk as the Group 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 Group's risk register regularly. The register also feeds into the production of the ICAAP.

21 Capital Management

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

The Group manages its risk profile and its capital resources with the objective of maintaining an excess and buffer over the Capital Resources Requirement. The Group 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 and Compliance Committee of the Board and by the Board itself. The Group 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.

Notes to the financial statements (continued)

22 Provisions

	31 December 2021 £'000	31 December 2020 £'000
Balance at 1 January	807	-
Movement during the year	(533)	807
Balance at 31 December	**274**	**807**

The provision is recognised in respect of onerous supplier contracts for the prime services business transacted with subsidiary entity PrimeXtend Limited, see Note 27 for further detail. These contracts relate to IT services and £533k was utilised during the year (2020: £nil). The expense was presented in IT costs, see Note 4 Operating expenses.

23 Called up share capital and share premium

Date	Share transaction	Allotted, called up and fully paid shares	Share capital £'000	Share premium £'000
As at 31 December 2020		**41,975,095**	**420**	**78,424**
On 10 May 2021	Issued ordinary shares of £0.01 each at a price of £1.929 per share	51,840	1	99
As at 31 December 2021		**42,026,935**	**420 ***	**78,524 ***

** Numbers does not cast correctly due to rounding.*

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium. These investments support the Company and Group in its strategic investment ambitions.

24 Contingent liabilities and commitments

Contingent liabilities

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

Commitments

At 31 December 2021, underwriting commitments to clients, which are undertaken from time to time, totalled £nil (2020: £nil).

Notes to the financial statements (continued)

25 Investment in subsidiaries

Apart from its investment in Whitman Group Limited, with its wholly owned subsidiary Whitman Howard Limited, all other subsidiaries are held via the Company's direct shareholding in Panmure Gordon & Co Limited, which owns 100% of the ordinary share capital of the subsidiaries, unless otherwise stated.

	2021	2020
Cost and net book amount	**£'000**	**£'000**
At 1 January	78,584	54,530
Additions	100	12,385
Impairment reversal	-	11,669
At 31 December	**78,684**	**78,584**

During 2021, the Company acquired 0.1m additional ordinary shares in Panmure Gordon & Co Limited, for £1 each (2020: £9.1m Panmure Gordon & Co Limited and £3.3m Whitman Group Limited).

As at 31 December 2021, details of the Group's subsidiaries, which are all included in the consolidated financial statements of the Group, are as follows:

Name of company	Principal place of business and country of incorporation	Nature of business
Whitman Group Limited	United Kingdom – A1	Holding Company
Whitman Howard Limited	United Kingdom – A1	Holds investments in securities
Panmure Gordon & Co Limited	United Kingdom – A1	Holding Company
Panmure Gordon (UK) Limited	United Kingdom – A1	Stockbroking, corporate finance and market making
Panmure Gordon Securities Limited	United Kingdom – A1	Stockbroking and market making
PrimeXtend Limited	United Kingdom – A1	Prime services
Panmure Gordon (Broking) Limited	United Kingdom – A1	Dormant
Durlacher Research Limited	United Kingdom – A1	Dormant
Life Capital Limited	United Kingdom – A1	Dormant
Rotherfield Nominees Limited [1]	United Kingdom – A1	Dormant
Web Angel Limited	United Kingdom – A1	Dormant
United Energy Limited [2]	United Kingdom – A1	Dormant
Panmure Gordon Holdings US LLC	United States of America – A2	Dormant

[1] *Direct subsidiary of Panmure Gordon (Broking) Limited* [2] *Direct subsidiary of Web Angel Limited*

A1 – One New Change, London, United Kingdom, EC4M 9AF
A2 – Registered agent: National Registered Agents, Inc, 160 Greentree Drive, Dover, Delaware 19904 USA

Impairment testing of investment in subsidiaries

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

The value in use is calculated by discounting management's cash flow projections for the investment. The cash flow projections for each investment covering a 5 year period are based on the latest board-approved plans, and a conservative long-term growth rate of 2% (2020: 2%) is used to extrapolate the cash flows in perpetuity. The rate used to discount the cash flows of 12.3% (2020: 13.7%) is based on the cost of capital, which is derived using a weighted average cost of capital ('WACC'). WACC depends on a number of inputs reflecting financial and economic variables, including risk-free rate and premium to reflect the inherent risk of business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement.

No impairment was deemed necessary in relation to the Company's investment in its subsidiaries (2020: £11.7m impairment reversal in relation to the Company's investment in Panmure Gordon & Co Limited).

Notes to the financial statements (continued)

26 Related party transactions

During the year the Company reported the following related party transactions.

Intra-Company transactions with wholly owned subsidiaries

At 31 December 2021, the Company was due from subsidiaries, Panmure Gordon & Co Limited £132k (2020: £100k) and Panmure Gordon Securities Limited £35k (2020: £17k). The Company owed subsidiaries, Panmure Gordon (UK) Limited £3,334k (2020: £2,687k) and Whitman Group limited £864k (2020: £864k). These loans are unsecured and repayable on demand.

Transactions with the investors

On 10 May 2021, the Company raised £0.1m of capital from existing investors through the issue of 51,840 ordinary shares of 1p each at a price of £1.929 per share. These funds were subsequently passed through to Panmure Gordon & Co. Limited for further investment in the Group.

Transactions with key management personnel

The compensation paid to key management is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	31 December 2021 £'000	31 December 2020 £'000
Short term employment benefits	2,573	1,343
Post-employment benefits	4	5
Other long-term employment benefits	381	261
Termination benefits	-	275
	2,958	**1,884**

Further information on director's remuneration, can be found in Note 7.

At 31 December 2021, the Group was due from a director in respect of an employee loan advanced £413k (2020: £405k).

During the year 2 directors (2020: 2) were accruing benefits under a long-term incentive scheme and no directors exercised share options in the year (2020: 0).

27 Discontinued operations

The post-tax loss on discontinued operations was determined as follows:

Result of discontinued operations	31 December 2021 £'000	31 December 2020 £'000
Revenue	540	1,700
Expenses other than finance cost	(1,259)	(3,701)
Finance cost	(1)	(2)
Tax expenses	-	(285)
Loss for the year	**(720)**	**(2,288)**

The statement of cash flow includes the following amounts relating to discontinued operations:

Statement of cash flow	31 December 2021 £'000	31 December 2020 £'000
Operating activities	(1,253)	(1,481)
Net cash utilised by discontinued operations	**(1,253)**	**(1,481)**

Notes to the financial statements (continued)

27 Discontinued operations *(continued)*

During 2020, the decision was made to terminate the prime services business PrimeXtend Limited. In February 2021 the clients and staff impacted by the closure were notified and the business ceased trading in May 2021.

A provision for onerous contracts was recognised in respect of a number of supplier contracts as at 31 December 2020 due to the decision to terminate the business. £533k was utilised during the year (2020: £nil). At 31 December 2021 the provision was £274k (2020: £807k).

28 Events after the date of the statement of financial position

There have been no post balance sheet events.

29 Ultimate parent undertaking

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