MACSCO 22 LIMITED (company number 07246104)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

CONTENTS

The Board of Macsco 22 Limited (the "Board") presents the report and the audited financial statements of Macsco 22 Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2013

Principal activities

The Company is the ultimate holding company of Peel Hunt Holdings Limited ("Peel Hunt Holdings"), Peel Hunt LLP (the "LLP" or "Peel Hunt") and Peel Hunt Inc

The principal activities of the Group are to provide stockbroking services to small and mid-cap companies and investors, principally in the UK market

Structure

The Company is a limited company incorporated under number 07246104 on 6 May 2010

Peel Hunt Holdings is a wholly owned subsidiary of the Company and is also the corporate Member of Peel Hunt Peel Hunt Inc is a wholly owned subsidiary of Peel Hunt Holdings

The registered address of each member of the Group is Moor House, 120 London Wall, London EC2Y 5ET

Board of Directors

There were no resignations or appointments during the year The directors who served throughout the year were as follows

Directors

Richard Brewster	Charles Hall
James Britton	Simon Hayes
Alex Carter	Edward Horton
Darren Carter	Kurt Mayer
Andrew Chapman	Iain Morgan
Sunil Dhall	Neil Utley
Steven Fine	

Corporate Governance

The Group operates its governance structure through the Macsco 22 Limited Board (the "Macsco Board"), the Peel Hunt Holdings Board (the "PHHL Board") and the Peel Hunt LLP Board (the "LLP Board") below The Group is committed to the principles of good corporate governance

Macsco Board

The Macsco 22 Limited Board meets on a quarterly basis and is chaired by the Non-Executive Chairman of the LLP The Macsco Board acts as the ultimate controller of Peel Hunt Holdings Limited and the LLP, monitors the overall performance of the Company and its subsidiaries and discusses matters specifically reserved for its decision, such as investment or divestment opportunities and any other matters of significance to the Group

PHHL Board

The Peel Hunt Holdings Board meets at least twice a year and is chaired by the Non-Executive Chairman of the LLP The PHHL Board is responsible for monitoring the performance of the LLP in its capacity as the corporate Member of the LLP During the year under review the Board comprised six Directors

LLP Board

The Peel Hunt LLP Board meets on a quarterly basis and is chaired by the Non-Executive Chairman of the LLP The LLP Board is responsible for providing oversight and management of the profitable development of the LLP, in line with current strategic plans and objectives The LLP Board is also responsible for managing the LLP's risks and setting the tone and influence of the culture of risk management within the LLP

As at the year end, the LLP Board comprised three Designated Members, two Independent Non-Executives and the Non-Executive Chairman There are a series of Board level committees that report directly to the LLP Board Further details on these committees can be found in the Annual Report and Financial Statements of the LLP for the year ended 31 March 2013

Financial risk management objectives and policies

The principal risks of the Group are predominantly associated with the activities of the LLP The senior management of Peel Hunt is committed to operating a sound governance practice to ensure all risks are monitored, managed and controlled not only within separate functional support areas, but also through involvement of senior management through clear and concise reporting to key committees and ultimately to the LLP Board

The day-to-day review of risks within Peel Hunt is delegated to the Risk Management department and the Risk Committee An Operational Risk Manager was appointed during the year to take over the responsibility for Operational Risk Management from Grant Thornton Grant Thornton remains as the independent internal auditor and provide an independent assessment of the adequacy and satisfactory application of the risk control framework, reporting directly to the Audit Committee

Legal and Regulatory Risk

The LLP is a Financial Conduct Authority regulated entity that operates in highly regulated markets The LLP Board encourages a culture of compliance with all legal and regulatory requirements throughout the LLP and operates a robust corporate governance structure to help maintain this culture The LLP Board requires that the independent Compliance department reports to it on compliance with regulations and key regulatory changes in order to help maintain focus on legal and regulatory risk

Operational and Reputational Risk

There is a risk that Peel Hunt could suffer financial loss arising from inadequate or failed internal processes, human errors or systems, which in turn could have a negative impact on Peel Hunt's reputation Although operational risks can never be completely eliminated, Peel Hunt mitigates its exposure to such risks by operating a system of strong internal controls and an embedded risk management culture, particularly through its corporate governance and adoption of an Enterprise-Wide Risk Management Framework Peel Hunt also has clearly defined business continuity planning strategies in place to minimise unforeseen business disruptions To reduce operational and reputational risks further, the LLP Board requires that all new products or business lines are subject to rigorous appraisal and review by the New Products and Activities Committee

Financial Risk

Peel Hunt is exposed to financial risk through the products it trades and the clients with whom it engages Financial risk is discussed in further detail in Note 20 of the consolidated accounts but in general it includes market, credit and liquidity risks Peel Hunt manages financial risk by monitoring and reporting exposures against market risk and credit risk limits, reviewing and managing financial risks in the risk forums of the LLP, including the Risk Committee, operating day to day cash management to monitor short term liquidity risks, and through investment in technology to provide real time financial risk management tools Liquidity risks associated with the liabilities of the Company are also monitored by the LLP's Risk Management department and reported and managed within the LLP's Risk Committee The Company does not have any obligation to repay long term debt prior to maturity The Group ensures that the payment of interest cost associated with long term debt is covered

Staff Risk

Attracting and retaining high quality staff is key to the present performance and future expansion of the LLP The LLP Board, through its Remuneration Committee, has dedicated considerable time on its remuneration strategies The growth and development of staff remains a key focus for the LLP, aided by performance-based staff evaluations

Business review

The Business Review represents the results of the Company and the Group relating to the year ended 31 March 2013 and the prior year ended 31 March 2012

Profit from operations (including members' remuneration)

The results of the Group for the year ended 31 March 2013 and the prior year are tabled below

	Consolidated	Consolidated
	31 March 2013	*31 March 2012*
	£'000	£'000
Revenue	32,412	39,660
Operating costs *	(28,683)	(31,389)
Profit from operations	**3,729**	**8,271**

* Including staff remuneration

Revenue

No revenues are generated by the Company other than dividend income as its principal activity is to act as the ultimate holding company of the Group

Revenues earned by the Group mainly relate to revenues generated by the LLP

Operating costs

Operating costs of the Group mainly relate to staff remuneration, premises costs, trading costs and other fixed costs of the LLP, Peel Hunt Holdings and Peel Hunt Inc

Net assets

Net assets of the Group amounted to £7 44m at 31 March 2013 (31 March 2012 £7 4m) The LLP's balance sheet remained strong throughout the year and continues to carry capital well in excess of its regulatory capital requirement

Going concern

The Group's principal activities, risks and uncertainties facing the Group are set out above

The Group prepares detailed forecasts and projections for both the current year and medium term In view of the Group's available financial resources, the Directors believe that the Group is well placed to manage its business risks successfully

The Directors are satisfied that the Group has adequate resources to operate within the level of its current and forecast liabilities The Group also has a strong focus on working capital management and ensures that the payment of the Company's current liabilities, mainly interest cost of long term debt, is covered The Company does not have any obligation to repay long term debt prior to maturity

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements

Directors' indemnities

In accordance with the Company's Articles of Association, the Company has made qualifying third party indemnity provisions for the benefit of its Directors and officers These arrangements were in place throughout the period and remained in effect at the date of approval of this Report

Charitable contributions

Charitable contributions of £4,400 (31 March 2012 £2,700) were made by the Group during the period under review and no political contributions were made (31 March 2012 £nil)

Auditor

Each of the persons who is a Director at the date of the approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappointment them will be proposed at the next members' meeting

Approved by the Board and signed on behalf of the Board

Simon Hayes
Director
17 July 2013

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

The Directors are responsible for preparing the report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union

Company law requires the directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the period In preparing these financial statements, International Accounting Standard (IAS) 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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

Approved by the Board and signed on behalf of the Board by

Simon Hayes
Director
17 July 2013

Independent auditor's report to the shareholders of Macsco 22 Limited

We have audited the financial statements of Macsco 22 Limited for the year ended 31 March 2013, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity and the Consolidated and Company Cash Flow Statement and the related notes 1 to 31 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2013 and of the profit of the Group for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
17 July 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Note	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Continuing activities			
Revenue	*3*	32,412	39,660
Administrative expenses		(20,986)	(23,953)
Impairment losses on investments available for sale	*12*	(247)	(149)
Impairment losses on loans and receivables		(5)	(169)
Profit from operations	*4*	**11,174**	**15,389**
Dividend income		-	10
Finance income	*7*	7	6
Finance cost	*7*	(2,773)	(3,215)
Other income	*8*	2	58
Profit before remuneration to the members of the LLP and tax		**8,410**	**12,248**
Remuneration to the members of the LLP charged as an expense	*6*	(7,445)	(7,118)
Profit before tax for the year		**965**	**5,130**
Tax	*9*	(186)	(1,018)
Profit for the year		**779**	**4,112**
Other comprehensive income for the year	*12*	(66)	-
Tax on other comprehensive income for the year	*9*	10	-
Total comprehensive income for the year		**723**	**4,112**

Attributable to		
Owners of the Company	47	1,082
Non-controlling interests	676	3,030
	723	**4,112**

COMPANY AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Note	Company 31 March 2013 £'000	Company 31 March 2012 £'000	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	-	-	2,832	3,342
Intangible assets	11	-	-	325	343
Investments available-for-sale	12	-	-	961	1,416
Investments held to maturity	13	-	-	48	-
Investment in subsidiary	29	29,111	29,111	-	-
Deferred tax asset	18	-	-	113	-
Total non-current assets		**29,111**	**29,111**	**4,279**	**5,101**
Current assets					
Securities held for trading	14	-	-	25,597	20,646
Market and client debtors	20 5	-	-	331,222	318,047
Trade and other debtors	16	-	-	2,771	2,126
Amounts due from members	22	-	-	-	42
Cash and cash equivalents	17	192	504	6,865	2,446
Total current assets		**192**	**504**	**366,455**	**343,307**
LIABILITIES					
Current liabilities					
Securities held for trading	14	-	-	(11,611)	(7,288)
Market and client creditors	20 6	-	-	(304,489)	(279,367)
Amounts due to members		-	-	(2,109)	(5,333)
Trade and other creditors	19	(2,884)	(3,362)	(5,052)	(5,761)
Provisions		-	-	(114)	(44)
Borrowings	21	-	-	(6,000)	(8,500)
Total current liabilities		**(2,884)**	**(3,362)**	**(329,375)**	**(306,293)**
Net current assets		**(2,692)**	**(2,858)**	**37,080**	**37,014**
Non-current liabilities					
Loan notes	24	(14,225)	(15,475)	(14,225)	(15,475)
Long-term loan	23	-	-	(6,000)	(6,000)
Preference shares	26	(11,485)	(11,391)	(11,485)	(11,391)
Operating lease liability	28	-	-	(2,122)	(1,703)
Other	23	-	-	(83)	(149)
Total non-current liabilities		**(25,710)**	**(26,866)**	**(33,915)**	**(34,718)**
Net assets/(liabilities)		**709**	**(613)**	**7,444**	**7,397**

COMPANY AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Note	Company 31 March 2013 £'000	Company 31 March 2012 £'000	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
EQUITY					
Ordinary share capital	25	97	96	97	96
Retained earnings		612	(709)	7,384	7,301
Other reserves		-	-	(37)	-
Shareholders equity/(deficit)		**709**	**(613)**	**7,444**	**7,397**

The financial statements were approved and authorised for issue on 17 July 2013

Signed on behalf of the Board by

Simon Hayes
Director
17 July 2013

COMPANY AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

Company	Ordinary share capital £'000	Investment revaluation reserve £'000	Retained earnings £'000	Company Total £'000
Balance brought forward at 01 April 2011	96	-	(2005)	**(1,909)**
Profit for the year	-	-	1,296	**1,296**
Balance at 31 March 2012	**96**	**-**	**(709)**	**(613)**
Profit for the year	1	-	1,321	**1,322**
Balance as at 31 March 2013	**97**	**-**	**612**	**709**

Group	Ordinary share capital £'000	Investment revaluation reserve £'000	Retained earnings £'000	Consolidated Total £'000
Balance brought forward at 01 April 2011	96	-	6,219	**6,315**
Profit for the year	-	-	1,082	**1,082**
Balance at 31 March 2012	**96**	**-**	**7,301**	**7,397**
Reclassification of AFS impairment		19	(19)	**-**
Ordinary shares issued during the period	1	-	-	**1**
Profit for the year	-	-	102	**102**
Other comprehensive loss	-	(56)	-	**(56)**
Balance as at 31 March 2013	**97**	**(37)**	**7,384**	**7,444**

The reclassification of AFS impairment is in relation to value movement previously treated as impairment through profit and loss Upon further analysis the prior year decline in market value was largely driven by redemptions at par, therefore the residual movements were deemed as fair value movement through equity and reclassified out of retained earnings into the investment revaluation reserve

COMPANY AND CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2013

	Note	Company 31 March 2013 £'000	Company 31 March 2012 £'000	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Net cash (used in)/generated from operations	27	**(829)**	**1,445**	**10,689**	**(8,935)**
Cash flows from investing activities					
Dividends received		3,238	3,500	-	-
Interest received		-	-	-	-
Purchase of property, plant and equipment		-	-	(152)	(3,361)
Purchase of intangible assets		-	-	(111)	(138)
Disposal of intangible assets		-	-	-	-
Proceeds received from sale of investments available-for-sale		-	-	142	151
Proceeds received from sale of securities held through profit or loss		-	-	-	115
Purchase of available-for-sale investment		-	-	-	(740)
Net cash generated from/(used in) investing activities		**3,238**	**3,500**	**(121)**	**(3,973)**
Cash flows from financing activities					
Cash received from the issuance of ordinary share capital		1	-	1	-
Cash received from the issuance of preference shares		94	50	94	50
Cash received from the issuance of loan notes		-	-	-	-
Interest paid		(1,566)	(1,461)	(2,428)	(2,446)
(Decrease)/increase in bank overdraft		-	(250)	(2,500)	7,367
Loan notes repaid during the year		(1,250)	(3,500)	(1,250)	(3,500)
Increase in other long-term loans		-	-	(66)	149
Upfront operating lease payment received		-	-	-	1,207
Loans to members		-	-	-	110
Net cash (used in)/generated from financing activities		**(2,721)**	**(5,161)**	**(6,149)**	**2,937**
Net (decrease)/increase in cash and cash equivalents		**(312)**	**(216)**	**4,419**	**(9,971)**
Cash and cash equivalents at beginning of year		504	720	2,446	12,417
Cash and cash equivalents at end of year		**192**	**504**	**6,865**	**2,446**

1 General Information

Macsco 22 is a private limited company, registered in England and Wales Its registered office is Moor House, 120 London Wall, London EC2Y 5ET The consolidated financial statements of the Company comprise the Company and its subsidiaries, together referred to as the "Group"

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated Foreign operations are included in accordance with the policies set out in note 2 8

Significant accounting policies applied in the preparation of the financial statements are described below These policies have been applied consistently throughout the period

2 Significant accounting policies

2.1 Basis of preparation

The Group's financial statements have been prepared in accordance with applicable UK law and International Financial Reporting Standards (IFRSs) The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation

On publishing the Company's financial statements here together with the Group's financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements

The financial statements have been prepared on the historical cost basis, except for financial instruments Historical cost is generally based on the fair value of the consideration given in exchange for the assets The principal accounting policies adopted are set out below

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Company (its subsidiaries) made up to 31 March each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition All intra-group transactions, balances, income and expenses are eliminated on consolidation

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree Acquisition-related costs are recognised in profit or loss as incurred

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date

2 Significant accounting policies (continued)

2.4 Going concern

The Board have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the financial statements Further detail is contained in the Directors' report on page 6

2.5 Critical accounting judgments and key sources of estimation

In the application of the Group's accounting policies, the Board is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources Actual results may differ from those estimates

2.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date

2.7 Revenue

All revenue is from services rendered and is recognised in the income statement when it is probable that the economic benefit from the transaction will be received A broker-dealer business has no equivalent to sales, cost of sales and gross profit Revenue, excluding VAT, comprises

- Gross commission from acting as agent in investment business, less commissions paid away under commission sharing agreements,
- Fee income from advisory and corporate finance services, less amounts paid to third parties,
- Gross revenues from market making activities, and
- Interest income recognised on an accrued basis in the income statement using the effective interest method

2.8 Foreign currency translation

Foreign currency assets and liabilities have been translated into Sterling at the exchange rates ruling at the period end Transactions in foreign currencies during the period have been converted into Sterling at the rates ruling at the time the transactions were executed All exchange differences are reflected in the income statement

Foreign exchange differences arising on retranslation of foreign operations are recognised directly in a separate component of equity known as the foreign currency translation reserve When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement

2 Significant accounting policies (continued)

2.9 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses Depreciation is charged to the income statement on a straight-line basis over the estimated useful economic lives of each item, considered to be as follows

- Leasehold improvements8 years
- Office equipment 3 to 5 years
- Fixtures and fittings 5 years

The carrying value of artwork is based on the lower of cost or the most recent independent valuation

2.10 Intangible assets

Intangible assets are recognised only if all of the following conditions are met

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits, and
- the cost of the asset can be measured reliably

Intangible assets are stated at cost less accumulated amortisation and impairment losses Intangible assets represent computer software and sports debentures Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of each item Computer software is amortised over five years and sports debentures are amortised over the life of the ticket rights

2.11 Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset 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 An impairment loss is recognised immediately in the income statement

2.12 Market and client debtors and creditors

Market and client debtor balances represent unsettled sold securities transactions and are recognised on a trade date basis All such balances are shown gross and are stated at their contractual values

Market and client creditor balances represent unsettled purchased securities transactions and are recognised on a trade date basis All balances are shown gross and are stated at their contractual values

2 Significant accounting policies (continued)

2.13 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value

Financial assets are classified into the following categories

- Financial assets at fair value through profit or loss ("FVTPL"),
- Held-to-maturity investments,
- Available-for-sale financial assets ("AFS"), and
- Loans and receivables

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL by management

A financial asset is classified as held for trading if

- it has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manage together and has a recent actual pattern of short-term trading, or
- it is a derivative that is not recognised and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on reassessment recognised in the income statement The net gain or loss in the income statement incorporates any dividend or interest earned on the financial asset

2 Significant accounting policies (continued)

2.13 Financial Instruments (continued)

Held-to-maturity Investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis

Available-for-sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value The Group also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss Where the investment is disposed of, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established

Loans and receivables

Trade receivables, loans, and other non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables' Loans and receivables are measured at amortised cost using the effective interest method, less any impairment

Impairment of financial assets

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at each reporting period end date Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment has been affected

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment

For all other financial assets objective evidence of impairment could include

- significant financial difficulty of the issuer or counterparty, or
- default or delinquency in interest or principal payments, or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income

De-recognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL A financial liability is classified as held for trading if

- it has been incurred principally for the purpose of repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL

2 Significant accounting policies (continued)

2.13 Financial Instruments (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

De-recognition of financial liabilities

Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or they expire

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date The resulting gain or loss is recognised in profit or loss immediately

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability

2.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance expenses are recognised immediately in profit or loss

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease Contingent rentals arising under operating leases are recognised as an expense in the period incurred

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line bases over the term of the lease

2.15 Pensions

The Group makes pension contributions to employees' personal pension schemes The Group's contributions are charged to the income statement as they fall due

2 Significant accounting policies (continued)

2.16 Members' remuneration

Contractual remuneration to members of the LLP is charged to the income statement in the financial year Division of profits amongst the Partnership's Members is on a discretionary basis as agreed by the Remuneration Committee, and is recognised as an allocation against reserves

Previously members' remuneration included the discretionary profit share allocated to individual members This year, in line with the Statement of Recommended Practice for Accounting by Limited Liability Partnerships ("SORP"), the discretionary profit share allocation is now reflected within profit for the year For comparison purposes 31 March 2012 has also been presented in the same format

2.17 Taxation

While there is no requirement to accrue for income tax payable by the Partnership's members, amounts are retained by the Group on behalf of the Partnership's members to ensure that future income tax liabilities in respect of income from the Group can be met

Current tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities that affects neither the taxable profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income

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 its current tax assets and liabilities on a net basis

3 Revenue

Revenue comprises the following

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Commission and trading income	23,595	29,080
Corporate fees and retainers	8,817	10,580
Total revenue for the year	**32,412**	**39,660**

Although there are different revenue types, the nature of the Group's activities is considered to be subject to similar economic characteristics are therefore managed as a single business unit Revenues were all earned from activities in the UK

4 Profit from operations

The following items have been included in arriving at profit from operations

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Depreciation and amortisation	744	569
Operating lease charges relating to premises (see note 27)	808	1,265
Staff costs (see note 5)	6,723	8,291
Auditors' remuneration in respect of audit services	70	66
Auditors' remuneration in respect of advisory services	160	21

5 Staff costs

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Wages and salaries	5,581	7,018
Social security costs	641	644
Pension costs	358	413
Other costs	143	216
Total staff costs for the year	**6,723**	**8,291**

No staff are employed by the Company The average number of members and employees of the LLP during the period were

	As at Mar-13	2012/13 Average	As at Mar-12	2011/12 Average
Dealing, sales, research and corporate advisory	110	112	113	108
Support and administration	40	40	39	35
Total number of members and employees	**150**	**152**	**152**	**143**

The average number of members and employees was 67 (2012 62) and 85 (2012 81) respectively There were 70 members and 80 employees at the Balance Sheet date

6 Information in relation to Members

Members' remuneration charged as an expense relates to guaranteed drawings that are contractual obligations

The highest paid member's remuneration for the current year was £2 204m to the corporate Member (31 March 2012 £4 23m to the corporate Member)

Remuneration of £82,080 (2012 £60,813) was paid to the Non-Executives of Peel Hunt

7 Net finance cost

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Finance income		
Bank interest received	7	6
Finance cost		
Bank interest paid	(387)	(549)
Interest accrued on long-term debt	(2,386)	(2,666)
Total finance cost	**(2,773)**	**(3,215)**
Net finance (cost)/income for the year	**(2,766)**	**(3,209)**

8 Other income

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Recharge of services	2	58
Total other income	**2**	**58**

9 Tax on profit on ordinary activities

9.1 Tax on profits

Corporation tax is calculated at 24% (2012 26%) of the estimated taxable profit for the year Taxation for other jurisdictions is calculated as the rates prevailing in the respective jurisdictions The tax charge per the Consolidated Statement of Comprehensive Income comprises the following

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Current tax		
UK Corporation tax for the year	410	1,101
Foreign tax for the year	4	2
Adjustments in respect of prior years	(115)	(85)
Deferred tax		
Origination and reversal of timing differences (see note 18)	(113)	-
Total tax charge on profit for the year	**186**	**1,018**
Corporation tax on other comprehensive income	(10)	-
Total tax credit on other comprehensive income for the year	**(10)**	**-**
Total tax charge reported in the Consolidated Statement of Comprehensive Income	**176**	**1,018**

9.2 Reconciliation of tax charge

The reconciliation between the total tax charge and the accounting profit multiplied by the standard rate of corporation tax in the UK is as follows

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Profit before tax on continuing operations	**965**	**5,130**
Tax at the UK corporation tax rate of 24% (2012 26%)	232	1,334
Tax effect of profit attributable to non-controlling interest	(162)	(788)
Tax effect of expenses not deductible for tax	266	589
Adjustments relating to prior year tax provision	(115)	(85)
Temporary differences	(35)	(32)
Total tax charge on profit for the year	**186**	**1,018**
Corporation tax on other comprehensive income	(10)	-
Total tax credit on other comprehensive income for the year	**(10)**	**-**
Total tax charge reported in the Consolidated Statement of Comprehensive Income	**176**	**1,018**

10 Property, plant and equipment

Group

As at 31 March 2013	Leasehold buildings and improvements £'000	Artwork £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2012	2,343	42	936	353	**3,674**
Adjustments	-	-	-	1	**1**
Additions during the year	-	12	92	48	**152**
Disposals during the year	-	-	-	-	-
Balance at 31 March 2013	**2,343**	**54**	**1,028**	**402**	**3,827**
Depreciation					
Balance at 1 April 2012	(58)	-	(237)	(37)	**(332)**
Charge for the year	(294)	-	(295)	(74)	**(663)**
Disposals during the year	-	-	-	-	-
Balance at 31 March 2013	**(352)**	-	**(532)**	**(111)**	**(995)**
Carrying value at 31 March 2013	**1,991**	**54**	**496**	**291**	**2,832**

Group

	Leasehold buildings and improvements £'000	Artwork £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2011	1,451	42	243	28	**1,764**
Additions during the year	2,343	-	693	325	**3,361**
Disposals during the year	(1,451)	-	-	-	**(1,451)**
Balance at 31 March 2012	**2,343**	**42**	**936**	**353**	**3,674**
Depreciation					
Balance at 1 April 2011	(85)	-	(29)	(6)	**(120)**
Charge for the year	(268)	-	(208)	(31)	**(507)**
Disposals during the year	295	-	-	-	**295**
Balance at 31 March 2012	**(58)**	-	**(237)**	**(37)**	**(332)**
Carrying value at 31 March 2012	**2,285**	**42**	**699**	**316**	**3,342**

As at 31 March 2013 the Company did not have any property, plant and equipment (31 March 2012 £nil)

11 Intangible assets

Group			Consolidated
	Sports debentures	Computer software	Total
At 31 March 2013	£'000	£'000	**£'000**
Cost			
Balance at 1 April 2012	56	366	**422**
Additions	6	105	**111**
Reclassified to HTM (see note 13)	(48)	-	**(48)**
Balance at 31 March 2013	**14**	**471**	**485**
Amortisation			
Balance at 1 April 2012	(4)	(75)	**(79)**
Charge for the year	-	(81)	**(81)**
Balance at 31 March 2013	**(4)**	**(156)**	**(160)**
Carrying value at 31 March 2013	**10**	**315**	**325**

Group			**Consolidated**
	Sports debentures	*Computer software*	**Total**
	£'000	£'000	**£'000**
Cost			
Balance at 1 April 2011	52	228	**280**
Additions	-	138	**138**
Reclassifications	4	-	**4**
Balance at 31 March 2012	**56**	**366**	**422**
Amortisation			
Balance at 1 April 2011	-	(13)	**(13)**
Charge for the period	-	(62)	**(62)**
Reclassifications	(4)	-	**(4)**
Balance at 31 March 2012	**(4)**	**(75)**	**(79)**
Carrying value at 31 March 2012	**52**	**291**	**343**

As at 31 March 2013 the Company did not have any intangible assets (31 March 2012 £nil)

12 Investments available-for-sale

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Investments available-for-sale at the beginning of the year	1,416	965
Investments sold during the year	(142)	(151)
Investments acquired during the period	-	740
Fair value losses recognised through equity	(66)	-
Reclassification of investments available-for-sale	-	11
Impairment losses recognised during the year	(247)	(149)
Investments available-for-sale	**961**	**1,416**

Investments available-for-sale relate to UK equities held by LLP As at 31 March 2013 the Company did not have any investments available-for-sale (31 March 2012 £nil)

13 Investments held to maturity

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Sports Debenture	48	-
Investments held to maturity	**48**	**-**

The investments held to maturity relate to four debentures which are carried at amortised cost and are redeemable at par on 31 August 2080 These particular debentures previously formed part of the balance in intangible assets However, due to the nature of the terms of the debentures they have been reclassified

14 Securities held for trading

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Long positions in market making and dealing operations		
- Listed securities	25,597	20,594
- Unlisted securities	-	52
Long securities held for trading	**25,597**	**20,646**
Short positions in market making and dealing operations		
- Listed securities	(11,611)	(7,269)
- Unlisted securities	-	(19)
Short securities held for trading	**(11,611)**	**(7,288)**

As at 31 March 2013 the Company did not have securities held for trading (31 March 2012 £nil)

15 Cash collateral

	31 March 2013 £'000	31 March 2012 £'000
Cash collateral	1,640	260
Total cash collateral	**1,640**	**260**

The Partnership enters into stock borrowing agreements with certain institutions on a collateralised basis Under such agreements securities are purchased with a commitment to return them at a future date and price The securities purchased are not recognised on the Statement of Financial Position The cash advanced is recorded on the State of Financial Position as cash collateral, the value of which is insignificantly different from the value of the securities purchased

16 Trade and other debtors

	Consolidated	Consolidated
	31 March 2013	*31 March 2012*
	£'000	£'000
Trade debtors	1,047	908
Less provision for impairment of aged debtors	(57)	(78)
Net trade debtors	990	830
Prepayments and accrued income	1,714	840
Other debtors	67	456
Total trade and other debtors	**2,771**	**2,126**

As at 31 March 2013, the Company did not have any trade and other debtors (31 March 2012 £nil)

17 Cash and cash equivalents

	Company	Company	Consolidated	Consolidated
	31 March 2012	*31 March 2011*	*31 March 2012*	*31 March 2011*
	£'000	£'000	£'000	£'000
Cash in hand and held at bank	192	504	6,865	2,446
Total cash and cash equivalents	**192**	**504**	**6,865**	**2,446**

Cash held in segregated bank accounts relating to monies held on behalf of clients amounted to £3 5m at 31 March 2013 (31 March 2012 £0 3m) which is included in the amounts above Client money relates to amounts received in the ordinary course of settlement of clients' bargains and received in advance for the purchase of securities

18 Deferred tax asset

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Deferred tax asset comprises		
Capital allowances		
Brought forward	-	-
Amounts credited to profit and loss	36	-
Carried forward	**36**	-
Other		
Brought forward	-	-
Amounts credited to profit and loss	77	-
Carried forward	**77**	-
Total deferred tax asset carrying value	**113**	-

A deferred tax asset of £0 11m (2012 £nil) has been established to reflect the tax benefit which is expected to arise from the future disposals of available for sale assets that have been impaired through the Statement of Comprehensive Income during the year, items of plant and equipment and start-up costs incurred in relation to Peel Hunt Inc

The Company has £0 33m (2012 £0 33m) unrelieved losses not recognised as a deferred tax asset

19 Trade and other creditors

	Company 31 March 2013 £'000	Company 31 March 2012 £'000	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Accruals and deferred income	950	557	2,811	3,376
Amounts due to related companies	1,472	2,288	-	-
Social security and PAYE	-	-	115	144
Corporation tax payable	-	-	399	895
Sundry creditors	462	517	1,727	1,346
Trade and other creditors	**2,884**	**3,362**	**5,052**	**5,761**

Amounts due to related companies do not have any repayment terms and are non-interest bearing

20 Financial instruments

20.1 Capital structure

The capital of the Company and its subsidiaries is structured in the form of preference shares, loan notes, long-term loans and retained earnings The company has a contractual obligation to repay the loan notes and long-term loan in June 2019 The preference shares do not have a fixed repayment date

The LLP is regulated by the Financial Conduct Authority and as such is subject to certain regulatory capital requirements These requirements were met throughout the period and the LLP is well in excess of its minimum capital requirements

The carrying amounts of financial assets and liabilities are as follows (excluding non-financial items otherwise contained within the primary statements)

	Company 31 March 2013 £'000	Company 31 March 2012 £'000	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Financial assets measured at fair value through profit and loss				
Securities held for trading	-	-	25,597	20,646
Securities designated at fair value	-	-	-	-
Loans and receivables				
Market and client debtors	-	-	331,222	318,047
Trade debtors	-	-	1,056	1,286
Other debtors	-	-	-	42
	-	-	**332,278**	**319,375**
Available for sale				
Investments available for sale	-	-	961	1,416
Cash				
Cash and cash equivalents	192	504	6,865	2,446
Total financial assets	**192**	**504**	**365,701**	**343,883**
Financial liabilities measured at fair value through profit and loss				
Securities held for trading	-	-	(11,611)	(7,288)
Financial liabilities at amortised cost				
Market and client creditors	-	-	(304,488)	(279,367)
Trade and other creditors	(1,935)	(2,805)	(2,454)	(2,385)
Amounts due to members	-	-	(2,109)	(5,333)
Bank overdraft and loan facilities	-	-	(6,000)	(8,500)
Loan notes	(14,225)	(15,475)	(14,225)	(15,475)
Long-term loan	-	-	(6,000)	(6,000)
Preference shares	(11,485)	(11,391)	(11,485)	(11,391)
Other	-	-	(83)	(149)
Total financial liabilities	**(27,645)**	**(29,671)**	**(358,455)**	**(335,888)**

20 Financial instruments (continued)

20.2 Risk management overview

The Risk Management function of the LLP, under delegated authority from the LLP Board

- monitors the LLP's risk profile against its risk appetite,
- has responsibility for ensuring effective risk management and control, through the maintenance and implementation of the Enterprise-Wide Risk Management Framework and associated standards and policies,
- monitors limits,
- produces risk reports,
- independently verifies valuations and risk measurements,
- sets the agenda for risk review meetings, and
- provides monthly updates to the Risk Committee and quarterly updates to the LLP Board on the risks facing the LLP

The main governance forums for risk and control issues are the Risk Committee, Risk Review and New Products and Activities Committee

The Risk Review meets on a fortnightly basis and reports into the Risk Committee The main purpose of the Risk Review is to confirm that the business is operating in line with the agreed risk tolerance and risk limits, to consider modifications to existing limits, to identify breaches and tolerance breaches, and to examine the results of trading controls before these are reported to the Risk Committee

The New Products and Activities Committee also reports into the Risk Committee The main purpose of the Committee is to approve (or reject) and oversee the controlled implementation of all new business activity and to give notice to all relevant areas of the firm of a new area of business, serving to disseminate information and to educate

20.3 Risk management framework

A formal Risk Appetite Statement has been composed and is maintained by Risk Management The Statement formalises the risk culture of the firm, as defined by the LLP Board, and has established a low tolerance for exceptions to the appetite It is reviewed by the LLP Board each year to confirm that the business model remains consistent with the same low tolerance for risk A key element of this risk culture is that the first layer of responsibility for oversight of risk within each business line (the 'first line of defence') rests with the trading desk and departmental heads who report exceptions to risk oversight committees, which in turn report to the LLP Board

This low risk culture is supported by a robust Enterprise-Wide Risk Management Framework, enforced by an independent risk management function (the 'second line of defence') This framework includes regular reporting of the main sources of risk and the establishment of regular review committees to raise specific concerns with senior management The independent risk management function ("Risk Management") oversees all risk taking activities, monitors limits, produces risk reports, verifies valuations and risk measurements, and sets the agenda for Risk Review meetings

In addition to the duties undertaken to achieve the objectives outlined above, Risk Management is responsible for assisting internal and external auditors (the 'third line of defence') and the regulators, and educating staff regarding risk management standards and the firm's risk appetite

20 Financial instruments (continued)

20.3 Risk management framework (continued)

The Risk Register list all the key risks to which it is exposed and records the latest assessment of these risks by each line of defence, taking into account the effectiveness of the design and operation of mitigating controls The Risk Register is regularly presented to, and reviewed by the Risk Committee, to ensure that risks are being identified and managed appropriately and that any management actions arising therefrom are being completed on a timely basis

The risk management framework under which the business operates is documented in the Enterprise-Wide Risk Management framework and promulgated and applied through the risk management policies Both the policies and the risk limits are reviewed and approved at least annually by the Board The Risk Management department applies these policies and enforces these limits as part of the day-to-day trading activities of the trading and sales businesses

20.4 Market risk

Market risk is the risk that earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates

The LLP controls market risk using strict aggregate trading and individual position limits for the Market Making and Agency businesses Risk Management reviews trading risk directly from the trading systems and is responsible for monitoring and reporting end of day limit usage to senior management and heads of business lines

Market risk comprises of three types of risk equity price risk, interest rate risk and foreign currency risk

20 4 1 Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices The LLP is exposed to equity price risk through changes in equity prices and the volatility of equity prices on its equity holdings which comprise of mainly securities held for trading, predominately arising from market making, as well as investments available-for-sale

The Company is not exposed to equity price risk as it is not holding any securities or investments available-for-sale

The Group conducted a sensitivity analysis on a 5% increase/decrease in equity prices on securities held for trading and investments available-for-sale Assuming all other variables remain constant, the sensitivity analysis results in a profit or loss change of +/- £1 5m

20 4 2 Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates Interest rate risk arises on exposures relating to excess funds in cash and loan facilities with credit institutions

The Group conducted a sensitivity analysis on a 100bps increase in interest rates Assuming all other variables remain constant, the sensitivity analysis results in a decrease in profits of £0 1m for the year under review

20 Financial instruments (continued)

20.4 Market risk (continued)

20.4.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates Currency risk arises on financial instruments that are denominated in a currency other than Sterling

Currency exposure comprises of the following unmatched assets and liabilities denominated in currencies other than the Group's functional currency, expressed in Sterling equivalent

Net assets	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Euro	59	798
US Dollar	621	113
Other	(205)	328
Total currency exposure	**475**	**1,239**

The LLP conducted a sensitivity analysis on a 5% strengthening and weakening in Sterling against foreign currencies exposures at 31 March 2013 Assuming all other variables remain constant, the sensitivity analysis results in a profit or loss change of +/- £0 023m

The Company does not any foreign exposure at 31 March 2013

20.4.4 Fair value measurement

The table on the next page shows the financial instruments carried at fair value by the following fair valuation hierarchy in accordance with IFRS7

- 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), and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

20 Financial instruments (continued)

20.4 Market risk (continued)

20.4.4 Fair value measurement (continued)

As at 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Consolidated Total £'000
Financial assets at fair value through profit and loss				
Securities held for trading	25,597	-	-	**25,597**
Available for sale				
Investments available for sale	621	-	340	**961**
Total financial assets at 31 March 2013	**26,218**	-	**340**	**26,558**
Financial liabilities at fair value through profit and loss				
Securities held for trading	(11,611)	-		**(11,611)**
Total financial liabilities at 31 March 2013	**(11,611)**	-	-	**(11,611)**

As at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Consolidated Total £'000
Financial assets at fair value through profit and loss				
Securities held for trading	20,594	52	-	**20,646**
Available for sale				
Investments available for sale	649	-	767	**1,416**
Total financial assets at 31 March 2012	**21,243**	**52**	**767**	**22,062**
Financial liabilities at fair value through profit and loss				
Securities held for trading	(7,269)	(19)	-	**(7,288)**
Total financial liabilities at 31 March 2012	**(7,269)**	**(19)**	-	**(7,288)**

The carrying amount of financial instruments other than those designated at fair value, are not significantly different from fair value

The Company does not have any exposure to market risk

20 Financial instruments (continued)

20.5 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

The LLP quantifies and monitors credit risk by managing counterparty credit exposure on pre-settlement risk and settlement risk All counterparty credit exposures arising from the LLP's business activities are captured within one of these measures

Pre-settlement risk is equal to the loss the LLP would suffer if the counterparty fails to deliver securities, or pay for securities as agreed (DVP) The exposure is measured from trade date on settlements and is calculated based upon an estimate of the replacement cost of the trade if the counterparty were to fail, based on the difference between the original transaction value and the market value of the unsettled trade

Free deliveries represent settlements where the parties agree that the seller first delivers the security being sold to the buyer (FOP) The settlement risk exposure on free deliveries for securities sold is the full market value of the security underlying the trade

Risk Management performs daily reviews on counterparty credit risk exposures and monitors these against counterparty trading limits

The Group is also exposed to credit risk relating to non-trade receivables and other non-trade debtors Exposures to this risk are monitored on a monthly basis by reviewing outstanding balances The table below reflects the age analysis of financial assets

As at 31 March 2013	Neither past due nor impaired	Past due but not impaired				Impaired	Company Carrying value before impairment
		0-3 months	3-6 month	6-12 month	> 1 year		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash							
Cash and cash equivalents	192	-	-	-	-	-	192
Total financial assets at 31 March 2013	**192**	**-**	**-**	**-**	**-**	**-**	**192**

As at 31 March 2012	Neither past due nor impaired	Past due but not impaired				Impaired	Company Carrying value before impairment
		0-3 months	3-6 month	6-12 month	> 1 year		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash							
Cash and cash equivalents	504	-	-	-	-	-	504
Total financial assets at 31 March 2012	**504**	**-**	**-**	**-**	**-**	**-**	**504**

20 Financial instruments (continued)

20.5 Credit risk (continued)

As at 31 March 2013	Neither past due nor impaired	Past due but not impaired 0-3 months	3-6 month	6-12 month	>1 year	Impaired	Consolidated Carrying value before impairment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit and loss							
Securities held for trading	25,597	-	-	-	-	-	**25,597**
Loans and receivables							
Market and client debtors	302,430	27,991	165	184	452	-	**331,222**
Trade and other debtors	1,056	-	-	-	-	57	**1,113**
Available for sale							
Investments available for sale	961	-	-	-	-	250	**1,211**
Cash							
Cash and cash equivalents	6,865	-	-	-	-	-	**6,865**
Total financial assets at 31 March 2013	**336,909**	**27,991**	**165**	**184**	**452**	**307**	**366,008**

As at 31 March 2012	Neither past due nor impaired	Past due but not impaired 0-3 months	3-6 month	6-12 month	>1 year	Impaired	Consolidated Carrying value before impairment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit and loss							
Securities held for trading	20,646	-	-	-	-	-	**20,646**
Loans and receivables							
Market and client debtors	284,007	33,653	121	135	131	-	**318,047**
Trade and other debtors	1,166	120	-	-	-	78	**1,364**
Available for sale							
Investments available for sale	1,416	-	-	-	-	351	**1,767**
Cash							
Cash and cash equivalents	2,446	-	-	-	-	-	**2,446**
Total financial assets at 31 March 2012	**309,681**	**33,773**	**121**	**135**	**131**	**429**	**344,270**

20 Financial instruments (continued)

20.5 Credit risk (continued)

The Group's counterparty and credit risk exposures are categorised by the following credit ratings (where credit ratings could be obtained)

	Company	Company	Consolidated	Consolidated
	31 March 2013	*31 March 2012*	*31 March 2013*	*31 March 2012*
Rating	**%**	**%**	**%**	**%**
AAA-A rated	100 0	100 0	48 7	54 8
BBB-B rated	0 0	0 0	0 3	0 7
Unrated institutions and brokers	0 0	0 0	32 9	34 5
Other	0 0	0 0	18 1	10 0
Total	**100 0**	**100 0**	**100 0**	**100 0**

The counterparty risk exposures of the Group in the unrated institutions and brokers category are predominantly market and client debtors arising from normal trading activity These counterparty risk exposures are with large retail brokers or brokerage subsidiaries of multi-national banking and credit institutions The LLP's Risk Management department regularly monitors and assesses the counterparty risk of these institutions

20.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset

Liquidity risk is managed by regular reporting of sources and uses of funds to senior management, strict trading systems controls that limit the amount of funding for trading activities A further review of funding is conducted in the monthly Risk Committee The LLP also monitors liquidity in the trading book by conducting an ageing process on inventory and setting aside a reserve based on the age of each position The reserve cushion is deemed appropriate for the potential liquidity risk in inventory, and operationally the ageing process highlights at weekly intervals the areas of the trading portfolio that are at risk of significant illiquidity

The Group's exposure to liquidity risk mainly arises from the market making and fixed income trading activities

The maturity analysis below analyses the Group's cash outflows relating to contractual liabilities

As at 31 March 2013					**Company**
	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Financial liabilities at amortised cost					
Trade and other creditors	463	-	-	1,472	**1,935**
Loan notes	-	-	-	14,225	**14,225**
Total financial liabilities at 31 March 2013	**463**	**-**	**-**	**15,697**	**16,160**

20 Financial instruments (continued)
20.6 Liquidity risk (continued)

As at 31 March 2012					Company
	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost					
Trade and other creditors	517	-	-	2,288	**2,805**
Loan notes	-	-	-	15,475	**15,475**
Total financial liabilities at 31 March 2012	**517**	**-**	**-**	**17,763**	**18,280**

As at 31 March 2013					Consolidated
	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Market and client creditors	304,489	-	-	-	**304,489**
Amounts due to members	2,109	-	-	-	**2,109**
Trade and other creditors	2,454	-	-	-	**2,454**
Borrowings	6,000	-	-	-	**6,000**
Loan notes	-	-	-	14,225	**14,225**
Long term loans	-	-	-	6,000	**6,000**
Other	-	83	-	-	**83**
Total financial liabilities at 31 March 2013	**315,052**	**83**	**-**	**20,225**	**335,360**

As at 31 March 2012					Consolidated
	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Market and client creditors	279,367	-	-	-	**279,367**
Amounts due to members	5,333	-	-	-	**5,333**
Trade and other creditors	2,385	-	-	-	**2,385**
Borrowings	8,500	-	-	-	**8,500**
Loan notes	-	-	-	15,475	**15,475**
Long term loans	-	-	-	6,000	**6,000**
Other	-	149	-	-	**149**
Total financial liabilities at 31 March 2012	**295,585**	**149**	**-**	**21,475**	**317,209**

20 Financial instruments (continued)

20.7 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events As with other types of risks, all key operational risks are identified and listed in the firms' Risk Register This records inherent risk ratings, as well as evaluations on the effectiveness of controls and resulting in residual risk assessments

Peel Hunt monitors and mitigates the effects of operational risks within the business through

- Implementation of the Enterprise-Wide Risk Management Framework and Operational Risk Management Policy, which together set out how operational risk should be defined, identified and classified, assessed and analysed, and managed, monitored and reported,
- The Risk Committee, which ensures that all potential and existing operational risks within Peel Hunt are properly reviewed and monitored and that processes are in place to minimise operational risks throughout the organisation,
- Analysis and reporting of operational risk events, and any resulting management actions, to the Risk Committee,
- Coordination of Risk and Control Self-Assessments by the business to acknowledge ownership and accountability for the operational risks in their areas and consider the effectiveness of controls to mitigate those risks , and
- Review of external operational loss events within the industry to analyse the control failures that led to those events and to ensure adequate controls are in place to prevent or mitigate similar events occurring within the firm

Peel Hunt believes that the procedures and processes encapsulated by the firm's Operational Risk Management Policy mitigate the chances of recording significant operational losses

20.8 Business risk

Business risk is the risk of capital impairment due to external events beyond the firm's control having a negative financial impact on particular lines of business or methods of business that the firm has adopted

The main foreseeable external event that would have a negative financial impact on Peel Hunt would be a significant fall in the market and trading activity This would have two main effects on Peel Hunt the Market Making portfolio would revalue down with the market and trading would become more difficult, and the Corporate business would suffer, as clients hold off equity capital fund raising in anticipation of a market recovery, or as investor appetite fails to support new issues within the Corporate clients' sector

21 Borrowings

	Consolidated *31 March 2013* £'000	Consolidated *31 March 2012* £'000
Borrowings	6,000	8,500
Total borrowings	**6,000**	**8,500**

The bank facility relates to an advance received from Credit Suisse Securities (Europe) Limited to the LLP at 31 March 2013 and is secured over the value of the LLP's Crest portfolio

22 Amounts due from members

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Amounts due from members	**-**	**42**

Amounts due from members relates to loans granted to members of Peel Hunt These loans have been repaid during the year

23 Long-term loans

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Subordinated loan	6,000	6,000
Other	83	149
Total long-term loans	**6,083**	**6,149**

The final repayment date of the loan to LLP is 30 June 2019 and the rate of interest is 8% per annum The loan is redeemable by Peel Hunt at any time at its option

The Company does not have any long-term loans (31 March 2012 £nil)

24 Loan notes

	Company	Company	Consolidated	Consolidated
	31 March 2013	*31 March 2012*	*31 March 2013*	*31 March 2012*
	£'000	£'000	£'000	£'000
Loan notes issued	**14,225**	**15,475**	**14,225**	**15,475**

During the year the Company repaid £1 25m of the principal amount of issued loan notes (31 March 2012 £3 5m repaid) The redemption date of the loan notes is 30 June 2019 and the rate of interest is 10% per annum The interest on the loan notes is accrued daily The loan notes are redeemable by the Company at any time at its option

25 Ordinary share capital

The ordinary share capital of the Company comprises the following

	31 March 2013	*31 March 2012*
	£	£
Issued		
A ordinary shares 25,000,000 shares at 0 1p each	25,000	25,000
B ordinary shares 71,688,125 shares at 0 1p each (31 March 2012 71,450,625 shares at 0 1p each)	71,688	71,450
Total ordinary share capital	**96,688**	**96,450**

The authorised share capital of A ordinary shares is 25,000,000 shares at 0 1p each and the authorised share capital of B ordinary shares is 75,000,000 shares at 0 1p each During the year under review, 237,500 B ordinary shares were issued at 0 1p each

26 Preference shares

Preference shares comprise the following

	31 March 2013	*31 March 2012*
	£'000	£'000
Authorised		
Cumulative redeemable preference shares 11,925,000 at £1 each	11,925	11,925
Issued		
Cumulative redeemable preference shares 11,485,413 (31 March 2011 11,390,650) shares at £1 each	11,485	11,391

The cumulative redeemable preference shares accrue interest at a rate of 3-month LIBOR plus 2 75% per annum and are redeemable by the Company at any time at its option The interest is accrued daily and compounded quarterly During the year under review, 94,763 cumulative preference shares were issued at £1 each

27 Cash used in operations

Cash used in operations as per the Consolidated Cash Flow Statement comprise of the following

	Company	Company	Consolidated	Consolidated
	31 March 2013	*31 March 2012*	*31 March 2013*	*31 March 2012*
	£'000	£'000	£'000	£'000
Profit/(loss) for the year	(1,918)	1,296	965	1,082
Adjustments for non-cash items				
Depreciation and amortisation	-	-	744	569
Impairment losses on available-for-sale investments	-	-	247	318
Impairment losses on loans and receivables	-	-	5	-
Gain on securities held through profit or loss	-	-	-	(54)
Loss on disposal of fixed assets	-	-	-	1,156
Operating lease charges	-	-	419	496
Provisions during the year	-	-	70	44
Net finance cost	1,905	2,187	2,765	3,168
Change in working capital				
Decrease/(increase) in net securities held for trading	-	-	(629)	(365)
Decrease/(increase) in net market and client debtors	-	-	11,947	(18,097)
(Decrease)/increase in net amounts due to members	-	-	(3,858)	4,904
Decrease/(increase) in trade and other debtors	-	57	(650)	309
(Decrease)/increase in trade and other creditors	(816)	(2,097)	(552)	(2,368)
Cash (used in)/generated from operations	(829)	1,443	11,473	(8,838)
Interest received	-	2	7	6
Interest paid	-	-	(5)	-
Corporation tax paid	-	-	(786)	(103)
Net cash (used in)/generated from operations	(829)	1,445	10,689	(8,935)

28 Operating lease commitments

The following amounts were recognised as income and an expense relating to minimum operating lease payments

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Amounts recognised as an expense during the year	977	1,340
Amounts recognised as income during the year	(169)	(75)
Net operating lease expense	**808**	**1,265**

The LLP entered into a lease agreement on 24 June 2011 relating to its current occupied premises, which is due to expire on 23 June 2025 Upon entering into the lease agreement, the LLP received an upfront cash payment This amount has been recognised as a reduction of rentals payable over the lease term

The operating lease liability comprises the following

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Balance brought forward	1,703	-
Upfront cash payment received	-	1,207
Amounts recognised as income during the year	(169)	(75)
Amounts recognised as expense during the year	588	571
Operating lease liability	**2,122**	**1,703**

At 31 March 2013 the LLP was committed to making the following payments in respect of operating leases

	Consolidated 31 March 2013 £'000	Consolidated 31 March 2012 £'000
Outstanding commitments		
Within one year	1,060	442
Within two to five years	5,300	5,300
After five years	2,527	3,533
	8,887	**9,275**

The Company does not have any operating lease commitments as at 31 March 2013 (31 March 2012 £nil)

29 Investment in subsidiary

The investment in subsidiary is accounted for at cost (£29 1m) and there has been no indication of impairment since the prior year

30 Related party transactions

During the period under review, the following transactions were carried out with related parties

30.1 Intra-group transactions

Macsco 22 Limited is the ultimate controlling party of Peel Hunt Holdings, the LLP, and Peel Hunt Inc Intra-group transactions between the LLP, Peel Hunt Holdings, Peel Hunt Inc and the Company are eliminated on consolidation and are not disclosed in this note Amounts owed between the Company and its subsidiaries are disclosed in notes 16 and 19

The intra-group balance disclosed in note 19 relates to transactions with the LLP The balance outstanding as at 31 March 2013 is a payable to Peel Hunt LLP of £1 472m (31 March 2012 payable of £2 288m)

30.2 Director transactions

Long-term loan

Neil Utley and Richard Brewster collectively own £1,377,000 of the subordinated loan balance and are also members of UB Investment Management LLP, which owns £1,750,000 of the subordinated loan balance

Loan notes

Richard Brewster, Neil Utley and Darren Carter collectively hold loan notes with a principal amount of £9,769,520

30.3 Ordinary and preference shares issued during the period

Ordinary and preference shares totalling £95,000 were issued to staff of Peel Hunt during the year under review

A ordinary shares are held by external investors and certain Directors

B ordinary shares and preference shares are held by employees and members of Peel Hunt

30.4 Key management remuneration

The Group's key management personnel comprise members of the Management Committee, Risk Committee and Operations Committee The total remuneration paid to key management amounted to £2,070,000 for the year ended 31 March 2013 (31 March 2012 £3,417,750)

The Directors did not receive any remuneration during the period in respect of their duties for the Company

30.5 Loans to members

At 31 March 2013 outstanding loans to members of the LLP reduced to £nil (31 March 2012 £42,000)

31 Subsequent events

Since 31 March 2013 to the date of approving the financial statements, there have been no significant subsequent events

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